



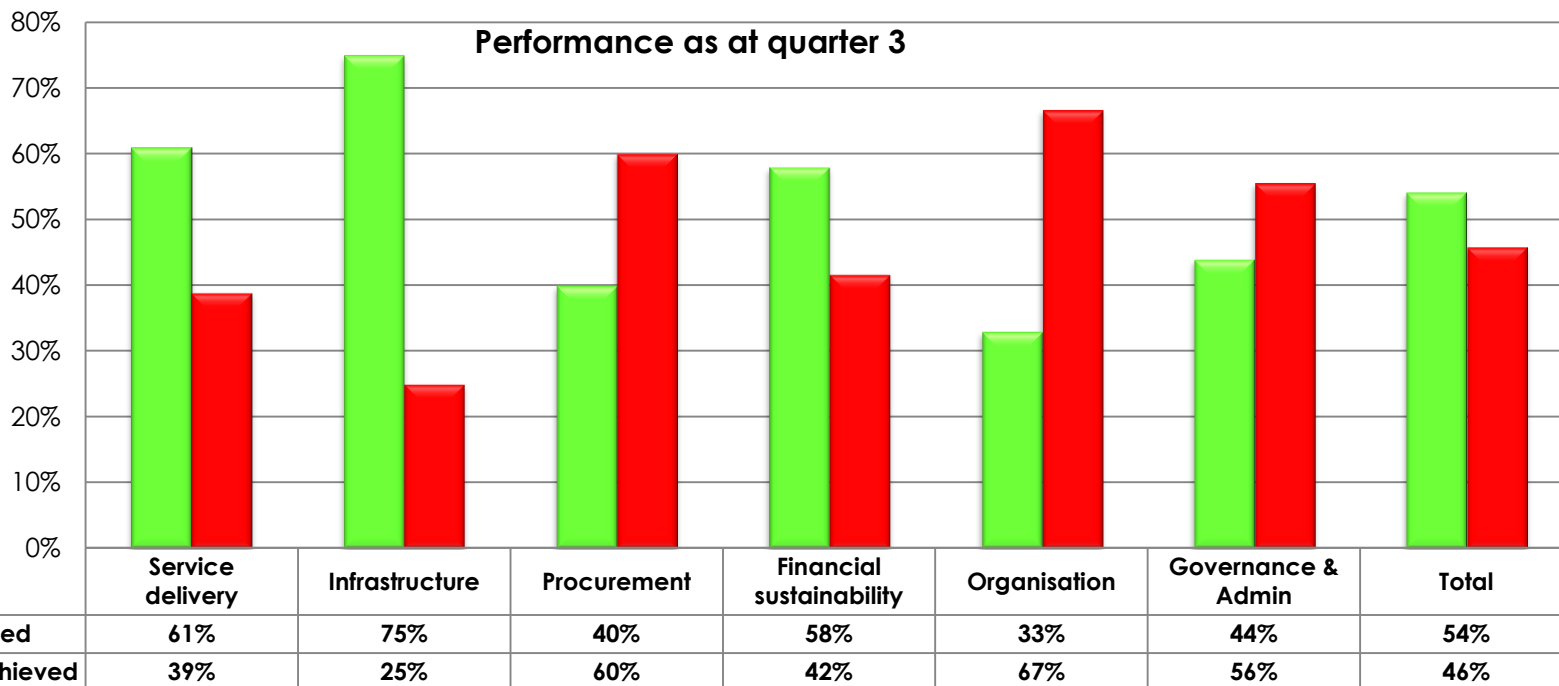
State Information Technology Agency SOC Ltd

**CORPORATE PERFORMANCE :QUARTER 3  
PORTFOLIO COMMITTEE ON TELECOMMUNICATIONS  
& POSTAL SERVICES: 15 AUGUST 2017**

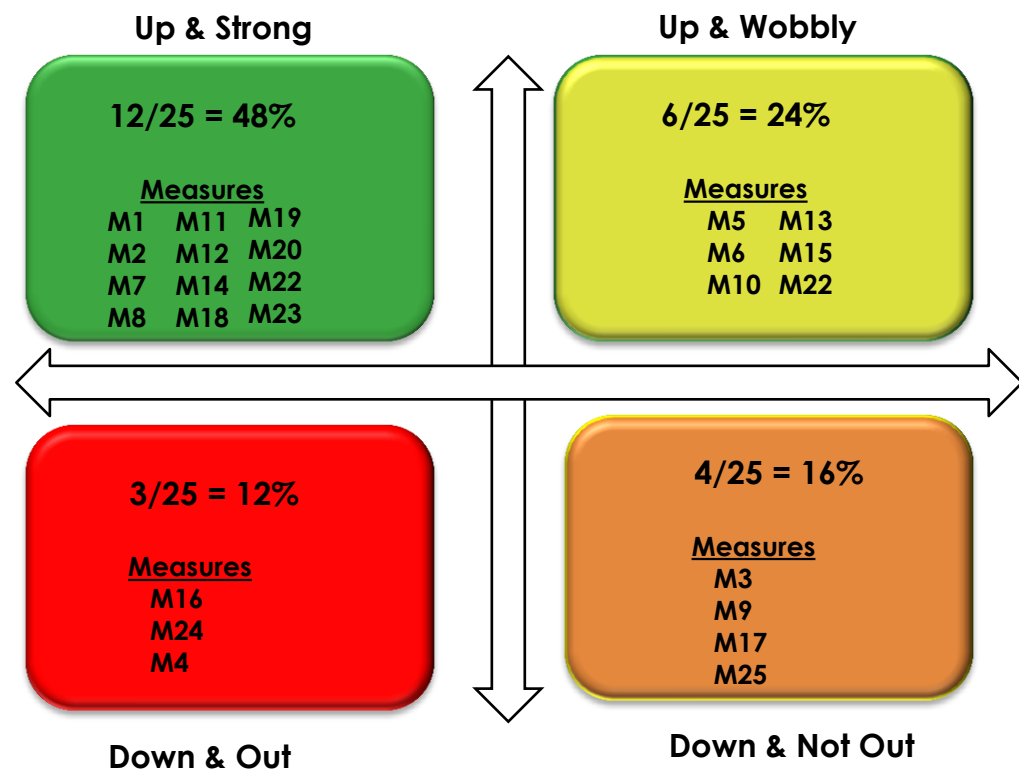
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# As at end of quarter 3 the organisation achieved 54% performance against planned targets



# Projected performance towards annual APP targets



- The projected annual performance is 88%.
- 48% of the performance measures are currently performing well and will be achieved.
- 40% of the performance measures are currently not performing well but have a high likelihood of being achieved .
- Interventions to close the performance gap are being implemented and progress is monitors on a weekly basis.
- 12% of the corporate targets will not be achieved as planned, new tactics are being defined to ensure the achievement of the overall strategic objectives.

## LEDGEND

- **Up and strong:** currently performing well and will be achieved
- **Up and wobbly & Down and not out:** currently not performing well but have a high likelihood of being achieved
- **Down and out:** currently not performing well and will not be achieved

# (1) Interventions to ensure achievement of the targets in the “up and wobbly” and “down and not out” categories

Measure	Annual target	Progress towards annual target	Projected performance	Interventions	Timelines	
<b>M5:</b> No. of e-Gov services implemented	20 e-services implemented	a)	5 e-services have been implemented for Department of Basic Education (DBE)	23 e-services implemented	Obtain client input for 6 e-services.	31 January 2017
		b)	6 e-services for DBE have been developed and awaiting final input for implementation. These are also for DBE.		Implement outstanding 12 e-services. These are for the following clients:	31 March 2017
		c)	12 additional e-services will be implemented in quarter 4. <ul style="list-style-type: none"> <li>10 e-services have been prototyped and demonstrated to the client</li> <li>2 e-services are in the analysis stage.</li> </ul>		<ul style="list-style-type: none"> <li>6 – Department of Small Business Development</li> <li>4 – Department of Social Development</li> <li>2 – Department of Basic Education</li> </ul>	
<b>M6:</b> Level of maturity of ICT security	Implementation of the following security controls: a) Threat management b) End point protection	a)	Implementation of the threat management solution has completed. Solution has been implemented on the following networks: <ul style="list-style-type: none"> <li>SITA Internal IT network;</li> <li>e-Government network;</li> <li>web hosting network;</li> <li>IFMS;</li> <li>GOV; and</li> <li>Mainframe.</li> </ul>	100% implementation of the following security controls a) End point protection b) Threat management	Finalise implementation of the end point protection solution as follows: <ul style="list-style-type: none"> <li>SITA Internal IT = 60%</li> <li>eGovernment = 90%</li> <li>Service Management Centre=90%</li> <li>Hosting Services= 90%</li> <li>IFMS=90%</li> </ul>	31 January 2017
		b)	Implementation of the end point protection solution is in progress the status is as follows: <ul style="list-style-type: none"> <li>SITA Internal IT = 60%</li> <li>eGovernment = 90%</li> <li>Service Management Centre=90%</li> <li>Hosting Services= 90%</li> <li>IFMS=90%</li> </ul>			

## (2) Interventions to ensure achievement of the targets in the “up and wobbly” and “down and not out” categories

Measure	Annual target	Progress towards annual target	Projected performance	Interventions	Timelines
<b>M10:</b> % performance against measured contracted SLA metrics	95% level performance against measured contracted SLA metrics	<p>The organisation has constantly achieved more than 95% performance against measured contracted SLA metrics. Historically SLA performance trends show that there is an influx of incidents/ requests that are logged during quarter 4.</p> <p>This may have a negative impact on the categorisation, response and resolution of calls. (refer to figure 3 for details on SLA performance)</p>	95% level performance against measured contracted SLA metrics	Institute management control to ensure incidents/ requests are correctly categorised, allocated timely and resolved within agreed SLA metrics.	31 January 2017
<b>M21:</b> Number of material Auditor-General findings on finances, predetermined objectives and compliance to laws and regulations	Zero material AG findings on finance, pre-determined objectives	<p>a) Detailed implementation plans to close the outskating MLP's have been developed.</p> <p>b) The organisation as also closed 5 out of 9.5 MLP's for the 14/15 financial year.</p> <p>c) To date the organisation has managed to resolve and close 13 out of 52 MLP's for the 15/16 financial year.</p>	Zero material AG findings on finance, pre-determined objectives	Resolve and close all outstanding MLP's.	31 March 2017
<b>M3:</b> % gross margin	20% gross margin	Year-to-date revenue amounted to R4.462bn and this is below budget by R276.9m.	18.8%	Collect outstanding debt related to service revenue	31 March 2017

# (3)Interventions to ensure achievement of the targets in the “up and wobbly” and “down and not out” categories

Measure	Annual target	Progress towards annual target	Projected performance	Interventions	Timelines
<b>M13:</b> No. of data centres modernised	Three SITA-owned data centres stabilised to 99.749% availability electrically and mechanically	<p>To date the organisation achieved the following levels of availability:</p> <ul style="list-style-type: none"> <li>a) Centurion               <ul style="list-style-type: none"> <li>• 9 hours downtime to date (planned)</li> <li>• 99.897% availability</li> </ul> </li> <li>b) Numerus               <ul style="list-style-type: none"> <li>• 0 hours downtime to date</li> <li>• 100% availability</li> </ul> </li> <li>c) Beta               <ul style="list-style-type: none"> <li>• 10 minutes downtime to date (un-planned)</li> <li>• 99.998% availability</li> </ul> </li> </ul> <p>Furthermore progress on modernisation project is as follows:</p> <ul style="list-style-type: none"> <li>a) Numerus Cooling Tower Replacement               <ul style="list-style-type: none"> <li>• 50% implemented.</li> </ul> </li> <li>b) Generator Control Panel Modernisation (Beta, Numerus)               <ul style="list-style-type: none"> <li>• Contractor has been appointed.</li> </ul> </li> <li>c) Main Distribution Board Modernisation(Centurion, Beta, Numerus)               <ul style="list-style-type: none"> <li>• Contractor has been appointed.</li> </ul> </li> <li>d) Transformer &amp; Generator Modernisation (Centurion)               <ul style="list-style-type: none"> <li>• Tender has been evaluated and awaiting adjudication.</li> </ul> </li> <li>e) UPS &amp; Battery Modernisation (Beta, Numerus)               <ul style="list-style-type: none"> <li>• Tender has been evaluated and awaiting adjudication.</li> </ul> </li> </ul>	Three SITA owned data centres stabilised to 99.749% availability electrically and mechanically	<ul style="list-style-type: none"> <li>a) Finalise implementation of Numerus cooling tower replacement</li> <li>b) Obtain Client approval for planned downtime for the following upgrades:               <ul style="list-style-type: none"> <li>• Generator Control Panel Modernisation (Beta, Numerus)</li> <li>• Main Distribution Board Modernisation Centurion, Beta, Numerus)</li> </ul> </li> <li>c) Adjudicate tenders for the following installations:               <ul style="list-style-type: none"> <li>• Transformer &amp; Generator Modernisation (Centurion)</li> </ul> </li> </ul>	31 January 2017

# (4)Interventions to ensure achievement of the targets in the “up and wobbly” and “down and not out” categories

Measure	Annual target	Progress towards annual target	Projected performance	Interventions	Timelines
<b>M15:</b> Number of disaster recovery sites established	2 disaster recovery sites established	The establishment of secondary data centre is implemented through the procurement vehicle RFB1315.The following progress has been achieved to date:	2 disaster recovery sites established	Award Gauteng DR Tender	31 January 2017
		a) All evaluation stages for the Gauteng DR site have been completed and approved by the Board Procurement committee.		Evaluate and award the Free State DR Tender	28 February 2017
		b) The Free State DR tender has been published.		Publish, evaluate and ward the Western Cape and Northern Cape DR tender	31 March 2017
c) Western Cape and Northern Cape business cases have been approved and tenders will be published					
<b>M9:</b> Customer satisfaction level	60% customer satisfaction level	a) The origination has implemented 53% of the service improvement plan as per the improvement areas:	60% customer satisfaction level	Implement the remaining 7% of the service improvement plan as per the improvement areas:	31 January 2017
		<ul style="list-style-type: none"> <li>• Customer Forums</li> <li>• Implement Sales Methodology</li> <li>• Complaints Management</li> <li>• Improve Customer Engagement</li> <li>• Customer Satisfaction Key Performance Indicators</li> <li>• Customer Advocates</li> <li>• Conduct Customer Satisfaction Survey</li> </ul>		<ul style="list-style-type: none"> <li>• Customer Forums</li> <li>• Implement Sales Methodology</li> <li>• Complaints Management</li> <li>• Improve Customer Engagement</li> <li>• Customer Satisfaction Key Performance Indicators</li> <li>• Customer Advocates</li> <li>• Conduct Customer Satisfaction Survey</li> </ul>	28 February 2017
		b) Conducted a dipstick survey which shows customer satisfaction level of 67%		Conduct final survey	



# (5) Interventions to ensure achievement of the targets in the “up and wobbly” and “down and not out” categories

Measure	Annual target	Progress towards annual target	Projected performance	Interventions	Timelines
<b>M17:</b> Develop and roll out the Government e-Procurement portal	Implementation and rollout of government transversal e-Procurement portal at SITA and NT in the OCPO	The solution demo was presented at EXCO and did not meet the user requirements.	Implementation and rollout of tenders and buy site portal	Acquire 1 module i.e. tenders and buy site portal.	31 March 2017
				Load Microsoft of NT buy site	31 January 2017
<b>M25:</b> % of critical positions with minimum cover ratio of 1:2	20% of critical positions with minimum cover ratio of 1:2	a) Workshopped the CCS definitions and succession process with all business leaders. b) Identified all CCS positions which amount to 115 positions. a) Roadshows to socialise all staff on the succession process are currently being conducted	Talent pool consisting of at least 230 (115X2) potential successors	Identify potential successors	28 February 2017
				Assess potential successors	31 March 2017
				Succession contracts	31 March 2017

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# Programme 1: Service Delivery

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

Strategic Objectives	Performance Indicator	Actual Target	Quarter 3 Target	Quarter 3 Performance	Quarter 3 Variance	Reason for Variance
<b>C1: Enhance efficiency of government business processes</b>	<b>M5:</b> No. of e-Government services implemented	20 e- services implemented	3 e-services implemented	<b>Not achieved</b>  6 DBE BI e-Services are awaiting client input.	-3	Awaiting client User Acceptance Testing (UAT) and client inputs. The client could not honour the scheduled meetings due to other commitments.
<b>C2: Improve security of government data assets</b>	<b>M6:</b> Level of maturity of ICT security	Implementation of the following security controls: <ul style="list-style-type: none"> <li>▪ Endpoint protection</li> <li>▪ Threat Management</li> </ul>	Endpoint protection solution implementation completed	<b>Not achieved</b> <ul style="list-style-type: none"> <li>▪ The project charter and plan completed.</li> <li>▪ The implementation has commenced with the first roll-out for ISS network and testing phase for SITA owned networks.</li> </ul>	-100%	Normal system change requests were halted over the December period due to the network freeze period.

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<b>C2: Improve security of government data assets</b>	M7: % compliance of SITA NKP Act with SAPS evaluation	>90% compliance of SITA NKP with SAPS evaluation	Install additional perimeter lighting for NKP building	<b>Not achieved</b>  50% WIP  <ul style="list-style-type: none"> <li>▪ Bid specification document is being revised by all stakeholders.</li> <li>▪ The technical specifications are being revised.</li> </ul>	-100%	The RFQ for the installation of additional lighting was cancelled because all responses were above R500 000 and the procurement process had to be restarted.
	M8: % of personnel security clearance requirements	>90% compliance to personnel security clearance requirements	>90% compliance to personnel security clearance requirements	<b>Achieved</b>  93.24%	3.24%	The consistent and constant communication between SSA ensured that SITA security clearance was expedited.

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Strategic Objectives	Performance Indicator	Actual Target	Quarter 3 Target	Quarter 3 Performance	Quarter 3 Variance	Reason for Variance
<b>C3: Transform SITA into customer-centric organisation</b>	<b>M9:</b> Customer satisfaction level	60% customer satisfaction level	60% improvements implemented on 8 dimensions of customer satisfaction index	<b>Not achieved</b>  53% improvements implemented on 8 dimensions of customer satisfaction index	7%	There have been delays in finalising the improvement plan.
	<b>M10:</b> % performance against measured contracted SLA metrics	95% performance against measured contracted SLA metrics	95% level performance against measured contracted SLA metrics	<b>Achieved</b>  95.59%	0.59%	Due to continually monitoring and escalations of challenges through the weekly service level management (SLM) committee meetings.
<b>C4: Achieve growth in government market share</b>	<b>M11:</b> % increase in government market share	10% increase in government market share (increase on 2014/2015)	N/A	N/A	N/A	N/A
	<b>M12:</b> % retention of services provided to customer	90% retention of services provided to customer	N/A	N/A	N/A	N/A

# Programme 2: Infrastructure

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

Strategic Objectives	Performance Indicator	Actual Target	Quarter 3 Target	Quarter 3 Performance	Quarter 3 Variance	Reason for Variance
<b>C5: Consolidate and modernize data centers</b>	<b>M13:</b> No. of data centres modernised	3 SITA owned data centres stabilized to 99.749% availability electrically and mechanically	Electrical contractor for the stabilisation work appointed to implement planned work at three data centres	<b>Not achieved</b> 50%	-50%	The tender website was down for one week causing a tender period extension of one week.
			Award tender for mechanical/civil	<b>Achieved</b> 100%	None	N/A
	<b>M14:</b> No of storage and server infrastructure refreshed	Infrastructure and modernisation plan developed and approved by Board	Second draft of storage server infrastructure plan developed and submitted to Exco	<b>Not achieved</b> 80% WIP	-100%	The output will be re-packaged for approval.
<b>C7: Improvement of ICT Infrastructure: Disaster Recovery (DR)</b>	<b>M15:</b> No of disaster recovery sites established	2 disaster recovery sites established	Tender published with award	<b>Not achieved</b> 60% WIP	-100%	Delays in the approval of the final award.

# Programme 3: Procurement

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

Strategic Objectives	Performance Indicator	Actual Target	Quarter 3 Target	Quarter 3 Performance	Quarter 3 Variance	Reason for Variance
<b>C8: Improve procurement operational efficiency to enable service delivery</b>	<b>M16:</b> % of tender awards completed within the targeted turnaround time	65% of tender awards completed within the targeted turnaround time	60% of tender awards completed within turnaround time	<b>Not achieved</b> 32% (110/346)	-28%	Implementation of corrective actions identified in quarter 2 is in progress.
	<b>M17:</b> Develop and roll-out of the Government e-Procurement portal	Implementation and roll-out of Government Transversal e-Procurement portal at SITA and National Treasury in the OCPO	Complete the implementation and roll-out of Government Transversal e-procurement portal at SITA	<b>Not achieved</b> There are extenuating delays in the acquisition of this solution	-100%	The current sourcing strategy is under review to ensure that the right solution is being sourced at the right cost.
<b>C9: Drive ICT cost-effectiveness through economies of scale</b>	<b>M18:</b> % Actual savings on acquisition of ICT goods and services with major OEMs/OSMs	10% actual savings on acquisition of ICT goods and services with major OEMs / OSM	10% actual savings on acquisition of ICT goods and services with major OEMs/ OSMs	<b>Achieved</b> 29%	19%	Due to negotiated discounts with service providers.

# Programme 3: Procurement

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Strategic Objectives	Performance Indicator	Actual Target	Quarter 3 Target	Quarter 3 Performance	Quarter 3 Variance	Reason for Variance
<b>C10: Drive economic transformation agenda</b>	<b>M19:</b> % of ICT acquisition spend through SMME entities	15% of ICT acquisition spend through SMME entities	15% of ICT acquisition spend through SMME entities	<b>Achieved</b> 21%	6%	Improved management and monitoring of SMME spend from list of accredited suppliers.
	<b>M20:</b> Number of SMME entities completed SITA enterprise development (ED) programmes	10 SMME entities completed SITA ED programs	10 SMME's enrolment in the SITA ED programme	<b>Not achieved</b>  The strategy has been developed. Awaiting approval and adoption.  16 SMMEs have already been identified and introduced to the programme which will commence as soon as the strategy is approved.	-10	Delays in finalising the ED strategy.



# Programme 4: Financial Sustainability

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

Strategic Objectives	Performance Indicator	Actual Target	Quarter 3 Target	Quarter 3 Performance	Quarter 3 Variance	Reason for Variance
<b>F1: Achieve sound financial management</b>	<b>M1:</b> % EBIT	2% EBIT	5% EBIT	<b>Not achieved</b> 3.2%	-1.8%	Budgeted revenue did not materialise as planned for most major services.
	<b>M2:</b> % liquidity ratio	1.2:1	1:2:1	<b>Achieved</b> 2.71:1	2.51	The company is still in a position to meet its current obligations but the decreasing levels of available cash continues to be a concern.
	<b>M3:</b> % gross margin		25% Gross margin	<b>Not achieved</b> 17.5%	-7.5%	Budgeted revenue did not materialise as planned for most major services.
	<b>M4:</b> % expenditure against approved Capex budget	90% expenditure against approved Capex budget	60% expenditure against approved Capex budget	<b>Not achieved</b> 16.09%	-43.91%	This is a reflection of the lower YTD capital expenditure incurred due to stricter controls that had been implemented and cash constraints.

# Programme 5: Organisation

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

Strategic Objectives	Performance Indicator	Actual Target	Quarter 3 Target	Quarter 3 Performance	Quarter 3 Variance	Reason for Variance
<b>Build a Healthy &amp; High Performing Organisation</b>	<b>M24:</b> % improvement in HPO baseline and HPO institutionalisation	Drive & implement 80% of the 13 HPO Dimensions as per the HPO improvement plan	Drive and implement 70% of the 13 HPO dimensions as per the HPO improvement plan	<b>Not achieved</b> 7.25% milestones 30% WIP	-62.75%	Delays in finalising the HPO plan.
	<b>M25:</b> % of critical positions with minimum cover ratio of 1:2	20% of critical positions with minimum cover ratio of 1:2	15% succession pool finalised	<b>Not achieved</b> 0%	-15%	Delays in finalising the succession pool implementation process.

# Programme 6: Governance & Admin

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

Strategic Objectives	Performance Indicator	Actual Target	Quarter 3 Target	Quarter 3 Performance	Quarter 3 Variance	Reason for Variance
<b>P1: Establish effective governance practice</b>	<b>M21:</b> Number of material Auditor-General findings on finances, predetermined objectives and compliance to laws and regulations	0 Material Auditor General findings on finances and predetermined objectives	75% resolution of 15/16 MLPs	<b>Not achieved</b> 13/52 = 25%	-50%	Still working on resolving some of the MLPs.
	<b>M22:</b> Maturity level of risk management implementation	Maturity level 4 of risk management implementation		<b>Not achieved</b> Validation of the APP by the independent service provider is in the finalisation phase.	-75%	Validation by the service provider took longer than anticipated.
<b>P2: Proactive approach to procurement compliance including fraud and corruption</b>	<b>M23:</b> Number of findings in the external audit with respect to fraud and corruption in procurement process-related activities	0 findings	0 findings	<b>Achieved</b> 0 findings	N/A	N/A

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# Statement of Financial Performance

Description	2016/17 Dec QTD Actual	2016/17 APP Budget Dec QTD	Difference 2016/17 QTD vs APP QTD Budget	2016/17 Dec YTD Actual	2016/17 APP Budget Dec YTD	Difference 2016/17 YTD vs APP YTD Budget
<b>Total Revenue</b>	<b>1,347,666</b>	<b>1,404,323</b>	<b>(56,657)</b>	<b>4,461,645</b>	<b>4,738,518</b>	<b>(276,873)</b>
Service Revenue	1,133,671	1,178,682	(45,011)	3,202,151	3,572,348	(370,197)
Agency Revenue	213,996	225,642	(11,646)	1,259,494	1,166,170	93,324
<b>Margin</b>						
Agency Margin	(17,543)	(30,144)	12,601	88,114	17,479	70,635
Agency Margin %	<b>-8%</b>	<b>-13%</b>	<b>-72%</b>	<b>7%</b>	<b>1%</b>	<b>80%</b>
Service Margin	252,750	302,161	(49,412)	692,306	779,321	(87,016)
Service Margin %	<b>22%</b>	<b>26%</b>	<b>-20%</b>	<b>22%</b>	<b>22%</b>	<b>-13%</b>
<b>Total Cost of Sale</b>	<b>1,112,459</b>	<b>1,132,306</b>	<b>19,847</b>	<b>3,681,225</b>	<b>3,941,718</b>	<b>260,493</b>
Agency Cost of Sale	231,538	255,785	24,247	1,171,380	1,148,691	(22,689)
Direct Labour	317,433	331,054	13,621	976,593	985,917	9,323
Service Delivery Expenses	525,446	503,061	(22,384)	1,426,711	1,631,154	204,443
Depreciation	38,042	42,405	4,363	106,541	175,956	69,416
<b>Gross Surplus</b>	<b>235,207</b>	<b>272,018</b>	<b>(76,504)</b>	<b>780,420</b>	<b>796,800</b>	<b>(16,380)</b>
Other Income	33,080	5,842	27,238	34,718	17,527	17,190
<b>Total Operating Expenses</b>	<b>225,327</b>	<b>297,202</b>	<b>71,876</b>	<b>665,198</b>	<b>889,324</b>	<b>224,126</b>
Indirect Labour	124,711	138,178	13,467	383,110	414,533	31,424
Marketing Expenses	14,435	2,566	(11,869)	24,659	26,673	2,014
Depreciation Expenses	2,533	6,545	4,012	13,097	15,291	2,194
Other Indirect Costs	81,919	138,332	56,413	231,394	392,873	161,479
Research & Development	-	1,581	1,581	-	3,953	3,953
Training	1,729	10,000	8,271	12,939	36,000	23,061
<b>Operating Surplus</b>	<b>42,961</b>	<b>(19,342)</b>	<b>62,303</b>	<b>149,940</b>	<b>(74,996)</b>	<b>224,936</b>
Net Finance Income	39,368	10,346	29,022	68,356	<b>36,568</b>	<b>31,788</b>
<b>Surplus Before Tax</b>	<b>82,329</b>	<b>(8,996)</b>	<b>91,325</b>	<b>218,296</b>	<b>(38,428)</b>	<b>256,723</b>

# Financial year forecast

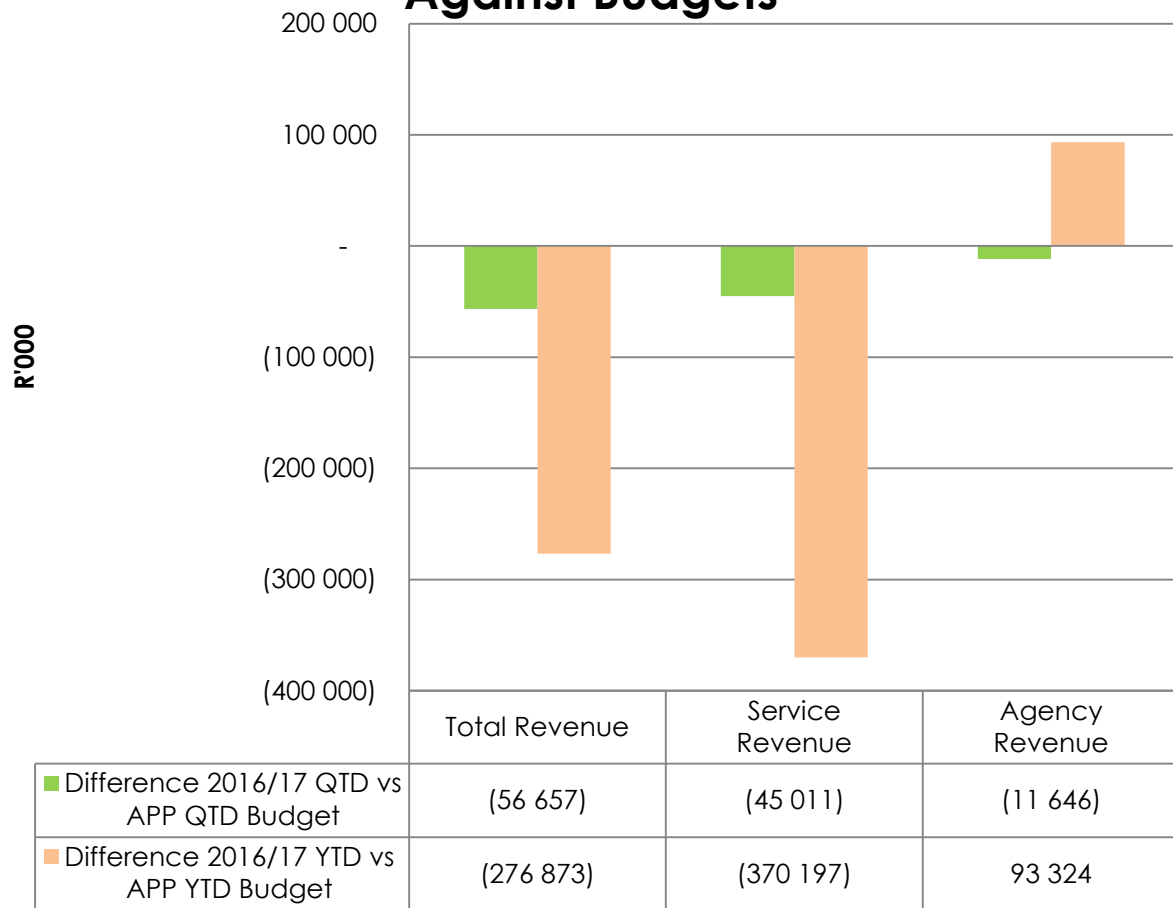
Description	ACTUAL YTD	FY Forecast -
	Nov-16	2016/17
	R'000	R'000
Revenue	3,973,436	5,903,094
Cost of sales	3,265,065	4,911,396
Gross surplus	708,370	991,698
Other income	33,489	38,489
Operating expenses	581,868	963,901
Surplus/(Deficit) from operating activities	159,991	66,286
Finance income	49,244	54,530
Finance expenses	4,822	6,770
<b>Surplus/(Deficit) before Tax</b>	<b>204,413</b>	<b>114,046</b>

Gross surplus	17.8%	16.8%
Operating expenses	14.6%	16.3%
Surplus/(Deficit) before tax	5.1%	1.9%
EBIT	4%	2%

- Revenue forecast for the year will be less by R400m taking into account the under-performance at the end of November 2016 (R306m). The associated costs have also been adjusted accordingly. This will result in an overall gross margin of services revenue gross margin of 16.8%.
- Training expenses will be spent at 50% of the Annual Performance Plan (R24m).
- Depreciation is assumed to end up at two thirds of the Annual Performance Plan amount.
- CAPEX is assumed to be spent at R331m of the budgeted R497m in the APP. An amount of R228mm needs to be catered for CAPEX still to be spent. This entails that cash is available to fund these acquisitions.
- A Bad Debt provision of R40m (based on the November 2016 361+ days bucket) has been raised, given the current collection trends.

# Statement of Financial Performance – Revenue Performance Against APP Budget & Prior Year Actual

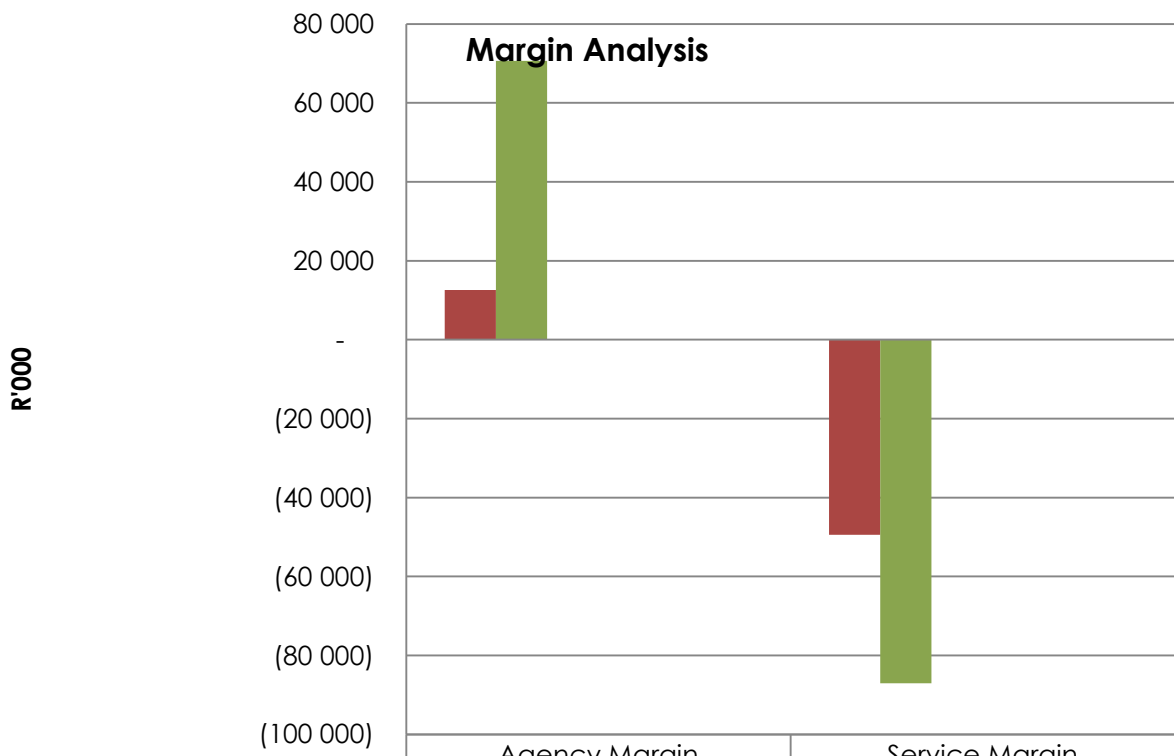
## Q3 and YTD Revenue Performance Against Budgets



- The revenue for the quarter amounted to R1.348 billion, which is R56.7 million (4%) below the budget of R1.404bn. The year to date revenue amounted to R4.462 billion which is R276.9 million below the budget.
- To date the tariff increases have not been formally approved and the budget assumed a 6% increase in the tariff which would impact the Service Revenue. The assumed 6% increase in the tariffs contributed approximately R200m to the total year to date services revenue shortfall of R370m.

# Statement of Financial Performance –

## Margin Analysis



	Agency Margin	Service Margin
■ Difference 2016/17 QTD vs APP QTD Budget	12 601	(49 412)
■ Difference 2016/17 YTD vs APP YTD Budget	70 635	(87 016)
■ 2016/17 Dec QTD Actual	-8%	22%
■ 2016/17 APP Budget Dec QTD	-13%	26%
■ 2016/17 Dec YTD Actual	7%	22%
■ 2016/17 APP Budget Dec YTD	1%	22%

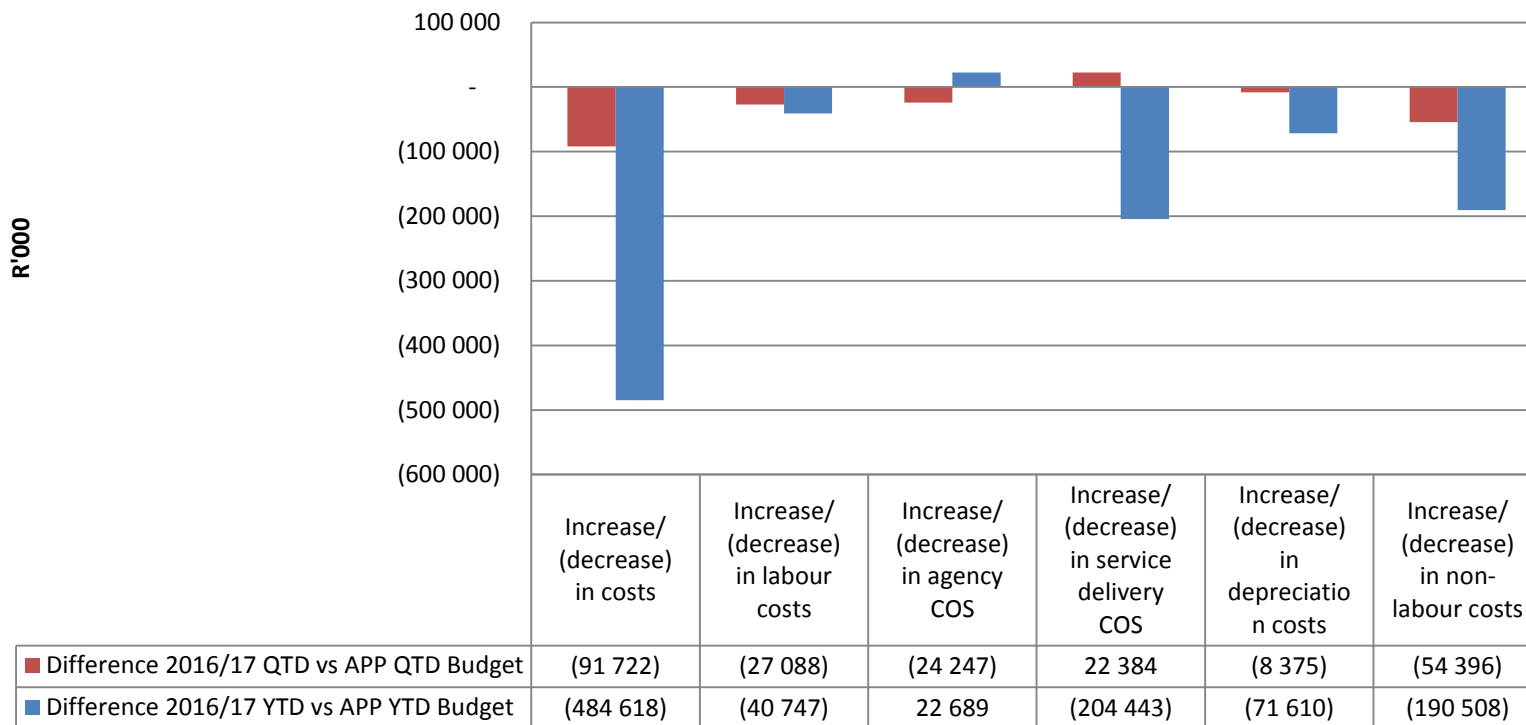
- Cost of sales (year to date) is R260.5m below budget which is in line with the shortfall in revenue resulting in the gross margin for Services Revenue being in line with the budgeted gross margin of 22%. The agency gross margin achieved for the 9 months ended 31 December 2016 is 7%.
- In order to address the underperformance in service revenue, remedial action plans have been developed by the Deputy Chief Executive Officer: Service Delivery. This includes the Prioritisation of filling the recoverable vacancies that contribute towards the generation of revenue.
- Delays experienced with tenders are being addressed with the revised Bid specification review committee and quality reviews.



# Statement of Financial Performance – Costs

## Performance Against Budgets Analysis

### Q3 and YTD Cost Performance Against Budgets



- The Cost of sales for the Quarter is R19.6m below the budget this is due to savings in Agency costs and direct labour, service delivery expenses are however above budget due to timing differences in their occurrence.
- For the 3rd quarter a saving of R71.9m in Operating Expenditure has been realised (R224.1m year to date) due to strict cost containment measures that have been implemented. The line items that contributed significantly to the net savings are Indirect Labour and Training.

# Statement of Cash flow

in R'000

Dec-16

Mar-16

## Cash flows from operating activities

### Receipts

- Sale of goods and services
- Finance income received

	4,578,762	5,513,730
	4,517,483	5,445,164
	61,280	68,566

### Payments

- Payment to suppliers and employees
- Finance costs paid
- Income tax paid

	(4,505,423)	(5,389,527)
	(4,482,494)	(5,290,366)
	7,076,372	(5,947)
	(30,005)	(93,214)

## Net Cash flows from operating activities

73,339      124,203

## Cash flows from investing activities

- Purchase of property, plant and equipment
- Purchase of intangible assets
- Proceeds from the sale of property, plant and equipment

	(95,073)	(309,621)
	(13,140)	(201,795)
	-	294

## Net Cash flows from investing activities

(108,213)      (511,122)

## Cash flows from financing activities

### Net Cash flows from financing activities

-      -

(Decrease) in cash and cash equivalents

(34,874)      (386,919)

Cash and cash equivalents at beginning of month/year

1,152,486      1,539,405

**Cash and cash equivalents at end of month/year**

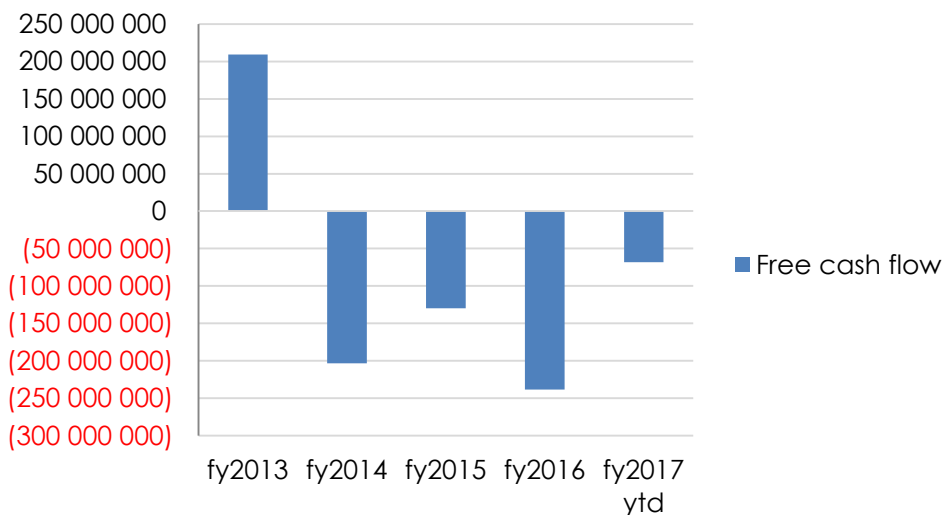
**1,117,612      1,152,486**

- There is a positive cash flow from operations of R73m as a result of the increase in debtors.
- Investment in assets was R108m.
- This effectively explains that we are still not generating sufficient cash to finance operations or cash flow. Our cash cover (Cash available dividend by liabilities) is .98 against a norm of 1.
- This is further exacerbated by the non approval of our tariff increases.

# Statement of Cash flow – Free cash flow

In Rands	fy2013	fy2014	fy2015	fy2016	fy2017 ytd
Net income	399,115,806	45,421,364	144,289,136	(157,268,927)	116,411,568
Add: Finance expenses	4,311,214	816,400	10,197,483	7,219,821	(7,076,372)
Less: Finance income	(52,343,619)	(56,920,624)	(53,690,169)	(54,469,804)	(44,121,332)
Add: Depreciation	74,085,193	21,110,286	48,589,082	74,469,620	119,637,540
Less: Capital expenditures	(216,067,864)	(355,975,204)	(250,904,318)	(511,121,731)	(108,212,844)
Less: Working capital investment	0	142,146,383	(28,387,958)	403,055,381	(144,776,057)
<b>Free cash flow</b>	<b>209,100,729</b>	<b>(203,401,395)</b>	<b>(129,906,744)</b>	<b>(238,115,641)</b>	<b>(68,137,499)</b>

## Free cash flow



- Free cashflow represents the cash that a company is able to generate after spending the required funds to maintain and/or expand its asset base.
- SITA over the years has been producing negative free cashflow due to low cash generated from operations. This resulted in the Agency utilizing its cash reserves to fund the business operations,
- This is evident when looking at the bank balance which has been depleting year on year

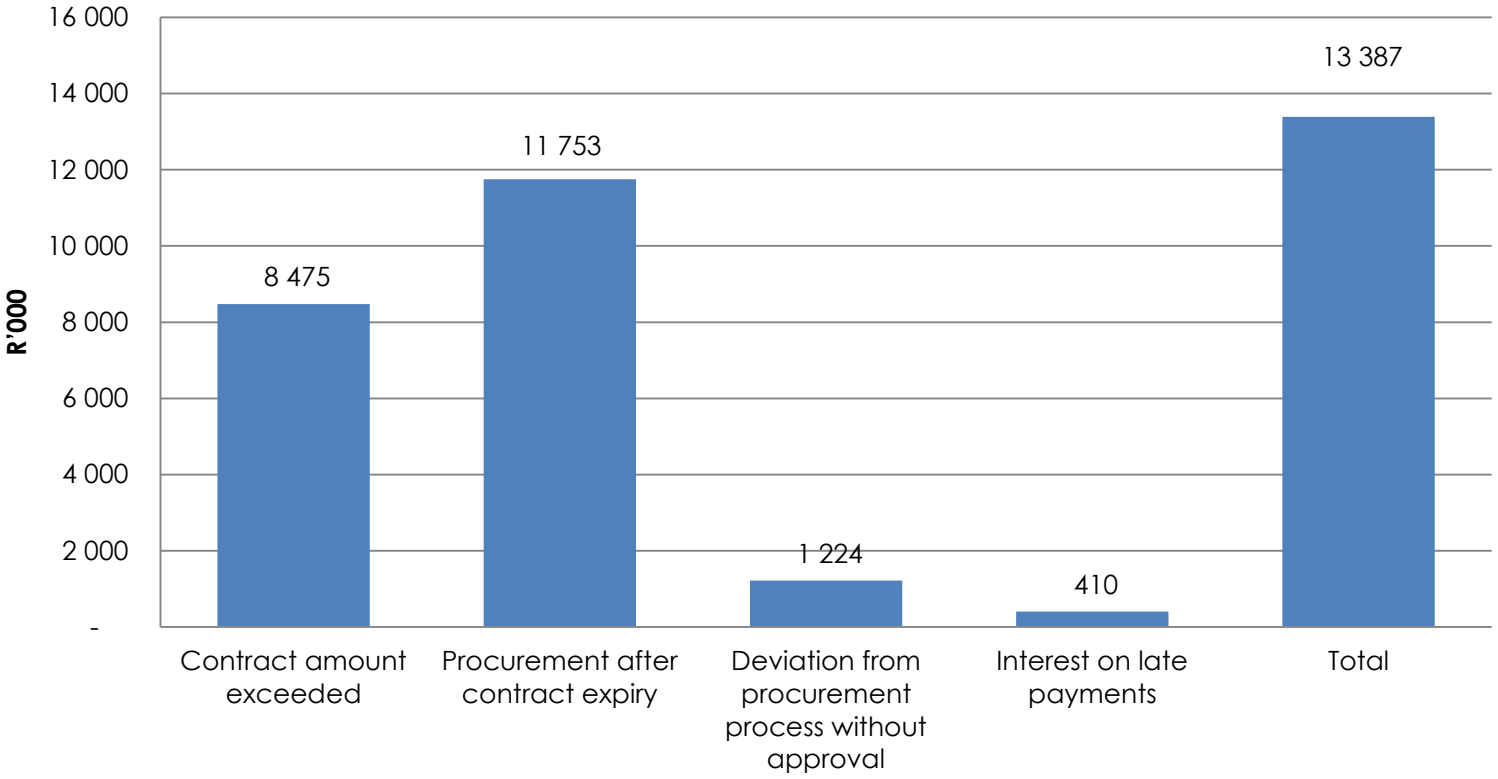
# Statement of Financial Position

in R'000	Dec-16	Mar-16
<b>Assets</b>		
<b>Non-current assets</b>	1,269,378	1,249,749
Property, plant and equipment	801,417	839,191
Intangible assets	313,286	331,994
Non-current portion of Prepayments	124,396	13,724
Deferred tax assets	30,279	64,839
<b>Current assets</b>	2,472,676	2,542,431
Cash and cash equivalents	1,117,612	1,152,486
Trade and other receivables	1,188,689	1,038,189
Income Tax receivable	137,305	322,623
Current portion of Prepayments	29,070	29,134
<b>Total assets</b>	<b>3,742,054</b>	<b>3,792,180</b>
<b>Net assets and liabilities</b>		
<b>Net assets</b>	2,690,176	2,573,647
Share capital	-	-
Reserves	627,335	627,335
Accumulated surpluses	2,062,841	1,946,312
<b>Liabilities</b>		
<b>Non-current liabilities</b>	135,630	122,628
Post-retirement employee benefits	135,630	122,628
<b>Current Liabilities</b>	916,248	1,095,906
Trade and other payables	822,539	873,744
Income received in advance	93,709	222,162
<b>Total net assets and liabilities</b>	<b>3,742,054</b>	<b>3,792,180</b>

- Trade and other payables decreased by R51m due to lower service delivery expenses and lower accruals compared to year end. This balance includes an amount of approximately R125m that relates to credit notes (for invoices that have been paid) that are due to SAPS that spans numerous financial years. It is likely that this amount will be refunded back to National Treasury before the conclusion of this financial year.
- Total trade and other receivables amounted to R1.189bn as at 31 December 2016 compared to The provinces make up R431m of the total outstanding debtors book which is disproportionate of their contribution to revenue and there are some concerns as to the ability of some of these clients to pay. A task team has been set up, under the direction of the DCEO and the CFO, between Customer Relations Management (CRM), Operations and Finance to reduce the debtor's balances to the PFMA level by year end. R1.038bn as at 31 March 2016.
- The cash balance at the end of December 2016 amounted to R1.118bn. A positive cash flow from operations has been realised for the first time this financial year as at end December 2016. The free cash flow position however (the ability of the company to generate cash from core operations and to fund its capital expenditure) is still a cause for concern.

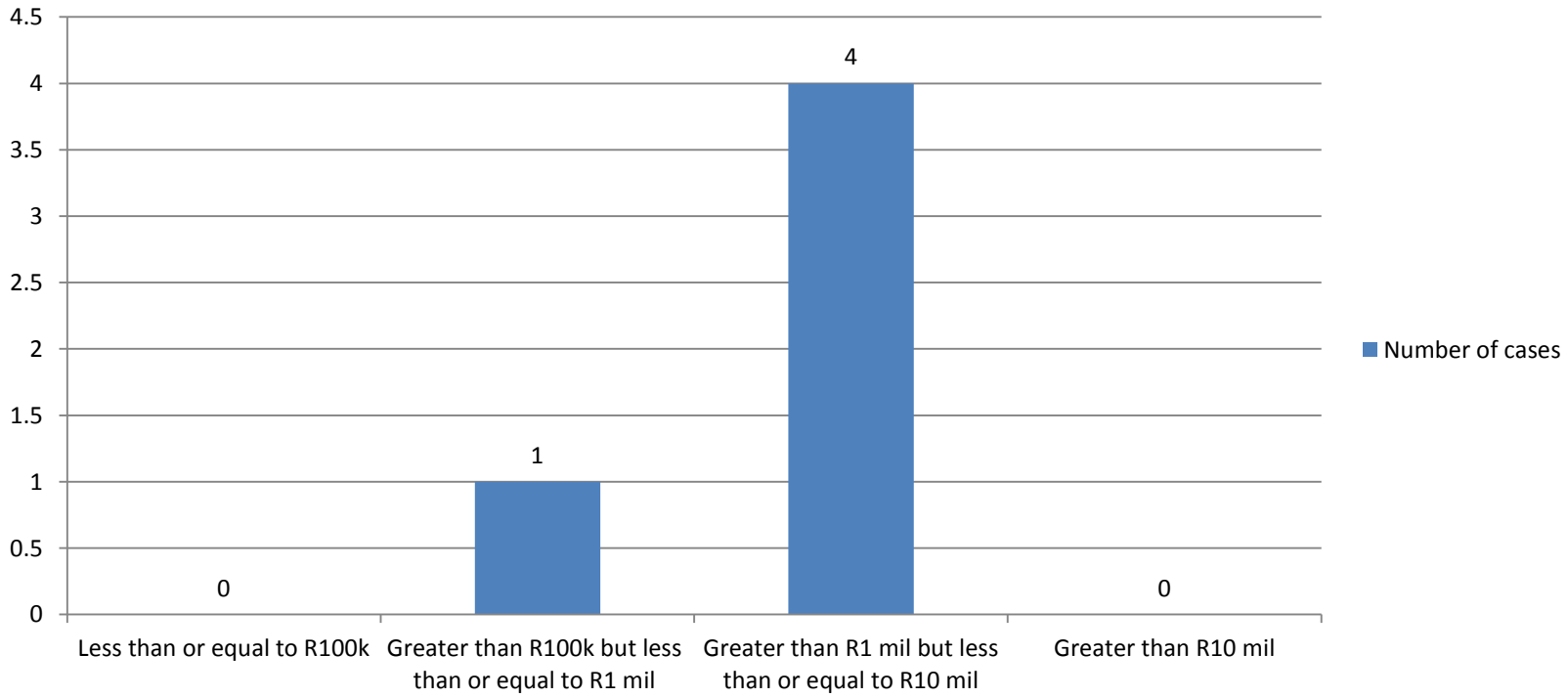
# Uncondoned unauthorised, irregular and fruitless and wasteful expenditure incurred in current and prior financial years

Analysis of Unauthorised, irregular and fruitless and wasteful expenditure identified during 2017 financial year by category



# Non-condoned unauthorised, irregular and fruitless and wasteful expenditure in number of cases identified in 2017 financial year

Analysis of Unauthorised, irregular and fruitless and wasteful expenditure identified during 2017 financial year by amount



- The four cases of amounts above R1m are Telkom, SAAB Grintek, Esri SA and Black River Park Investments.

# Prevention of Irregular Expenditure and Fruitless and Wasteful Expenditure

- The Loss Control Committee has been established to ensure effective management of incidents of financial misconduct and losses and to improve overall compliance and minimise losses.
- A supplier with legal and investigative skills has been appointed to make a determination with regards to the previously reported cases included in the opening balance and to provide a recommendation as follows:
  - cases that should be considered for condonation;
  - cases requiring disciplinary action to be taken; and
  - cases where criminal charges should be instituted where responsible officials have left the organisation.
- The above must be concluded by 31 March 2017.

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2. PROGRAMME PERFORMANCE
3. FINANCIAL PERFORMANCE
4. AUDIT OVERVIEW



# Status 2014/2015 MLPs as at end of quarter

Business unit	Total MLPs reported remaining as at 20 December 2016	Verified and closed by IA	IA verification in progress	Pending Exec/HOD approval	Not yet due	Outstanding
Corporate Services	1	0	0	0	0	1
Supply Chain Management	2	0	0	0	0	2
Facilities Management Infrastructure (FMILS)	1	0	0	0	0	1
Risk Management	0.5	0	0	0	0	0.5
<b>Total</b>	<b>4.5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4.5</b>

- Nine findings for FY2014/15 were outstanding at the end of FY2015/16.
- As at 20 December 2016, five findings have been resolved and 4.5 findings remain unresolved.
- One of these findings has been reported as a repeat finding by the Auditor-General in FY2015/16 (human resources/payroll business process controls).
- This finding has thus been closed in the FY2014/15 MLPs and will continue to be monitored under the 2015/16 MLPs.

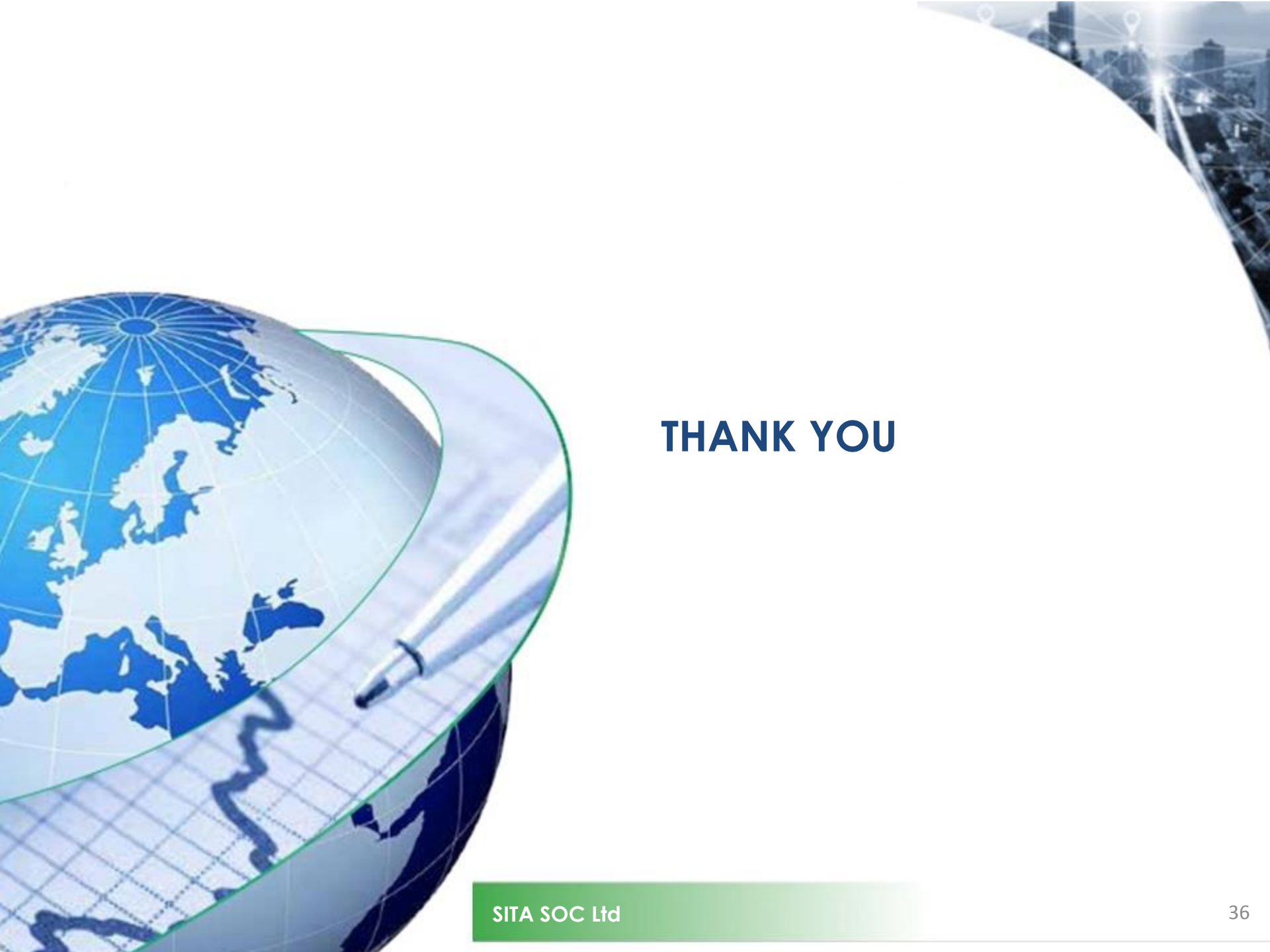
# Status 2015/2016 MLPs as at end of quarter

Business unit	Total MLPs reported	Verified and closed by IA	IA verification in progress	Pending Exec/HOD approval	Not yet due	Outstanding
Finance	20	2	3	1	11	3
Supply Chain Management	15	4	0	0	2	9
Corporate Services	6	1	0	0	2	3
Company Secretary	4	0	0	0	1	3
Corporate Performance and Monitoring	2	2	0	0	0	0
Corporate Strategy and Planning	5	4	0	0	1	0
<b>Total</b>	<b>52</b>	<b>13</b>	<b>3</b>	<b>1</b>	<b>17</b>	<b>18</b>

- There are a total of 52 findings for the 2015/16 financial year.
- There are a total of 35 findings that are still not resolved. Implementation dates for 17 of the findings have not yet passed and 18 findings are outstanding.
- These findings have been communicated with the responsible executives and process owners for resolution.

# 2015/2016 MLPs resolution implementation plan

#	Milestone	Activity	% Progress to date	Due date
1	Follow-up / Verify External audit findings (MLP's) and Internal Audit recommendations (SIAs) approved by the Executives as resolved.	Follow-up on implementation of action plans pertaining to MLPs and SIAs.	90%	25 March 2017
		Weekly updates of status of resolution to Executives and process owners	Actioned weekly	Weekly
		Reporting to EXCO	Ongoing	Monthly
		Escalation of status to CEO on a weekly basis for intervention where required.	As and when required	As and when required
2	AG Audit steering Committees meetings	Finance oversight over the AG Audit and regular steering committee meetings with AG	Weekly audit steering committee meetings	Weekly
3	Reliance of IA work by external auditors (Align IA audit coverage with AG audit scope)	Meeting with AG Audit Managers to discuss envisaged audit scope	100%	November 2016 and January 2017
4	Complete the approved internal audit plan for the year to enhance the level of governance, control and risk management within SITA.	Complete audits according to IA plan with specific reference to:	25%	25 March 2017
		<ul style="list-style-type: none"> <li>Audit of Pre-determined Objectives</li> <li>Audit of Key Financial controls</li> </ul>		



**THANK YOU**