

ANNUAL REPORT 2022



ABOUT THIS **REPORT**

Materiality

To ensure that this report is accurate, relevant and consistent, the reporting process is informed by the key material issues impacting on or impacted by our business. The responsibility for determining such materiality is ultimately that of the Interfront Board.

The process is informed by:

- Comprehensive collaboration and input involving Interfront's internal and external stakeholders
- Business and operational priorities
- Key strategic focus areas
- Detailed and ongoing assessment of risks

Assurance

Assurance regarding the contents of this report is achieved through an internal assurance process. Interfront's Board and Executive Committee (EXCO) provides assurance that they have implemented, monitored and managed all relevant controls, compliance, governance and reporting requirements. This ensures the reliability and integrity of the information presented in this report. External assurance of our Annual Financial Statements, as well as the reporting against predetermined objectives, is provided by the Auditor-General of South Africa (AGSA) and the audit report can be found in [Part E: Financial Information](#).

Reporting structure and frameworks

Every effort has been made to align with the integrated reporting requirements of the King IV Report on Corporate Governance. As Interfront is a Schedule 3A state-owned entity, the report is also aligned with the requirements of the Public Finance Management Act, No. 1 of 1999 (PMFA), the Companies Act, No. 71 of 2008, and the National Treasury Regulations.

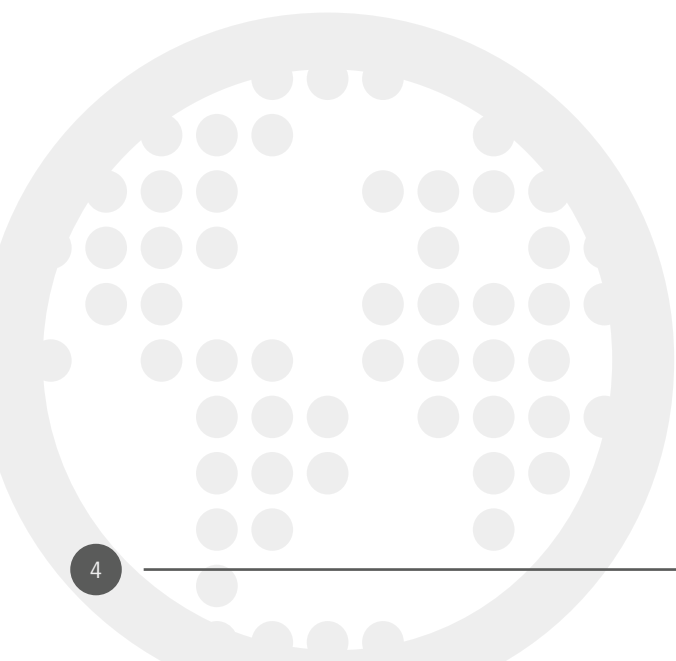


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PART A

GENERAL INFORMATION

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7. ORGANISATIONAL STRUCTURE
8. OUR BUSINESS MODEL AND CAPITALS



1. CORPORATE **INFORMATION**

International Frontier Technologies SOC Ltd

Registration Number: 2009/007987/30

Registered Office and Business Address

Gleneagles Building
Somerset Links Office Park
De Beers Avenue, Somerset West, 7130

Postal Address

PostNet Suite # 10
Private Bag X15
Somerset West, 7129

Contact

Tel: 021 840 3400
Fax: 021 840 3401
Email: secretary@interfront.co.za
Website address: www.interfront.co.za

Bankers

ABSA Bank Limited

External Auditors

The Auditor-General of South Africa (AGSA)

Company Secretary

Madelein Pepperell
LLB graduate and Associate of the Chartered Governance Institute of Southern Africa
Gleneagles Building, Somerset Links Office Park
De Beers Avenue, Somerset West, 7130

2. FOREWORD BY THE **CHAIRPERSON**



“ In addition to the enhancement, development and support of the customs and border management solution, Interfront will now be responsible for the development, enhancement and support of the MobiApp and eFiling systems in SARS. ”

Interfront has built a sound reputation with an internal culture that demonstrates its values. It was established as a strategic partner to SARS and is currently working with SARS to attain their Vision 2024 goal of becoming a smart, modernised SARS.

2.1 High Level Overview of the Strategy and Performance of Interfront

The overarching strategic outcome-orientated goals for Interfront remained unchanged for the 2021/2022 financial year. Interfront achieved all of its annual performance targets, with the exception of its two human capital targets, which were partly achieved.

The break-even financial model decided on between SARS and Interfront has been operational for the second financial year, and the Board and Interfront are committed to providing our customers with a value-for-money, quality product that is delivered on time and to specification.

ADA renewed its support agreement with Interfront for a further period of three years commencing in January 2022, with the possibility of a reduced scope over the term, as they intend to replace the Interfront systems systematically.

2.2 Strategic Relationships

The customer relationship between Interfront and its clients is managed by means of Services Agreements that stipulate the rights and obligations of each party.

At the executive level, the Interfront Board had a meeting with the SARS Head of Technology and Delivery Solutions, Mr Intikhab Shaik, on 1 September 2021. The meeting dealt with, inter alia, the alignment of the Interfront Annual Performance Plan with the planning within SARS, as well as pricing and the commercial strategy for Interfront going forward. This meeting was followed by a Board meeting on 7 September 2021, where the Commissioner of SARS: Prof. Edward Kieswetter and Mr Intikhab Shaik presented SARS Vision 2024 and the role that Interfront will play in it.

2.3 Challenges Faced by the Board

At the onset of the 2021/2022 financial year, the severe shortage of staff in the IT industry prompted aggressive headhunting in the global IT market, leading Interfront to lose 14.8% of its staff within the first seven months of the financial year. The loss of corporate knowledge and skills of well-seasoned developers and other staff was felt throughout the operation. A raft of measures was taken by the Interfront Board, most important of which was the repositioning of staff with scarce and key

5. FOREWORD BY THE **CHAIRPERSON** (CONT.)

skills in areas where Interfront has begun to lag in the competitive market. The intervention alleviated some of the pressure, and Interfront ended the financial year with a staff turnover rate of 17.5%.

Although Interfront has not succeeded in achieving the target on retention in the current financial year, there is evidence that it has reduced staff loss to a more tolerable level. However, close monitoring is needed in the short term to ensure the long-term effectiveness of the actions.

2.4 Strategic Focus over the Medium to Long Term

During October 2021, SARS approached Interfront with a proposal to incorporate the human resources of the team who are responsible for the enhancement, development and support of the MobiApp and eFiling system in SARS.

The success and strategic importance of the SARS eFiling and MobiApp solutions necessitates that SARS safeguards the ongoing operation, maintenance, development and enhancement of these strategic assets. While SARS retains ownership of the assets, such as, but not limited to, the source code, system documentation, and intellectual property rights, there was significant dependency on the resources for all development, maintenance and day-to-day support services, institutional knowledge, technical skills, and development experience. The full migration included the transfer of the eFiling and MobiApp team as a fully functional operating unit and included the management team and analyst and software development resources. This established an eFiling competency within Interfront, alongside the Customs competency.

Furthermore, Interfront benefited from the incorporation of cross-functional skills, bringing additional multidisciplinary talent, and introducing additional synergies and cost savings. At the same time, the foundation was laid for Interfront to serve SARS' future needs as an innovation hub capable of incubating end-to-end digital solutions.

The team joined Interfront on 1 April 2022, which necessitated a review of Interfront's Strategic Plan to provide for these additional services.

The new Strategic Plan was approved prior to the commencement of the 2022/2023 financial year.

In addition to the enhancement, development and support of the customs and border management solution, Interfront will now be responsible for the development, enhancement and support of the MobiApp and eFiling systems in SARS.

2.5 Appreciation

On 10 June 2022, Mr Beyers Theron and Ms Yolande van der Merwe retired their positions as Non-Executive Directors of the Board and Mr Erick Smith was appointed as a Non-Executive Director by the Shareholder on 14 June 2022. I wish to express my gratitude to each of the exiting Directors for their support and guidance during their tenure on the Interfront Board.

2.6 Conclusion

Interfront plays a significant, if silent role in the efficient and secure customs collections and border control for South Africa and I would like to express my sincerest thanks to the Shareholder, my fellow Board members, management, and all the staff of Interfront who have made this possible.



Mustaq Enus-Brey

Date: 31 July 2022

3.OVERVIEW BY THE **MANAGING DIRECTOR**



“Our performance report demonstrates our staff’s ability to remain resilient in the face of these significant challenges, and our strategic outcome-orientated goals that encompass our commitment to our customers were met despite adverse conditions.”

In a year that continued to be affected by the global pandemic and strict lockdown limitations, Interfront was faced with the associated challenge of increased staff losses as a result of the increased demand for Information Technology (IT) human resources worldwide. At the same time, the limitations on global work opportunities decreased as remote working has become the norm for many companies around the world. Our performance report demonstrates our staff’s ability to remain resilient in the face of these significant challenges, and our strategic outcome-orientated goals that encompass our commitment to our customers were met despite adverse conditions.

Operationally, Interfront continued to enhance and support its Interfront Customs and Border Management Solutions (iCBS) at both of our customers. The Registration, Licensing and Accreditation (RLA) project, in which Interfront played an integral role, received special recognition at the South African Revenue Service (SARS) internal awards ceremony.

3.1 Financial Overview

Interfront ended the financial year within our approved budget and in line with the amended break-even model that became effective in April 2020. The revised model complies with the inherent principles of a Schedule 3A public entity and is intended to enable the entity to maintain a cash break-even position. The accounting deficit is due to non-cash-related items, such as the

amortisation of intellectual property (IP) invested when the company was founded.

Interfront remains committed to the cost containment measures introduced by National Treasury and the increases in administrative expenditure, excluding IT expenses, have been capped below inflation over the last few years. Details on the year-on-year variances can be found in [Part E: Financial Information](#).

3.2 New or Proposed Key Activities

Through its shareholder SARS, Interfront was presented with an opportunity to acquire personnel with the skills and capabilities of the company responsible for providing support, maintenance, and enhancements to the front-end of the SARS eFiling and MobiApp solutions. This opportunity arose towards the end of the 2021/2022 financial year.

By acquiring the new personnel, Interfront strengthened its skills and capabilities, enabling it to support SARS in realising its Vision 2024. With the acquisition of the Tax domain, Interfront gained expertise and competencies regarding the development, maintenance, and support of SARS’ critical eFiling and MobiApp systems, thereby enhancing Interfront’s value proposition and enabling it to expand its scope from a purely customs solution focus to include the additional strategic platform of taxation.

3. OVERVIEW BY THE **MANAGING DIRECTOR** (CONT.)

The insourcing of these personnel, now known as the Interfront Tax team, secured the retention of these vital skills for SARS for the foreseeable future, without the risk normally associated with Master Services Agreements (MSAs), term appointments or public sphere supply chain management uncertainties due to National Treasury regulatory framework limitations. The goal was to ensure the stability of the eFiling and MobiApp platforms, operational continuity, and the ownership of this valuable intellectual capital.

The Tax team was incorporated into Interfront on 1 April 2022. To align with Interfront's new offerings from the 2022/2023 financial year, the incorporation of the Tax team necessitated a review of its Vision, Mission and Values. Further details can be obtained in the strategic overview from page 15.

3.3 Supply Chain Management

Interfront adheres to the principles of cost containment prescribed by National Treasury and strives to be a responsible custodian of the resources under its control. To maintain our commitment to ethical behaviour and sound governance, Interfront has established a control environment that ensures supply chain management practices comply with laws and regulations, as well as being of the highest ethical standards. Trust, integrity and excellence are fundamental to our company culture, and our employees adhere to these norms. Consequently, there have been no audit findings in this environment and no unauthorised, irregular, fruitless and wasteful expenditures. Interfront does not use the unsolicited bid process.

3.4 Audit Report Matters

There have been no material audit matters reported in the previous or current financial year that require attention.

3.5 Challenges

In the year under review, the main challenge was the high staff losses. Staff retention remains a challenge due to the highly skilled environment we operate in and the lack of IT skills in the market. This situation was further aggravated by the worldwide increase in demand for IT services, following the onset of the pandemic, as well as budget restrictions due to the pressure on the fiscus. As

a result of actions taken during the year to mitigate the risk, there was a downward trend in the staff turnover rate towards the end of the financial year. However, it is essential to monitor the effectiveness of mitigation measures over time and continue to manage the risk and find effective ways to cultivate long-term staff retention.

The second challenge was the continuation of the implementation of the amended financial and operating model. This model is still in its infancy, so growing pains are inevitable. The most significant challenge in this regard for the period under review was the treatment of hours related to pre-sales and value-added services previously recouped from profits. A course of action has been identified and the working methods have been adjusted for the upcoming financial period. In the coming year, the impact and outcome will be monitored to ensure that the identified gaps have been addressed.

3.6 Events after the Reporting Period

There have been no events after the reporting period that necessitated adjustments to the financial statements. The incorporation of the Tax team on 1 April 2022 is a non-adjusting event and the accounting transactions will be applicable to the new financial year.

3.7 Appreciation

Please receive my sincere appreciation for the continued guidance and support provided by the Chairman of the Board and the members of the Board Committees, as well as for the support and assistance provided by the Interfront management team. Finally, I would like to express my gratitude to all of our employees who have persevered throughout the past year despite challenging circumstances.



Leilanie Janse van Rensburg
Date: 31 July 2022

4. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY

To the best of our knowledge and belief, we confirm the following:

All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by the Auditor-General of South Africa (AGSA).

The Annual Report is complete, accurate and free from any significant omissions. The Annual Report has been prepared in accordance with the relevant guidelines issued by National Treasury.

The Annual Financial Statements, as set out in **Part E: Financial Information**, have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) applicable to Interfront.

The Board, as the accounting authority, is responsible for the preparation of the Annual Financial Statements and for the judgements made and presented in this information.

The Board is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, human capital information, and Annual Financial Statements.

The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, this Annual Report fairly reflects the operations, performance information, human capital information, and financial affairs of the SOC for the financial year ended 31 March 2022.

Yours faithfully,



Leilanie Janse van Rensburg
Acting Managing Director
Date: 31 July 2022



Mustaq Enus-Brey
Chairperson of the Board
Date: 31 July 2022

5. STRATEGIC OVERVIEW

Interfront is a wholly owned subsidiary of the South African Revenue Service (SARS). The cornerstone of the Interfront strategy was laid by the then Minister of Finance through the creation of Interfront as a state-owned company (SOC) and the conclusion of the contractual arrangements made at the time.

The overall drivers which have positioned Interfront as the investment instrument in core customs and border management, through its relationship with SARS, and while maintaining its commercial obligations without investing significant financial risk capital, were determined early on by the Board in collaboration with the Shareholder. Interfront has delivered major customs and border management systems, which it supports and maintains, while development on future modules continues.

The Board approved Interfront's Strategic Plan for the 2018/2019 to 2022/2023 financial years and the objectives remained unchanged for the 2021/2022 financial year compared to the previous reporting periods. These strategic outcome-orientated goals are:

- Quality Software Development and Support.
- Maintaining a Software Development Centre of Excellence.

The strategic outcome-orientated goals are, in turn, supported by six activities which serve as Interfront's key performance indicators.

A detailed report on the Interfront performance for the 2021/2022 financial year and the changes to its strategic outcome-orientated goals for the 2022/2023 financial year forms the substance of **Part B: Performance Report**.

Towards the end of the 2021/2022 financial year, SARS, as Interfront's Shareholder, was presented with a unique opportunity to acquire the skills and capabilities of the Shandon Business Solutions (Pty) Ltd (Shandon) personnel. Shandon was a mission-critical business development partner and service provider to SARS providing critical support, maintenance and enhancements to the front-end of the SARS eFiling channel and MobiApp solutions.

The SARS eFiling channel is an integral digital platform in terms of the SARS journey to Vision 2024 and has become the primary channel for the SARS' engagements with individuals and companies. Shandon provided these services to SARS for over a decade and has obtained a deep understanding of SARS' digital systems over this period. The uniqueness of the opportunity in acquiring these personnel skills had an inter-related dual strategic benefit for both SARS and Interfront in that:

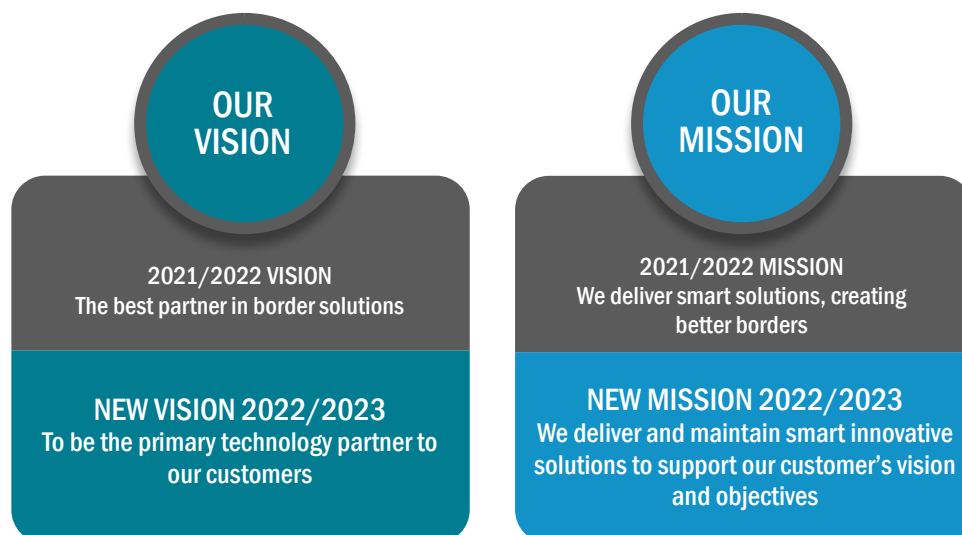
- The acquisition of the personnel fundamentally added to and enhanced the skills and capabilities of Interfront, placing it at the forefront of supporting SARS in the realisation of its Vision 2024. In addition to the customs domain, Interfront gained capability, capacity and expertise for the development, maintenance and support of the front-end of the critical SARS eFiling and MobiApp systems. This enhanced Interfront's value offering and enabled it to widen its scope from being purely customs solution-focused to now including the additional strategic platform of the tax sphere. In addition, the combination of the skills in the two combined teams added to Interfront's capabilities that will be beneficial for both environments in the long term.
- The insourcing of the personnel, now known as the Interfront Tax team, secured the retention of these essential skills for SARS into the foreseeable future.

The Tax team was incorporated into Interfront on 1 April 2022, after the conclusion of a Memorandum of Agreement between SARS, Interfront and Shandon and a Section 197 Agreement in terms of the Labour Relations Act, No. 66 of 1995 between Interfront and Shandon.

The incorporation of the Shandon resources required that Interfront revisit its Vision and Mission to align with its new offerings from the 2022/2023 financial year, as set out on the following page.

5. STRATEGIC **OVERVIEW** (CONT.)

INTERFRONT'S REVISED VISION AND MISSION 2022/2023



Values

Interfront Values remained largely unchanged since the values of both entities were aligned in principle. Some change to the definitions was made to include perspectives from both teams, including:

- Delivery focused: strong customer and output focus and perspective: consider what value passes to the customer – Excellence.



T **TRUST** - Being honest, reliable and trustworthy individuals, treating one another with respect, and as you would like to be treated.

E **EXCELLENCE** - Delivery-focused. Striving for excellence in our organisation and products by being customer- and output-focused, innovation conscious, proud of our work, and service-delivery orientated.

C **CAMARADERIE** - Being passionate about teamwork, going the extra mile, commitment to the team and organisation, and having fun.

H **HUMILITY** - Being transparent, sharing clear, ongoing and effective communication, being supportive, acting in the best interests of those you are leading and following, supporting one another's efforts, empowering one another, and treating other people in a fair and consistent manner (servant leadership).

I **INTEGRITY** - Consistently acting in an honest, respectful and trustworthy manner. Say what you do and do what you say.

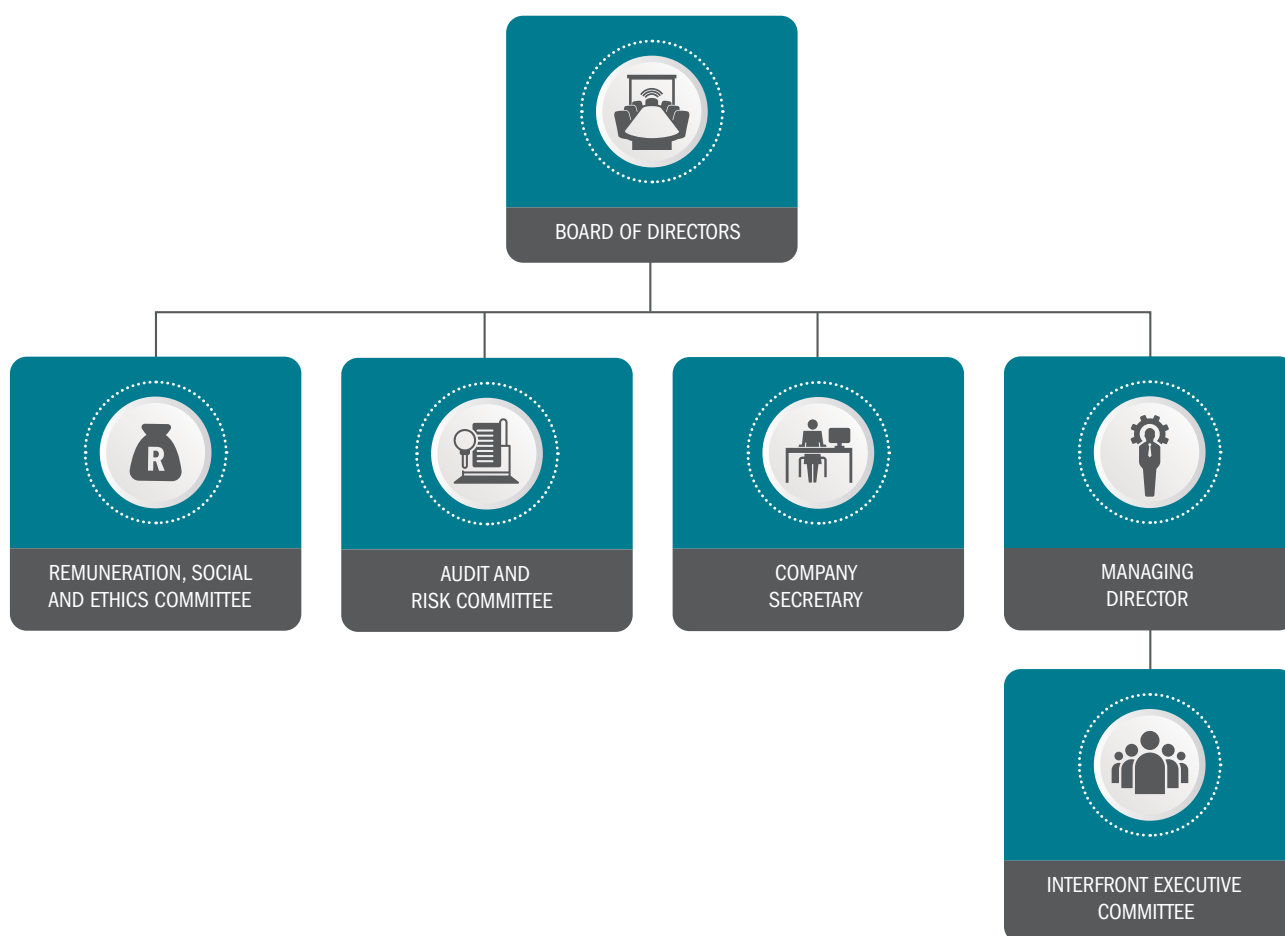
6. LEGISLATIVE AND OTHER **MANDATES**

Interfront is classified as a public entity, as defined in Schedule 3A of the Public Finance Management Act, No. 1 of 1999 (PFMA), and a state-owned company (SOC), as defined by the Companies Act, No. 71 of 2008.

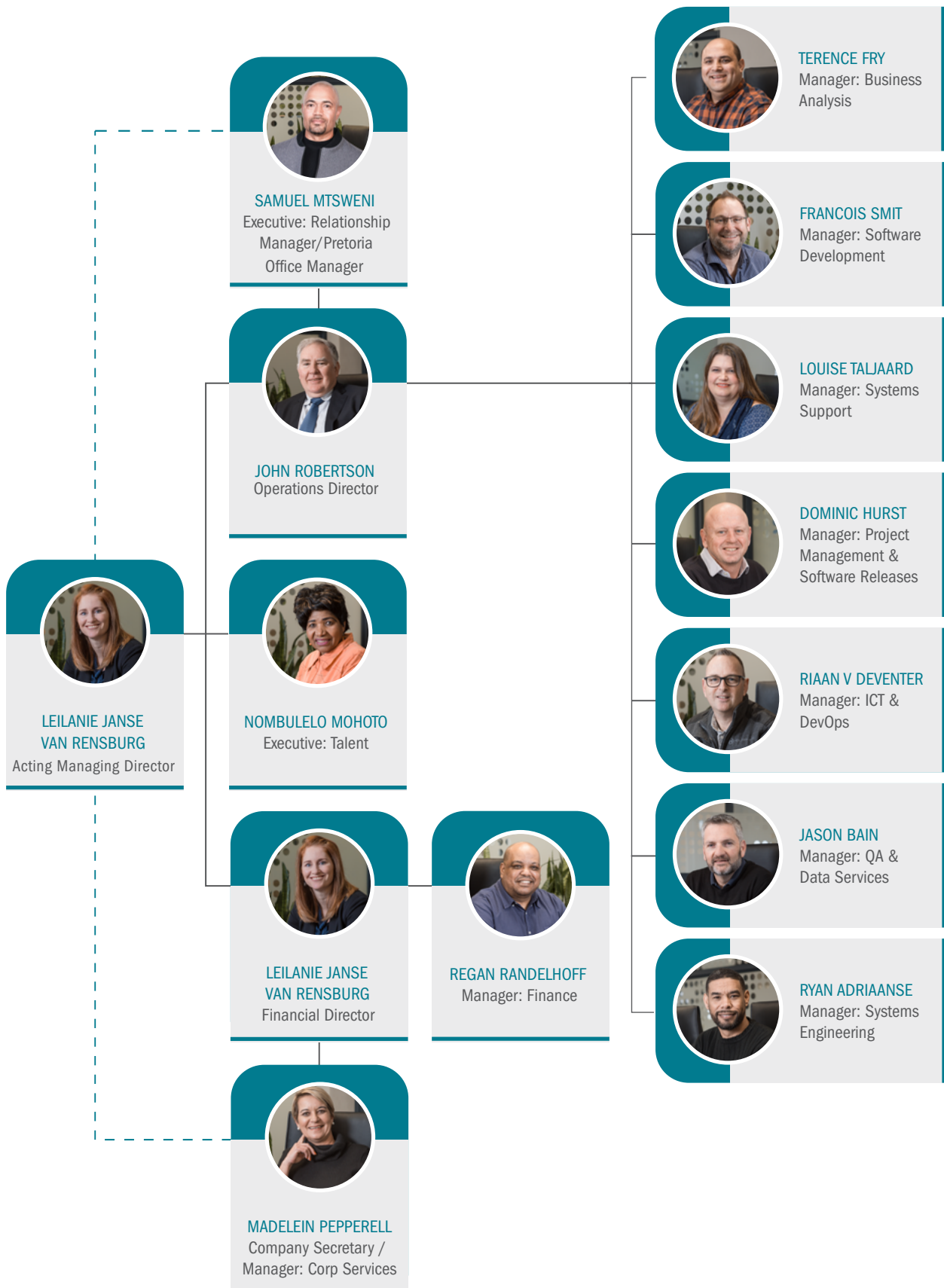
As an SOC, Interfront is regulated by the PFMA, the Companies Act, and the Treasury Regulations.



7. ORGANISATIONAL STRUCTURE



7. ORGANISATIONAL STRUCTURE (CONT.)



8. OUR BUSINESS MODEL AND CAPITALS



KEY RESOURCES

Intellectual Capital – The IP vested in staff.
Financial Capital – To attract and retain staff.
Human Capital – Developing IT skills.
Manufacture Capital – IT infrastructure and software licences, equipment, furniture and facilities.
Natural Capital – Natural resources to sustain everyday life.
Social and Relationship Capital – Shared values, commitment and knowledge that form the basis for the reputation and trust that Interfront has developed.



CUSTOMER RELATIONS

MSA in place, with SARS regulating the development work. Maintenance and support schedule is reviewed and agreed upon annually with SARS.
Services Agreement in place with ADA for regulating the support and maintenance of the system in operation.



COST STRUCTURE

Quality Software Development and Support: R94 295 247 (2020/2021: R94 532 865)
Maintain a Software Development Centre of Excellence: R23 573 812 (2020/2021: R23 633 216)



KEY PARTNERS

External and Contracted Resources: Provide Interfront with development capacity at peak delivery times.
Suppliers providing the requisite IT infrastructure, software licenses, as well as equipment and facilities.

KEY RESOURCES



CUSTOMER RELATIONS

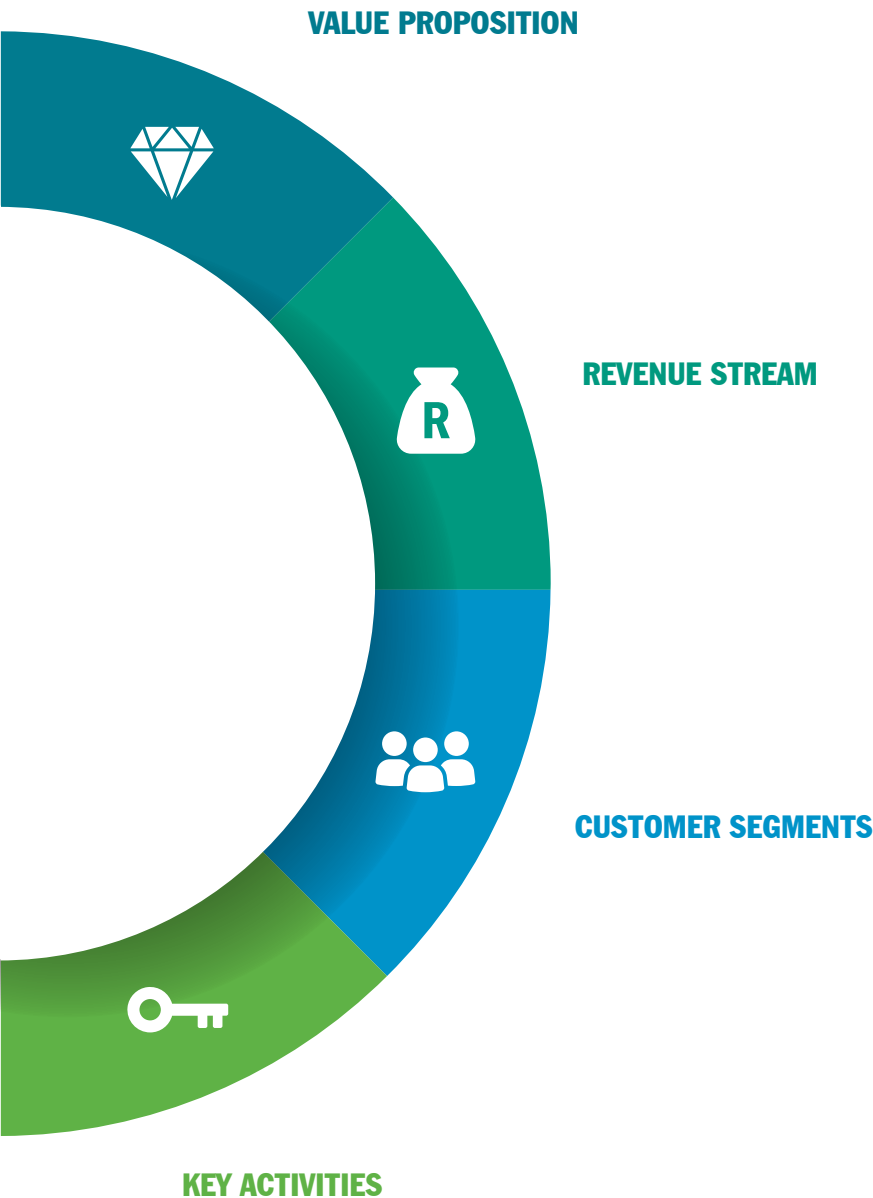


COST STRUCTURE



KEY PARTNERS





VALUE PROPOSITION

Customised Development – Providing strong IT development capacity as the preferred supplier to SARS for the modernisation of its IT solutions.
 Skills Development – Grow Interfront as a Centre of Excellence in developing IT skills to contribute to empowerment within Interfront, SARS and the wider public sector.
 Maintenance and Support – Providing ongoing maintenance and support to implemented systems.
 Cost Reduction – Modernising legacy software reduces the risk and cost associated with maintaining outdated software.
 Risk Reduction – Risk engines to ensure tracking of goods in transit from port of departure to delivery and combating illicit trade.
 Core Declaration System in Administration des Douanes et Accises (ADA) (Luxembourg Customs) – Supports the flexibility required to adapt to regular amendments to policies.



REVENUE STREAM

SARS Development Services: R62 107 770
 (2020/2021: R65 886 445)
 SARS Support Services: R31 014 621
 (2020/2021: R27 892 062)
 ADA Support Services: R15 283 557
 (2020/2021: R15 992 752)



CUSTOMER SEGMENTS

Revenue Authorities
 SARS and ADA.



KEY ACTIVITIES

Development of customs and border management solutions.
 Providing maintenance and support for operational systems.
 Maintaining a Software Development Centre of Excellence by developing IT skills.
 Effective resource stewardship by establishing and supporting effective governance and achieving a clean audit opinion.

8. OUR BUSINESS **MODEL AND CAPITALS** (CONT.)

OUR STRATEGIC PILLARS

Our Enablers	HUMAN CAPITAL – Comprises staff and contracted resources. Interfront depends on the well-being and motivation of employees to generate value.	MANUFACTURED CAPITAL – Investment in the purchase, development and maintenance of property, plant and equipment that enables the capacity to generate long-term returns.	INTELLECTUAL CAPITAL - The skills and knowledge of well-trained staff, which contribute to building a trustworthy brand and reputation.
Our Activities	<ul style="list-style-type: none"> • Bursary Programme. • Internship Programme. • A skilled and diverse executive leadership team, living the Interfront values. • Adopting policies and practices to enhance retention. • Competitive and market-related remuneration. • Long-service awards. • Development of a Skills Competency Framework. • Growing Employment Equity (EE) representation. • Measuring and enhancing staff engagement. • Annual positioning activities. • Reducing staff turnover. 	<ul style="list-style-type: none"> • Replacing redundant servers and networking equipment. • Continued investment in software licences. • Leasehold improvements • Replacing redundant computer equipment • Upgrade data storage unit 	<ul style="list-style-type: none"> • Ongoing training and development of staff. • Re-training staff and developing skills from within Interfront to ensure the upskilling and relevance of skills. • Providing financial support to staff in the form of formal study assistance to pursue a degree or qualification aligned with their position in the company. • Encourage staff to belong to and pay for memberships with professional bodies. • Contracting to external resources at peak delivery times.
Outcomes	<ul style="list-style-type: none"> • Staff turnover increased from 10.14% (2020/2021) to 17.48%. • Average staff number reduced from 117.2 (2020/2021) to 109.3. • R120 803 paid in bursaries, an increase from R100 461 in the 2020/2021 financial year. • Increase in training and development expenses on the Graduate Internship Programme from R37 350 (2020/2021) to R101 150. • Marginal reduction in the payment of performance rewards from R3 652 695 (2020/2021) to R3 577 298. • Reduction in Personnel Expenditure from R82 447 166 (2020/2021) to R81 622 163, in line with the decrease in average staff numbers. • Long-service recognition for staff employed by Interfront for five years or more. • Staff Engagement Survey initiated. • Skills Competency Framework initiated for identified critical skills. • Increase our Value Proposition to staff with the implementation of funeral cover as well as trauma and severe illness benefits, in addition to the benefits already offered, which include group life cover, medical aid and retirement annuities. 	<ul style="list-style-type: none"> • Assessing cloud landscape options to reduce costs as a result of expensive hardware upgrades. • Moved Data Centre to SARS Bellville to allow Interfront to reduce its office space. • Took delivery of new storage expansion unit, with the older unit to be repurposed for use at the Disaster Recovery (DR) site. • Designing and implementing a new remote network. • Interfront office space modified to accommodate hot seating with booking system • Replaced redundant computer equipment. 	<ul style="list-style-type: none"> • Investment in staff development and training: R381 160 (2020/2021: R930 129). • Investment in professional membership fees: R21 107(2020/2021: R21 568).
Future and Ongoing Actions to Enhance Outcomes	<ul style="list-style-type: none"> • Develop staff Engagement Plan to increase staff engagement. • Review and update policies and processes to remain relevant. • Revisit retention strategies to reduce staff turnover in a highly competitive market. • Complete and implement the Skills Competency Framework for less critical skills. • Increasing our overall EE representation, especially at senior level. • Refer to Part D: Human Capital Management and Part E: Financial Information for further details. 	<ul style="list-style-type: none"> • Upgrading laptops. • Review usage of software to ensure relevance as well as no over-supply of licenses. • Refer to the section on Information and Communications Technology (ICT) in Part B: Performance Information and Part E: Financial Information for more information. 	<ul style="list-style-type: none"> • Provide technical staff with more opportunities to attend to Research and Development. • Ongoing training and development of staff to ensure a high-performance culture and retention. • Refer to Part D: Human Capital Management for more information.

<p>FINANCIAL CAPITAL - Interfront moved from a profit-driven model to a break-even model. This supports our main objective of being a strategic partner to SARS in their IT sphere, and is in line with our mandate as a Schedule 3A public entity.</p>	<p>SOCIAL AND RELATIONSHIP CAPITAL -Developing and maintaining relationships of trust is the foundation for value creation.</p>	<p>NATURAL CAPITAL - Interfront has a low environmental impact. Our facilities reflect a culture of safety and concern for the environment.</p>
<ul style="list-style-type: none"> • Changing the financial model where income from SARS is aligned with the budgeted expenditure for the year. • Being a responsible steward of financial resources as a public entity and ensuring return on investment of financial resources. • Spending with integrity. 	<ul style="list-style-type: none"> • Apply the provisions of the Preferential Procurement Policy Framework (PPPF), which provides for the procurement of goods and services from groups disadvantaged by unfair discrimination. • Donate redundant computer equipment to educational institutions. 	<ul style="list-style-type: none"> • Maintaining and regular servicing of electrical equipment and air-conditioning units. • Recycling redundant IT hardware through a certified third party, supported by documented proof. • Systems were automated faster to allow staff to continue to work from home. • Extending the useful life of equipment. • Reducing paper usage.
<ul style="list-style-type: none"> • Reviewed the implementation and effectiveness of the new MSA with SARS. • Reducing our reliance on external contractors. 	<ul style="list-style-type: none"> • Procurement of goods and services: R13 134 273 (2020/2021: R10 227 332). 	<ul style="list-style-type: none"> • Ensuring that equipment is maintained and serviced at regular intervals to ensure optimal use and energy savings, which results in further savings by limiting breakdowns or the replacement of equipment. • Single generator operated by the office park, rather than each business operating their own. • Automation of systems resulted in a significant reduction in our paper usage. • Extending the useful life of equipment results in cost savings, as well as reducing our environmental footprint.
<ul style="list-style-type: none"> • Ongoing review of expenses. • Maintaining or increasing the staff complement, as customer demand dictates. • Amending the MSA to ensure value for money for the client and sustainability of Interfront. • Renegotiated and renewed the contract with ADA for a minimum period of three years. • Ensure that knowledge transfer from external contractors continues. • Aligning the financial model and invoicing between the tax and customs team to SARS. • Refer to Part D: Human Capital Management and Part E: Financial Information for more information. 	<ul style="list-style-type: none"> • Continue to apply the provisions of the PPPF. • Introduce staff volunteering projects. • Donating redundant hardware and equipment. • Refer to Part D: Human Capital Management and Part E: Financial Information for further details. 	<ul style="list-style-type: none"> • Continue with the automation of processes and apply the lessons learnt while working from home during the COVID-19 pandemic to reduce paper usage further. • Continued review of the useful lives of equipment. • Continue recycling paper and plastic. • Refer to Part E: Financial Information for more information.

PART B

PERFORMANCE REPORT

1. REPORT OF THE AGSA: PREDETERMINED OBJECTIVES
2. OVERVIEW
3. SITUATIONAL ANALYSIS
4. OPERATIONAL HIGHLIGHTS
5. OPERATIONAL CHALLENGES
6. OPERATIONAL OUTLOOK
7. INFORMATION AND COMMUNICATION TECHNOLOGIES (ICTs)
8. STRATEGIC PLAN OVERVIEW AND REPORTING
9. PERFORMANCE REPORT
10. LINKING PERFORMANCE WITH BUDGETS

1. REPORT OF THE AGSA: **PREDETERMINED OBJECTIVES**

The AGSA performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the Report to Management.

Material findings are reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report. The Report of the AGSA is included in [Part E: Financial Information](#).

2. OVERVIEW

Interfront was established in 2010 with a focus on being a development partner for SARS, in the pursuit of modernising its customs systems. The strategic drivers for the 2021/2022 financial year remained unchanged from the previous reporting periods and focused on Interfront's delivery to SARS, the support and maintenance of its systems in operation in both SARS and ADA, the human capital targets, and effective resource management under the objective of Maintaining a Software Development Centre of Excellence.

However, Interfront's offering to SARS was expanded at the beginning of the 2022/2023 financial year, with the incorporation of the Tax team responsible for the support, maintenance and enhancement of the SARS eFiling and MobiApp solutions. The incorporation necessitated the review and addendum to the SARS/Interfront MSA to provide for these additional services.

3. SITUATIONAL **ANALYSIS**

Interfront concentrated its operational efforts during the year under review on Customs Work Orders (WO), and supporting both the SARS and ADA systems. Due to the scarcity of IT resources in the global market, the human capital targets remained a challenge, resulting in Interfront only partially achieving two of its three human capital targets.

3.1 Service Delivery Environment

For the 2021/2022 financial year, both operational targets were achieved, namely, the development of an iCBS to support SARS projects, and providing effective software support services to SARS and ADA. Interfront has provided SARS with first- and second-line support

outside of its contractual scope as a value-added initiative. However, as reliance on this service has increased, Interfront collaborated with SARS on including these services as part of the support scope.

The slow finalisation of Business Requirement Specifications proved to be a challenge for planning and the timely delivery of projects. Even though the SARS/Interfront break-even operating model and associated MSA is in its second year of operation, some growing pains remain in its implementation that required adaptation in ways of working. Particularly relevant was the question of how to treat pre-sales, value-added services, general support, and consulting efforts. A proposal was made calling for the creation of SARS Work Orders for some of

3. SITUATIONAL **ANALYSIS** (CONT.)

these services, while others will be included in the break-even rate going forward.

The additional technical support required for the various SARS environments, the overlapping of different application versions, systems in these environments and the dependency and complexity of these systems placed additional pressure on operational project deliverables.

The Service Level Agreement (SLA) between Interfront and ADA has been renewed for a minimum period of three years.

3.2 Organisational Environment

Since we operate in a highly skilled environment and IT skills are in short supply, the targets of staff retention and developing a skilled, diverse and engaged workforce remain a challenge. The two related targets have only partially been achieved. In the first five months of the 2021/2022 financial year, Interfront reported a staff turnover of 9.76% against an annual target of 14%, with a projected year-end result of 23.4%. The zero per cent increase for staff on level 7 and above in the previous financial year was due to pressure on the fiscus, and posed another challenge in combating the turnover at the senior level.

The high staff turnover had a significant impact on the remaining employees as the workload increased, which caused team fatigue. In its June 2021 meeting, the Board approved retention increases for high performers in the scarce and critical skills environments. The turnover trend continued into November 2021, with a reported staff turnover figure of 14.78% and a projected year-end result of 25.33%. The staff turnover rate for the latter part of quarter three started on a downward trend, with the annualised result being revised down to 18.63% and an actual reported year-end result of 17.48%. Additionally, Interfront reintroduced its annual market positioning exercise in 2021 to aid in the retention of high performers and scarce and critical skills. To increase the number of potential candidates in the scarce skills environment, Interfront has also increased its recruitment parameters by including contracted staff, older resources, as well as foreign nationals with work permits. The high staff turnover had a knock-on effect on Interfront's target to

maintain its staff complement at a minimum of 110, with a reported year-end result of 102.

3.3 Key Policy Developments and Legislative Changes

No major changes were made to policies or legislation that affected Interfront's operation during the reporting period.

However, Interfront's mandate and operational environment were changed at the onset of the 2022/2023 financial year, with the on-boarding of the Tax team responsible for the development, enhancement, modification and support of SARS eFiling and MobiApp solutions. The acquisition was supported by the Minister of Finance and the Interfront Board, subject to all relevant approvals and strict compliance with all governance rules and processes.

The acquisition of the resources necessitated a review of Interfront's Strategic Plan for the next five years. In reviewing Interfront's five-year Strategic Plan, the following documents were used:

- Previously approved Interfront Strategic Plans
- SARS 2024 Vision
- SARS Strategic Plan

The business' strategic drivers considered in developing Interfront's new five-year Strategic Plan included:

- Assisting SARS in achieving its Vision 2024;
- Positioning Interfront as a thought leader in the customs and tax space;
- Innovation;
- New opportunities within SARS and other government entities, with SARS as a strategic reference; and
- Becoming the primary technology partner.

The new five-year Strategic Plan covering 2022/2023 – 2026/2027 and the Annual Performance Plan for the 2022/2023 financial year were approved by the Board at its meeting on 17 March 2022.

3. SITUATIONAL **ANALYSIS** (CONT.)

• Amendments to Strategic Outcome-Orientated Goal

Strategic Outcome-Orientated Goal 1

2018/2019 – 2021/2022	2022/2023 – 2026/2027
Quality Development and Support	Quality and Innovative Software Development and Support

The new target, Quality and Innovative Software Development and Support, has four activities as performance indicators, namely:

- Develop and enhance iCBS channels to support SARS Customs Modernisation Programme;
- Develop and enhance SARS eFiling and MobiApp platforms;
- Provide effective software support services to SARS on the customs, eFiling and MobiApp platforms; and
- Provide effective software support services to ADA.

Strategic Outcome-Orientated Goal 2

2018/2019 – 2021/2022	2022/2023 – 2026/2027
N/A	Establish a Broader Customer Base

This is a newly added objective with a performance indicator of expanding the footprint and services of Interfront within SARS to assist in realising SARS Vision 2024 and possibly to explore other opportunities outside of SARS, with SARS as a strategic reference.

Strategic Outcome-Orientated Goal 3

2018/2019 – 2021/2022	2022/2023 – 2026/2027
N/A	Demonstrate Effective Resource Stewardship

This is a newly added objective. The performance indicator was previously encompassed in strategic outcome-oriented goal 4 under establishing and supporting effective governance. The target includes achieving a clean audit opinion.

Strategic Outcome-Orientated Goal 4

2018/2019 – 2021/2022	2022/2023 – 2026/2027
Maintaining a Software Development Centre of Excellence	Maintaining and Growing a Software Development Centre of Excellence

This objective focuses mainly on Interfront's Human Capital targets, with the following performance indicators:

- The target of maintaining a staff complement of 110 was changed to maintaining a staff complement of 150 to accommodate the insourcing of the Tax team; and
- Staff turnover target of less than 14% remains unchanged, as well as the intake of graduates and/or bursars.

4. OPERATIONAL HIGHLIGHTS

- SARS' operational support functioned effectively in the period under review and consistently met the SLA targets for each month of the reporting period. Over this period, Interfront provided 80 releases to SARS, of which 28 were deployed to production.
- Production Support Services to SARS increased by 24%, handling a total of 1 438 incidents, and 21 production changes (Engineering Change Proposals (ECPs)).
- The Registration, Licensing and Accreditation (RLA) project received special recognition at the SARS internal awards by lifting the 'superstar' award.
- RLA packaged releases were delivered to SARS. These included functionality for renewals, additional and modified client types, as well as updates for the Workflow engine and User Interface improvements.
- The successful use of the automated deployment tool (XebiaLabs Deploy (XLD)) was achieved to simplify software deployments in the SARS environments.
- Cargo Processing updates for the part clearance of declarations and Advanced Payment Notification (APN) were successfully deployed into production in May 2021 and December 2021, respectively.
- All three of the RLA packaged releases delivered to SARS during the year were successfully deployed into production.
- Ten system releases to ADA were made, of which eight were deployed into production, including various enhancements, scripts and 'bug fixes' to the current import/export and cargo systems.
- Function Point Measurement (FPM) capability established.
- During the last quarter of the 2021/2022 financial year, Interfront started the on-boarding of the Tax team.

5. OPERATIONAL CHALLENGES

- A continued increase in production operational support has been provided to SARS in the past financial year. This is most likely attributable to the RLA module going into production, together with a simultaneous loss of technical skills at SARS. Consequently, Interfront is managing its resources across production support and multiple development and delivery streams.
- The additional technical support required for the various SARS environments, the overlapping of different application versions and systems in these environments, as well as the dependency and complexity of these systems, continue to place additional pressure on operational deliverables.
- Budget limitations continue to pose challenges as resources compete for funds.

6. OPERATIONAL **OUTLOOK**

- Planned technology upgrades for the Declaration Processing System (DPS) and the Tariff Management System (TMS).
- Interfront's scope at SARS will include customs and tax development, enhancement and support, following the successful on-boarding of the Tax team who will continue to support and maintain the SARS eFiling and MobiApp platforms with planned deliverables implemented throughout the year.
- SARS looks to support its operations and use new and emerging technology, as part of its Vision 2024 to improve services and trader experience. Interfront is pursuing the opportunity to participate in and partner with SARS in this regard, through the enablement of digital platforms.
- ADA confirmed that they will be replacing the Interfront modules in production. They currently anticipate having the transit section (the New Computerised Transit System (NCTS)) of Import, Export and Transit (IETA) replaced by the end of 2022. ADA further anticipates switching off that section of the IETA system six months after their go-live.
- Change management for the integration of the tax team into Interfront's delivery processes is ongoing.

7. INFORMATION AND **COMMUNICATION TECHNOLOGIES (ICTs)**

ICT played a key role in ensuring that disruptions were kept to a minimum, while supporting staff who predominantly worked remotely.

IT Security: With the implementation of two-factor authentication (2FA), access to the Interfront network was reinforced, further reducing the risk of unauthorised access to the network. An external party was appointed to perform an internal penetration test on the Interfront network. Security improvements were recommended and will be implemented accordingly.

Infrastructure and Network: ICT took delivery of a storage expansion unit in December 2021. The additional capacity is now operational and replaces an older storage unit, which Interfront can repurpose at its disaster recovery site to increase capacity for business continuity.

Interfront spent considerable effort designing and implementing a new remote network at its new St Andrew's premises. When utilising hot seats, this change will allow staff to experience seamless connectivity to the new data centre and network resources at SARS in Pretoria. In addition, the network was upgraded to accommodate bandwidth requirements.

ICT Governance, Risk and Compliance: The Interfront Information Systems Management Committee (ISMC) facilitates IT governance. This committee met each quarter to address security matters and ensure compliance.

Data Centre Relocation: ICT successfully relocated Interfront's Data Centre to the SARS building in Bellville since the decision by Interfront Board to vacate the Gleneagles building.

8. STRATEGIC PLAN OVERVIEW AND REPORTING

- **Strategic Outcome-Orientated Goal 1: Quality Software Development and Support**

Providing strong IT development capacity as the preferred supplier to SARS and augmenting this with contracted resources where necessary to meet peak delivery times. Providing ongoing maintenance and support. As further systems are delivered, the support capacity will need to increase proportionally.

Performance Indicator 1.1: Develop iCBS to support SARS NCAP

The New Customs Act Programme (NCAP) needs to be delivered in accordance with specified timelines determined by SARS. The timelines are stretched over a number of years, and Interfront must meet them as set by SARS. The new Customs Act and operational projects are implemented in phases. Each of these phases are associated with a software development project in Interfront. These projects are delivered in 'slices' of functionality, called releases, which are demonstrated to SARS for acceptance before delivery. The Interfront Customs and Border Management Solution (iCBS) product in SARS will be expanded and modified to meet the objectives of the Customs Act and operational projects, as defined by SARS. The outcome of the strategic goal is dependent on the approved SARS Business Plan and approved Work Orders for operational projects, which are then recorded in the Annual Performance Plan for the year.

The Annual Performance Plan target has been achieved on four occasions and once partially achieved since the 2017/2018 financial year.

Performance Indicator 1.2: Provide effective software support services to SARS and ADA

Both clients operate national customs systems on a permanent basis (24 hours a day, 7 days a week, 365 days a year). The Interfront software is a key component in each of these systems. The support level provided by Interfront is crucial to the effective operation of the customs systems. Support Agreements have been established with both clients and expected interactions and service levels are detailed in these agreements.

SARS: Service levels are measured against agreed contractual levels and results are reported in a monthly SLA report.

The Annual Performance Plan target has been achieved since the 2017/2018 financial year.

ADA: The annual target changed since the 2019/2020 financial year from achieving four out of five points on a satisfaction level scale of the client survey to release reports instead.

The Annual Performance Plan target has been achieved on three occasions and partially achieved on two occasions since the 2017/2018 financial year.

- **Strategic Outcome-Orientated Goal 2: Maintain a Software Development Centre of Excellence.**

Grow Interfront as a Centre of Excellence to develop IT skills and contribute to empowerment within SARS and the wider public sector. The number of candidates selected annually will increase as project growth allows.

Performance Indicator 2.1: Retention of management team and staff

The management and retention of Interfront's Human Capital are crucial to the success of the company. In implementing its strategy, Interfront recognises that there are various risks associated with its business and key among them is the loss of critical staff. The staff turnover target was set to be equal to or less than 14% for the last five years.

The Annual Performance Plan target has been achieved on two occasions, not achieved on two occasions, and once partially achieved since the 2017/2018 financial year.

Performance Indicator 2.2: Maintain and develop a skilled, diverse and engaged workforce

To meet customer demands and achieve its strategic goals, Interfront needs to maintain its human resources at a minimum level. The target has been set to maintain a minimum of 110 staff members

8. STRATEGIC PLAN OVERVIEW AND REPORTING (CONT.)

from the 2019/2020 financial, after being revised down from 120 in the 2018/2019 financial year due to severe budget constraints as a result of pressure on the fiscus.

The Annual Performance Plan target has been achieved only once, not achieved on two occasions, and partially achieved on two occasions since the 2017/2018 financial year.

Performance Indicator 2.3: Maintain and grow a Centre of Excellence

Interfront established a graduate internship programme, which is offered to students who have successfully completed a course of study or training in the IT sphere. Interfront firstly appoints individuals from its own bursary scheme and if the programme has additional openings, other high achievers are considered. The target was set to recruit 30 graduates from the 2017/2018 to 2022/2023 financial year. The target has been exceeded in the 2021/2022 financial year with 52 candidates joining Interfront's graduate programme since the 2017/2018 financial year.

The Annual Performance Plan target has been achieved since the 2017/2018 financial year.

Performance Indicator 2.4: Establish and support effective governance

In line with Interfront's and our Shareholder's commitment to maintain and promote good governance, this measure seeks to monitor Interfront's compliance with all statutory requirements. The annual target is to achieve a clean audit opinion. A clean audit opinion entails that in addition to an unqualified audit opinion on the Annual Financial Statements, there were no material findings reported on performance objectives, compliance with legislation, or internal controls deficiencies.

The Annual Performance Plan target has been achieved since the 2017/2018 financial year.

9. PERFORMANCE REPORT

The Interfront Board approved the publication of Interfront's performance results, via round robin on 31 July 2022.

Strategic Outcome-Orientated Goal 1: Quality Software Development and Support

Interfront maintains a strong IT development capacity to build new systems and a support capacity for those already in production. IT development capacity is maintained in the form of Intellectual and Human Capital. When necessary, contracted resources (Key Partners) augment this capacity to meet peak delivery times.

Performance Indicator: Develop iCBS to support SARS NCAP

As part of the NCAP, Interfront, as a key development partner, is assisting in expanding and modifying the existing iCBS product deployed in SARS. The programme is divided into phases and each of these phases is associated with a software development project in Interfront. Projects are delivered in slices of functionality known as 'sprints'. Project delivery is based on the SARS approved NCAP Business Plan. The output is annually set out in Interfront's Annual Performance Plan.

9. PERFORMANCE REPORT (CONT.)

Performance Indicator: Develop iCBS to support SARS NCAP

Outcome	Output	Output Indicator	Audited Actual Achievement 2019/2020	Audited Actual Achievement 2020/2021	Planned Target 2021/2022	Actual Achievement 2021/2022	ACHIEVED			Deviation from Planned Target to Actual Achievement	Reason for Deviations
The NCAP programme needs to be delivered in accordance with specified timelines determined by SARS, which stretch over several years. These timeframes must be met as set by SARS	Develop iCBS to support SARS projects	SARS approved Business Plan or approved Work Orders for operational projects	Achieved Four project releases delivered to SARS over the financial year, one per quarter: RLA Release 4 RLA Release 5 RLA Release 6 RLA Release 7	Achieved Quarterly RLA releases were delivered to SARS, Carbon Tax, and the Africa Free Trade Agreement	RLA 2C Package 1 (Additional Client types; New containers; ECP874; ECP895)	RLA 2C Package 1 (Additional Client types; New containers; ECP874; ECP895)					
					RLA 2C Package 2 (New and Modified Client types; New containers)	RLA 2C Package 2 (New and Modified Client types; New containers)					
					RLA 2C Package 3 (Renewals; Auto processing rules; Validation of Terminal and Depot codes; EDI workflow; ECP853 Inbox Search; CRO053 Locking Mechanism)	RLA 2C Package 3 (Renewals; Auto processing rules; Validation of Terminal and Depot codes; EDI workflow; ECP853 Inbox Search; CRO053 Locking Mechanism)					
					RLA 2D (ECP737) Reconsiderations; EDI Client type and containers	Refer to deviation				RLA 2D	Cancelled by SARS for inclusion in Modernisation Business Case
					*Export on Scrap Metal (W0113)	Export on Scrap Metal (W0113)					
					*RCG Part Clearances (W0110)	RCG Part Clearances (W0110)					
					*DPS Upgrade Phase 1	DPS Upgrade Phase 1					
					TMS Design (W0104)	Refer to deviation				TMS Design W0104	Declined by SARS
					TMS Upgrade Implementation – Phase 1	TMS Upgrade Implementation – Phase 1				TMS Upgrade Implementation – Phase 1	TMS Upgrade Implementation – Phase 1 Although it was delivered only in Q4, the timeline for the financial year was met
					Production ECPs	Production ECPs					
					Production ECPs (880 Race condition; 897 Uniqueness of Transport Document Number (TDN and MTDN); 898 Restriction on Ports; 899 ePenalty Late Declarations; 900 RLA – Add last updated time stamp; AFT Electronic Application; ePenalty for Exports; DB2 upgrade to v11.5)	Production ECPs (880 Race condition; 897 Uniqueness of Transport Document Number (TDN and MTDN); 898 Restriction on Ports; 899 ePenalty Late Declarations; 900 RLA – Add last updated time stamp; AFT Electronic Application; ePenalty for Exports)					

9. PERFORMANCE REPORT (CONT.)

Outcome	Output	Output Indicator	Audited Actual Achievement 2019/2020	Audited Actual Achievement 2020/2021	Planned Target 2021/2022	Actual Achievement 2021/2022	ACHIEVED		Deviation from Planned Target to Actual Achievement	Reason for Deviations
The NCAP programme needs to be delivered in accordance with specified timelines determined by SARS, which stretch over several years. These timeframes must be met as set by SARS	Develop iCBS to support SARS projects	SARS approved Business Plan Work Orders for operational projects	Achieved Four project releases delivered to SARS over the financial year, one per quarter: RLA Release 4 RLA Release 5 RLA Release 6 RLA Release 7	Achieved Quarterly RLA releases were delivered to SARS, Carbon Tax, and the Africa Free Trade Agreement	*Advance Import Payment (AIP)	AIP				
					Refunds and Drawbacks	Refer to deviation			Refunds and Drawbacks	Refunds and Drawbacks Project was postponed by SARS. New delivery date planned for 2022/2023 financial year
					Number Plate Recognition (NPR)	Refer to Deviation			NPR	Not initiated by SARS
						Additional work performed that is not specified in the Annual Performance Plan:				
						*Elasticsearch Cargo Processing System (CPS) Release 5.4.45 uploaded to SARS on 31 March 2022			Elasticsearch (WO118)	Additional work requested by SARS
						*Function Point Measurement (FPM) FPM counts produced on four historical projects sent to SARS on 31 March 2022			FPM (WO126)	Additional work requested by SARS
						*Supply and Configuration of Software Deployment Tool First XLD automated pipeline deployment of RLA and CPS was run in production on 28 January 2022			Supply and Configuration of Software Deployment Tool (C075A)	First XLD automated pipeline deployment of RLA and CPS was run in production on 28 January 2022

*See the following page for more detail on other work performed that was not part of the approved Annual Performance Plan.

9. PERFORMANCE **REPORT** (CONT.)

RLA Phase 2C Packaged Releases

The scope of the RLA Phase 2C was to implement the remainder of the 1964 Act Client Types, coupled with additional requested changes. The three packaged RLA releases were delivered and uploaded to SARS in April 2021, May 2021 and July 2021, respectively.

Exports on Scrap Metal (W0113)

The implementation of export duty on scrap metal imposed on imported and locally obtained or manufactured products is envisaged. It is intended to improve the availability of better-quality scrap metal at affordable prices for domestic foundries and mills, while increasing the fiscus. The software was uploaded to SARS in June 2021.

Advanced Payment Notification (APN) (W0116)

Local currency and foreign exchange dealers can offer a facility to their clients to make advanced payments to foreign suppliers upon presentation of an invoice or other legally permissible documents, if the client intends to import the goods from a foreign country into the Republic. In collaboration with other SARS vendors, Interfront implemented a solution to monitor the payment and subsequent importation of the goods and to identify any discrepancies. Interfront's contribution included changes to the declaration processing. The software changes were uploaded to SARS on 23 September 2021.

Part Clearance (W0110)

The Goods Accounting (GAC) system was changed to provide for part clearance. Part clearances occur when a single consignment manifest is cleared against more than one declaration. The software changes were uploaded to SARS on 16 May 2021.

DPS Upgrade Phase 1

The upgrade project of Declaration processing aims to move the DPS back-end and supporting front-ends to align with a common technology stack. Interfront concluded phase 1 at the end of March 2021 and it continued into the 2021/2022 financial year. Although there was no formal software upload to SARS, Interfront demonstrated the upgraded functionality to SARS in the Interfront environment.

TMS Upgrade

The objective of the project was to:

- Upgrade the back-end and front-end technologies to align with the customs modernisation technology stack in use for RLA, CPS and the DPS upgrade.
- Split the front- and back-end into separately deployable components to enable future front-end technology upgrades efficiently without impacting the back-end layer.

The development of the TMS upgrade started in December 2021. The first demo of the software upgrade to introduce the new look and feel was conducted on 29 March 2022.

9. PERFORMANCE **REPORT** (CONT.)

Work performed that was not specified as part of the Annual Performance Plan

Elasticsearch

Elasticsearch is a proven search engine and data store that Interfront wants to include in its current and future solution designs. The first milestone upload of the CPS release was completed on 31 March 2022. The next steps are for SARS, in collaboration with Interfront, to test CPS containing Elasticsearch, with the aim of Elasticsearch going live on 30 June 2022.

Supply and Configuration of Software Deployment Tool

The project aimed to facilitate collaboration between Interfront and SARS to streamline and automate the deployment process of the Interfront developed enterprise software systems in both the Interfront and SARS environments. The first XLD automated pipeline deployment of RLA and CPS was successfully run in production on 28 January 2022. Since 28 January 2022, all RLA and CPS releases to all SARS environments have been done using XLD.

Function Point Measurement (FPM)

The introduction of FPM to SARS was done as an estimation approach that can be used as a service to qualify effort more accurately. The scope of the project was to research and select a preferred FPM methodology. This was achieved through performing function point counts for four historical projects and producing a guideline for the application of functional size measurement.



9. PERFORMANCE REPORT (CONT.)

Performance Indicator: Provide effective software support services to SARS

Outcome	Output	Output Indicator	Audited Actual Achievement 2019/2020	Audited Actual Achievement 2020/2021	Planned Target 2021/2022	Actual Achievement 2021/2022	Deviation from Planned Target to Actual Achievement	Reason for Deviations
Provide effective software support services to SARS	Annually meet SARS service levels as per the Support Agreement	Service levels are measured against agreed contractual levels and the results are reported to SARS in a monthly SLA Report	Achieved SLA Reports show that service levels were met	Achieved SLA Reports show that service levels were met	Meet service levels	SLA Reports show that service levels were met	N/A	N/A
ACHIEVED								

As part of this service, Interfront continues to develop minor enhancements for the iCBS system. A dedicated support team manages the support requests and ensures that the measured service levels are maintained. Relationships are nurtured and maintained through regular communication, including face-to-face visits on the operational and executive levels. Deployment of new versions of the system into production continues under active monitoring by the Interfront support team and technical leads.

The support services are measured monthly against agreed contractual service levels (SLA) and reported back to SARS on a monthly basis. Interfront operational support has continuously met the SLA targets up to March 2022. During the 2021/2022 financial year, Interfront operational support has handled a total of 1 438 incidents, of which 1 237 were for production support, and 172 were project-related support incidents.

9. PERFORMANCE REPORT (CONT.)

Performance Indicator: Provide effective support services to ADA

Outcome	Output	Output Indicator	Audited Actual Achievement 2019/2020	Audited Actual Achievement 2020/2021	Planned Target 2021/2022	Actual Achievement 2021/2022	Deviation from Planned Target to Actual Achievement	Reason for Deviations
Provide effective software support services to ADA	Delivery of fixes and enhancements releases: IETA (two releases) and ICS (two releases). Deliver Known Error Lists (KELs) solutions before European Union (EU) required dates	Delivery of fixes and enhancement releases, measured by means of release reports	Achieved Delivery of fixes and enhancements releases: IETA (two releases) and ICS (two releases)	Achieved Delivery of fixes and enhancements releases: IETA (two releases) and ICS (two releases)	Delivery of fixes and enhancement releases: IETA (two releases) and ICS (two releases). Deliver KELs solutions before EU required dates	Delivery of fixes and enhancements releases: IETA (two releases) and ICS (two releases). No KELs released by the EU during this period	ACHIEVED N/A	N/A

The SLA between Interfront and ADA has been renewed for a minimum period of three years. The agreement includes revised costing for the services to be rendered, with the possibility of support coming to an end for some modules during the period.

Strategic Outcome-Orientated Goal 2: Maintain a Software Development Centre of Excellence

The sustainability of Interfront, as well as the sustainability of its contribution to its stakeholders, is dependent on maintaining the intellectual capital vested in its employees.

9. PERFORMANCE REPORT (CONT.)

Performance Indicator: Retention of management team and staff

The successful management and retention of Interfront's Human Capital is key to meeting company objectives and crucial to its success. As a software development company that operates in a scarce skills environment, retaining key staff is vital. The global pandemic has made remote working the new normal and increased job opportunities all over the world. This resulted in some internal staff losses and new ways of retaining staff should be investigated going forward. These factors have also significantly increased the difficulty in attracting new talent. Staff retention is judged to be the number one risk to Interfront, largely as a result of the external factors in the market.

Outcome	Output	Output Indicator	Audited Actual Achievement 2019/2020	Audited Actual Achievement 2020/2021	Planned Target 2021/2022	Actual Achievement 2021/2022	Deviation from Planned Target to Actual Achievement	Reason for Deviations
Retention of management team and staff	Percentage of staff turnover	Record of staff turnover, as provided and verified by Interfront Human Resources Department	Achieved 8.93%	Achieved 10.14%	Less than 14%	17.48%	3.48%	Interfront experienced an exodus of staff in the first two quarters of the financial year due to high demand for IT skills. Although actions taken have reduced the trend in Q3 and Q4, the overall result was still above the target
PARTIALLY ACHIEVED								

For more information pertaining to our Human Capital, refer to [Part D: Human Capital Management](#).

As a small IT company, Interfront is often faced with the major challenge of competing for limited human resources due to the aggressive recruitment of IT staff. Interfront is constantly looking at new methods to reduce employee turnover and improve retention.

Methods utilised to reduce turnover include:

- Improving training and development opportunities for employees.
- Constant review and benchmarking of salaries within the IT sector.
- Creating opportunities for promotion, especially at junior and mid-levels.
- Promoting and using multiple avenues to attract and retain qualified and competent employees.
- Maintaining a Wellness Programme.

9. PERFORMANCE REPORT (CONT.)

Performance Indicator: Maintain and develop a skilled, diverse and engaged workforce

Interfront's objective for the year under review was to maintain a staff complement of 110 employees.

Outcome	Output	Output Indicator	Audited Actual Achievement 2019/2020	Audited Actual Achievement 2020/2021	Planned Target 2021/2022	Actual Achievement 2021/2022	Deviation from Planned Target to Actual Achievement	Reason for Deviations
Maintain and develop a skilled, diverse and engaged workforce	Expand and/or maintain the staff complement. Successful appointment and on-boarding	Successful appointment and on-boarding. Record of appointment and resignations, as provided and verified by Interfront's Human Resources Department	Achieved 115	Partially Achieved 104	Maintain staff complement at a minimum of 110	102	-8	Due to a shortage of skills in the IT market, it has become increasingly difficult to recruit and replace high-calibre staff
PARTIALLY ACHIEVED								

For more information pertaining to our Human Capital, refer to [Part D: Human Capital Management](#).

As indicated above, a high number of employees resigned and the staff turnover figure was higher than our target of less than 14%. This together resulted in a partially achieved result for the target of maintaining a staff complement of 110.

9. PERFORMANCE REPORT (CONT.)

Performance Indicator: Maintain and grow a Centre of Excellence

The Interfront Graduate Internship Programme is offered to students who have successfully completed a course of study or training in the IT sphere. Interfront firstly appoints individuals from its own bursary scheme and should the programme have additional openings, other high achievers are considered. This creates a pipeline of young employees and provides Interfront with an opportunity to develop and mould them according to Interfront's specific needs. The target varies annually, as set out in Interfront's Annual Performance Plan.

Outcome	Output	Output Indicator	Audited Actual Achievement 2019/2020	Audited Actual Achievement 2020/2021	Planned Target 2021/2022	Actual Achievement 2021/2022	ACHIEVED	Deviation from Planned Target to Actual Achievement	Reason for Deviations
Maintain and grow a Centre of Excellence	Successful appointment of graduates	Contracts concluded	Achieved Five graduates	Achieved Five graduates	Five graduates	Five graduates		N/A	N/A

More information on our Graduate Internship Programme can be found in [Part D: Human Capital Management](#).

9. PERFORMANCE REPORT (CONT.)

Performance Indicator: Establish and support effective governance

Interfront prides itself in being an ethical company and as such, has set a target of a clean audit opinion since the 2019/2020 financial year. A clean audit opinion entails that in addition to an unqualified audit opinion on the Annual Financial Statements, no material findings are reported on performance objectives, compliance with legislation, or internal control deficiencies.

Outcome	Output	Output Indicator	Audited Actual Achievement 2019/2020	Audited Actual Achievement 2020/2021	Planned Target 2021/2022	Actual Achievement 2021/2022	ACHIEVED	Deviation from Planned Target to Actual Achievement	Reason for Deviations
Establish and support effective governance	Clean audit report	Report from the AGSA	Achieved Unqualified and clean audit opinion for the 2018/2019 financial year	Achieved Unqualified and clean audit opinion for the 2019/2020 financial year	Clean audit report for 2020/2021 financial year	Clean audit opinion for the 2020/2021 financial year		N/A	N/A

The 2020/2021 financial year sees the eleventh consecutive unqualified audit report on the Annual Financial Statements. We have also achieved five consecutive years in which Interfront has received a clean audit opinion, with ten years in total. The report from the AGSA for the 2021/2022 financial year is included in [Part E: Financial Information](#).

10. LINKING PERFORMANCE WITH BUDGETS

2019/2020					2020/2021					2021/2022				
Objective	Budget Expenditure	Actual Expenditure	(Over)/Under Expenditure		Budget Expenditure	Actual Expenditure	(Over)/Under Expenditure		Budget Expenditure	Actual Expenditure	(Over)/Under Expenditure			
Quality Software Development and Support	99 532 288	95 309 033	4 223 255		105 940 782	94 532 865	11 407 917		96 347 174	94 295 247	2 051 927			
Maintain a Software Development Centre of Excellence	24 883 072	23 827 258	1 055 814		26 485 195	23 633 216	2 851 979		24 086 794	23 573 812	512 982			
2019/2020					2020/2021					2021/2022				
Objective	Budget Expenditure	Actual Expenditure	(Over)/Under Expenditure		Budget Expenditure	Actual Expenditure	(Over)/Under Expenditure		Budget Expenditure	Actual Expenditure	(Over)/Under Expenditure			
SARS	99 304 348	99 515 446	211 098		93 043 478	89 440 754	(3 602 724)		96 166 040	93 122 391	(3 043 649)			
Luxembourg (ADA)	12 964 124	13 020 833	56 709		13 142 780	15 922 752	2 779 972		14 949 853	15 283 557	333 704			

PART C

GOVERNANCE

1. INTRODUCTION
2. PORTFOLIO COMMITTEES
3. EXECUTIVE AUTHORITY
4. INTERFRONT BOARD
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7. RISK MANAGEMENT
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1. INTRODUCTION

Corporate governance embodies the processes and systems by which Interfront is directed, controlled and held to account. In addition to legislative requirements based on the Companies Act, Interfront applies corporate governance through the precepts of the Public Finance Management Act (PFMA), in tandem with the principles contained in the King Report on Corporate Governance.

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

2. PORTFOLIO **COMMITTEES**

Parliament exercises its role through evaluating the performance of public entities by interrogating their annual financial statements and other relevant documents, which have to be tabled, as well as any other documents tabled from time to time.

The Standing Committee on Public Accounts (SCOPA) reviews the annual financial statements and the audit reports of the external auditor.

The Portfolio Committee exercises oversight over the service delivery performance of public entities.

The Portfolio Committee thus reviews the non-financial information contained in the annual reports of public entities and is concerned with service delivery and enhancing economic growth.

As a wholly owned subsidiary of SARS, Interfront's strategic planning, budgeting, risk and reporting are incorporated into those of SARS and form part of the public accountability processes of SARS.

3. EXECUTIVE **AUTHORITY**

Oversight by the Executive Authority rests on the prescripts of the PFMA. The PFMA governs and gives authority to the Executive Authority for oversight powers.

The Executive Authority also has the power to appoint and dismiss the Board, and must ensure that the appropriate mix of Executive and Non-Executive Directors are appointed and that Directors have the necessary skills to guide Interfront.

The Minister of Finance appointed the Interfront Board at incorporation. Subsequent renewals and replacements of Board members have been approved by the Commissioner of SARS in the capacity of Shareholder, in terms of Section 68(1) of the Companies Act and Interfront's Memorandum of Incorporation (MOI).

4. INTERFRONT **BOARD**

4.1 Introduction

The Board of Directors is Interfront's accounting authority. The Interfront Board constitutes a fundamental base for the application of corporate governance principles in Interfront. As a public entity, Interfront is headed and controlled by an effective and efficient Board, comprising the appropriate mix of Executive and Non-Executive Directors representing the necessary skills to guide Interfront strategically. The majority of the members are Non-Executive Directors to ensure independence and objectivity in decision-making. The Interfront Board has absolute responsibility for the performance of Interfront and is fully accountable to Interfront for such performance. The Board also gives strategic direction to Interfront.

4.2 Role of the Board

The role of the Board includes, but is not limited to:

- Being responsible for the performance of Interfront.
- Retaining full and effective control over Interfront.
- Ensuring Interfront complies with all applicable laws, regulations and policies.
- Formulating, approving, monitoring and reviewing Interfront's strategy, major plans of action, risk policy, as well as the annual budgets and the Annual Performance Plan.
- Ensuring that the performance objectives of the Shareholder are achieved.
- Managing potential conflict of interest situations.
- Ensuring financial records are maintained and that financial statements are prepared and free of material errors or omissions.
- Appraising the performance of the Chairperson.
- Maintaining the integrity, responsibility and accountability of Interfront.
- Collectively and individually cultivating and exhibiting the characteristics of integrity, competence, responsibility, accountability, fairness and transparency.

4.3 Terms of Reference

As recommended by the King Code on Corporate Governance (King IV), the Interfront Board adopted a Terms of Reference, which sets out its responsibility.

The terms of reference provide for, inter alia, approval by the Board for the strategic plan, monitoring performance, and monitoring policies and processes to ensure the integrity of Interfront's risk management and internal controls.

The Board is additionally responsible for setting the direction for good corporate citizenship, including compliance with laws, standards, policies and procedures in congruence with Interfront's purpose, strategy and conduct.

The Board Terms of Reference Agreement was reviewed, updated and approved together with the Board Work Plan for the 2022/2023 financial year at its meeting held on 9 June 2022.

4.4 Board Composition

As at 31 March 2022, the Interfront Board comprised eight Directors. This includes an independent, Non-Executive Chairperson; one independent, Non-Executive Director; four Non-Executive Directors; and two Executive Directors. The four Non-Executive Directors who served on the Board are employees of the Shareholder and are considered Nominee Directors. However, in the exercise of their powers and in deciding what is in the best interest of the company, the Directors must exercise bona fide independence and unfettered discretion. In other words, the affairs of the company must be considered in an unbiased and objective manner by the Directors. The duty to exercise independent judgement is particularly important for Nominee Directors.

4. INTERFRONT **BOARD** (CONT.)

The independent, Non-Executive Chairperson and the two Executive Directors have been the longest-serving members of the accounting authority and have completed ten years in their respective positions at the time of reporting.

Principle 29 of the King IV Report on Corporate Governance provides that a non-executive member of the governing body may continue to serve, in an independent capacity, for longer than nine years if certain conditions are met. These are that after assessment by the governing body concluded every year after for nine years, it is found that the member exercised objective judgement and there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence them unduly or cause bias in their decision making.

This assessment was conducted by the Interfront Board on 10 June 2021, under the guidance of the Company Secretary. It was found that Mr Mustaq Enus-Brey has no interest, position, association or relationship with Interfront or any of its associates or staff which are likely to influence him unduly or cause bias.

Currently, the Interfront Financial Director is also filling the role of Acting Managing Director. The Delegation of Authority was thus amended due to the Financial Director retaining her responsibilities and position as Financial Director to ensure the effective segregation of duties.

The roles of the Chairperson and Managing Director are separate. The Board Chairperson is a member of the Remuneration, Social and Ethics Committee, but not a member of the SARS/Interfront Audit and Risk Committee.

On 10 June 2022, Mr Beyers Theron and Ms Yolandè van der Merwe retired from their positions as Non-Executive Directors of the Board. Mr Erick Smith was appointed as a Non-Executive Director by the Shareholder on 14 June 2022.

In exercising its powers and setting direction, the Board, as the accounting authority, must ensure that company activities are conducted in a manner that minimises any divergence of interests between Interfront and its Shareholder and that Interfront is managed in the best interests of its Shareholder and other stakeholders.



4. INTERFRONT BOARD (CONT.)

INTERFRONT BOARD MEMBERS SERVING DURING THE 2021/2022 FINANCIAL YEAR



**MUSTAQ AHMED
ENUS- BREY (68)**
Non-Executive,
Independent Chairperson

Date Appointed:
18 October 2011
Active

Qualifications:
Chartered Accountant

Area of Expertise:
Finance, Governance,
Management

Board Directorships:
See Annexure A

Other Committees:
Remuneration, Social and
Ethics Committee

No. of Meetings: 4/4



**STEWART WILLIAM
VAN GRAAN (66)**
Non-Executive,
Independent Director

Date Appointed:
23 September 2021
Active

Qualifications:
BCom (Hons) in Systems
and Technology,
Programme for Management
Development

Area of Expertise:
Governance, Systems and
Technology, Management

Board Directorships:
Old Mutual Ltd &
Allied Electronics
Corporation Ltd (Altron)

Other Committees: N/A

No. of Meetings: 2/4



**BEYERS
THERON (56)**
Non-Executive,
Director

Date Appointed:
28 September 2018
Date Retired:
10 June 2022

Qualifications: N/A

Area of Expertise:
Finance, Governance,
Management

Board Directorships: N/A

No. of Meetings: 2/4

Other Committees: N/A



**YOLANDÉ
VAN DER MERWE (45)**
Non-Executive,
Director

Date Appointed:
28 September 2018
Date Retired:
10 June 2022

Qualifications:
Chartered Accountant

Area of Expertise:
Finance, Governance,
Management, Procurement

Board Directorships: N/A

Other Committees:
Remuneration, Social and
Ethics Committee

No. of Meetings: 4/4



**HERMAN
SMITH (54)**
Non-Executive,
Director

Date Appointed:
10 October 2019
Active

Qualifications:
Post Graduate Diploma in
Management Practice (PG
Dip) NQF level 8

Area of Expertise:
Governance, Management,
Programme Management,
Business Effectiveness, IT

Board Directorships: N/A

Other Committees: N/A

No. of Meetings: 4/4



**VONANI CALPHORNIA
NTLHABYANE (45)**
Non-Executive,
Director

Date Appointed:
10 October 2019
Active

Qualifications:
BCom (Hons)

Area of Expertise:
Governance, Management,
IT, Supply Chain
Management

Board Directorships: N/A

Other Committees:
Remuneration, Social and
Ethics Committee

No. of Meetings: 2/4



**LEILANIE LOUISE
JANSE VAN RENSBURG (40)**
Acting Managing Director
and Financial Director

Date Appointed:
1 October 2011
Active

Qualifications:
Chartered Accountant

Area of Expertise:
Governance, Finance,
Management, Procurement

Board Directorships:
Child at Heart NGO
Harbour Island Master
Homeowners Association

Other Committees:
Permanent Invitee to:
Remuneration, Social and
Ethics Committee;
SARS/Interfront Audit and
Risk Committee

No. of Meetings: 4/4



**JOHN MCLAREN
ROBERTSON (62)**
Operations Director

Date Appointed:
1 September 2011
Active

Qualifications:
Advanced Business
Process Management (Adv
BPM)

Area of Expertise:
Governance, Management,
IT, System Integration

Board Directorships: N/A

Other Committees:
Permanent Invitee to:
Remuneration, Social and
Ethics Committee;
SARS/Interfront Audit and
Risk Committee

No. of Meetings: 4/4

4. INTERFRONT **BOARD** (CONT.)

In addition to the four Board meetings, the Interfront Board also met with the SARS: Head of Technology and Solutions Delivery, Mr Intikhab Shaik, and Mrs Sarah Blignaut on 1 September 2021. The meeting dealt with, inter alia, the alignment of Interfront's Annual Performance Plan with SARS internal planning, pricing, and the commercial strategy for Interfront going forward. At the Board meeting on 7 September 2021, the Commissioner of SARS, Prof. Edward Kieswetter, and Mr Intikhab Shaik presented SARS Vision 2024 and the role that Interfront is envisaged to play in it. This information was then shared with Interfront staff by Mr Intikhab Shaik at a follow-up session via Microsoft Teams.

5. BOARD **COMMITTEES**

The Terms of Reference for the Board committees are reviewed and approved by the Interfront Board, except for the joint SARS/Interfront Audit and Risk Committee. The latter's Terms of Reference are approved by the Shareholder. Where relevant, the Terms of Reference address the purpose and responsibilities, number of meetings, composition, attendance at meetings by permanent invitees or ad-hoc members, voting rights, and other related matters.

5.1 Audit and Risk Committee

The Interfront Audit Committee has been combined with the SARS Audit and Risk Committee, as provided for in the Treasury Regulations and the Companies Act. This allows for independent oversight.

None of the members of the Audit and Risk Committee are Executive Directors of Interfront and they are, therefore, independent. The Audit and Risk Committee members have the necessary financial literacy, skills and experience to discharge their duties effectively and efficiently. The Internal Audit attends all committee meetings and the AGSA is invited to all meetings and

presents their reports on completion of the audit to the committee.

Interfront's financial statements are reviewed by the Audit and Risk Committee. Thereafter, the statements are recommended for Board approval. The Interfront Risk Register and a report on progress regarding mitigating actions are likewise tabled at committee meetings.

The Report of the Audit and Risk Committee is set out in section 13 of [Part C: Governance](#) in this Annual Report.

5.2 Remuneration, Social and Ethics Committee

The Terms of Reference for the Remuneration, Social and Ethics Committee require that no fewer than three members be appointed and the committee shall have at least two meetings each financial year. The Committee comprises the following members: Ms Yolandé van der Merwe as Chairperson, and Ms Vonani Calphornia Ntlhabyane and Mr Mustaq Enus-Brey as members. The Executive Directors and the Executive: Talent are permanent invitees.

5. BOARD **COMMITTEES** (CONT.)

REMUNERATION, SOCIAL AND ETHICS COMMITTEE MEETING ATTENDANCE

No. of Members: Three		
Name	No. of Meetings Attended	No. of Meetings
Mustaq Enus-Brey	2	2
Yolandè van der Merwe	2	2
Vonani Ntlhabyane	2	2
Permanent Invitees		
John Robertson	2	2
Leilanie Janse van Rensburg	2	2
Nombulelo Mohoto	2	2

5.3 Interfront Executive Committee

For the 2021/2022 financial year, the Interfront EXCO comprises the Operations Director, Financial/Acting Managing Director, the Executive: Talent, the Executive: Relationship Manager, and the Company Secretary / Manager: Corporate Services.

The on-boarding of the Tax team necessitated the addition of two senior managers from the team to Interfront EXCO. The Terms of Reference for EXCO were reviewed and amended to provide for the addition of the

two members. The Terms of Reference were approved by the Interfront Board at its meeting on 9 June 2022.

The Terms of Reference provide that EXCO meet on a monthly basis and that it is responsible for the implementation of Interfront's strategy and Annual Performance Plan, for making key business decisions, as well as for the day-to-day management.

EXCO draws up company-wide policies and procedures, reviews the financial viability of the entity, and deals with operational matters that require its attention.

EXCO MEETING ATTENDANCE

No. of Members: Five		
Name	No. of Meetings Attended	No. of Meetings
Leilanie Janse van Rensburg	17	17
John Robertson	17	17
Samuel Mtsweni	15	17
Nombulelo Mohoto	17	17
Madelein Pepperell	17	17

6. REMUNERATION OF **BOARD MEMBERS**

National Treasury regulates the remuneration level for Interfront's independent, non-executive Board and Committee members and approval is granted by the Minister of Finance.

Mr Mustaq Enus-Brey, an independent, Non-Executive Director, Chairperson of the Interfront Board, and member of the Remuneration, Social and Ethics Committee, is remunerated as Chairperson and as a member of a Board sub-committee. Mr Stewart van Graan, an independent, Non-Executive Director, is remunerated as a member of the Board.

Name	Member's Fees	Committee Fees	Total
Mustaq Enus-Brey	R21 909	R6 018	R27 927
Stewart van Graan	R8 019	R2 916	R10 935

The remuneration paid to the Executive Directors is set out in [Part E: Financial Information](#).

No fees or remuneration is payable by Interfront to the Non-Executive Directors who are also employees of the Shareholder.

7. **RISK MANAGEMENT**

Interfront's Risk Management Policy was adopted in 2018 and will be reviewed in the 2022/2023 period to accommodate the addition of the Tax team and the associated business risks. Interfront has a Risk Management Forum comprising EXCO and senior members of the Interfront management team. The Committee meets on a regular basis and before each new financial year to review the Risk Register for inclusion in the Annual Performance Plan.

The Risk Register is presented to the Interfront Board at least twice every financial year and on occasions when a new, emerging risk has been identified. The Risk Register is also presented to the Interfront/SARS Audit and Risk Committee on a quarterly basis for the members' input and review.

Interfront's main risk over the last few financial years has been the retention of management and staff, which is also one of our annual performance targets, as set out in [Section B: Performance Information](#). As a subsidiary of SARS, Interfront aligns, where possible, with the annual salary increase and bonuses payable to SARS staff. The pressure on the fiscus and the associated budget cuts create a challenge to keep up with commercial entities, especially in the scarce skills market, where highly skilled employees are offered extremely competitive salaries and benefits.

The zero per cent increases for staff on level 7 and above during the 2020/2021 financial year had a negative impact on Interfront's staff retention rate, and this carried over into the 2021/2022 financial year. As a result of the Board's efforts to combat the risk, including market adjustments to critical and scarce skills staffing, the turnover rate declined towards the end of quarter three of the year. It is necessary to monitor the effectiveness of mitigation measures over time, manage risks continually, and find new ways to increase long-term staff retention.

A new strategic outcome-orientated goal was agreed to for the 2022/2023 financial year, i.e., to establish a broader customer base with the performance indicator of expanding the footprint and services of Interfront within SARS to assist in realising SARS Vision 2024 and to explore other opportunities outside of SARS, with SARS as a strategic reference. Pursuing this objective will allow Interfront to become more competitive in the commercial field and increase its self-sufficiency.

8. INTERNAL **CONTROL UNIT**

Interfront does not have a standalone Internal Control Unit. However, there are five inter-related components that are essential for managing the activities of internal control to which Interfront subscribes. Each of these is discussed in this section.

FIVE INTER-RELATED COMPONENTS OF INTERNAL CONTROL



- **Control Environment** entails the practice of ethical values by employees, and their commitment to competence and their own development.

The 2020/2021 year sees the eleventh consecutive unqualified audit report on the Annual Financial Statements, with ten consecutive years of clean audit opinions.

As part of their training and development, employees are encouraged to attend courses to upskill and maintain their level of expertise within their role. Formal study assistance is available to employees wanting to study towards a diploma or degree within their area of operations. Membership with professional associations is paid on behalf of employees and is usually associated with a Continuous Personal Development Programme monitored by the institution to retain membership.

A bursary programme is offered by Interfront. Upon completion of their formal education, the bursars join Interfront's Graduate Programme. Under this programme, they are mentored and coached by senior staff members to become part of the Interfront TECHI team.

- **Risk Assessment** entails the process whereby internal and external risks posed to Interfront are detected, evaluated and mitigated. This assists the management team in establishing and understanding which risks are likely to occur, as well as how the risks arising will be managed to ensure Interfront achieves its strategic outcome-orientated goals.

Risks are assessed by the Interfront Risk Management Forum and are reviewed by EXCO, the SARS/Interfront Audit and Risk Committee, as well as the Interfront Board.

8. INTERNAL **CONTROL UNIT** (CONT.)

- **Control Activities** are policies and procedures created to ensure that directives are known, understood and diligently adhered to. This includes, inter alia, approval authorisation, verification, reconciliation, performance appraisals, security of assets, and segregation of duties.

Approval authorisation and the segregation of duties are managed through the Interfront Delegation of Authority and policies and procedures adopted and implemented in Interfront. Performance appraisals of staff are conducted bi-annually. The performance of Interfront is reviewed every quarter against its annual targets, as set out in its Annual Performance Plan. The Financial Statements, Cash Flow Projection, and Budget vs. Actual reports are submitted for review at every Board meeting. Policies and procedures have been developed and adopted to secure Interfront's assets and regulate the movement and control thereof.

- **Information and Communication** strengthen internal controls and are important for day-to-day functioning. Management and employees must have access to relevant, complete, reliable, correct and timely information to make informed decisions. It is important that communication flows top-down and bottom-up.

EXCO meets with Line Managers on a monthly basis to discuss matters and concerns within their teams, company-wide risks, as well as matters that require management attention. A strategic workshop attended by Interfront EXCO and Line Managers was held over a period of two days before the commencement of the 2022/2023 financial year. A new five-year Strategic Plan and the Annual Performance Plan for the 2022/2023 financial year were developed at the workshop. The session also involved the review and update of Interfront's Risk Register.

- **Monitoring Activities** entail ensuring that internal controls are understood and adhered to.

The Delegation of Authority is continuously reviewed and updated to ensure and maintain the segregation of duties. Policies are reviewed and aligned with changes in circumstance, Internal Audit reviews, and the AGSA conduct annual audits.

8.1 Internal Audit

Interfront contracts the services of the SARS Internal Audit unit. The assurance services provided by Internal Audit entail an objective examination of evidence for the purpose of providing an independent assessment of governance, risk management, and the control environment at Interfront. Internal audit encompasses the examination and evaluation of the adequacy and effectiveness of Interfront's system of internal control and the quality of performance in carrying out assigned responsibilities. The Internal Audit unit of SARS reviewed and provided an opinion on the adequacy and/or effectiveness of Interfront's controls.

A follow-up audit was conducted, based on the audit of the Predetermined Objectives. A reported finding related to the actual reported SLA achievement that was incorrectly calculated for the performance indicator: 'Provide effective software support services to SARS'. Management actions on the finding included, inter alia, the automisation of the SLA calculation. Although

the implementation date of the automated system was overdue, Internal Audit found that adequate process was followed by Interfront in implementing the agreed management actions.

Interfront's COVID-19 response measures were audited and the control environment around COVID-19 response measures were assessed as adequate.

In addition, Interfront's Stakeholder Relations Management was audited and based on Internal Audit's preliminary assessment, the stakeholder relations management process in place is sufficient for the size of Interfront.

8.2 Audit and Risk Committee

The Interfront Audit and Risk Committee has been combined with the SARS Audit and Risk Committee, as provided for in the Treasury Regulations and the Companies Act. This allows for independent oversight.

8. INTERNAL **CONTROL UNIT** (CONT.)

None of the members of the Audit and Risk Committee are Executive Directors of Interfront and they are thus independent. The Internal Audit attends all committee meetings and the AGSA is invited to all meetings and presents their reports on completion of the audit to the committee.

Interfront's financial statements are reviewed by the Audit and Risk Committee. Thereafter, the statements are recommended for Board approval. Interfront's Risk Register and a report on progress regarding mitigating actions are likewise tabled at committee meetings.

AUDIT AND RISK COMMITTEE MEMBERS SERVING DURING THE 2021/2022 FINANCIAL YEAR

Name	Qualifications	Internal or External	Date Appointed	Date Resigned	No. of Meetings Attended
Ms Doris Dondur	Designations: Chartered Accountant (SA) Chartered Director (SA) Qualifications: BAcc (Stellenbosch University) BCompt (Hons) (Unisa) Global International Executive Development Programme (University of the Witwatersrand and London Business School) International Executive Development Programme (University of Reno) BAdmin (Hons) (Stellenbosch Business School) MBA (Stellenbosch Business School) Postgraduate Certificate in Labour Relations (Unisa) (Cum Laude)	External	2 August 2018	Active	23
Mr Thabiso Ramasike	Designation: CAIB (SA) – (Institute of Bankers of SA) Qualifications: BCom (University of Johannesburg) Senior Executive Development Programme (GIBS) Global International Executive Development Programme (University of Toronto and York University, Canada)	External	14 July 2016	Active	15
Ms Rachel Nkgodi	Designation: Chartered Accountant (SA) Qualifications: MMDP (Duke Corporation Education, Duke University) BCompt (Hons) Accounting Science/CTA (Unisa) BCom Accounting (University of Johannesburg)	External	10 March 2021	November 2021	10
Mr Barend Petersen	Designation: Chartered Accountant (SA) Qualifications: BCompt (Hons) (UNISA)	External	20 September 2021	Active	7
Ms Carmen Cary-Anne Mpelwane	Designation: Chartered Accountant (SA) CFA Charter-holder Qualifications: Postgraduate Diploma in Accounting (University of Cape Town) Bachelor of Business Science (Finance Hons) (University of Cape Town)	External	24 February 2022	Active	0

9. ETHICS

9.1 Compliance with Laws and Regulations

Compliance with applicable laws and regulations, such as the Companies Act, PFMA, Treasury Regulations, procurement guidelines and instructions, as well as the King Reports, is routinely assessed.

In the process of merging the Tax team with Interfront, SARS and Interfront strictly adhered to the regulations and rules in obtaining the necessary approvals for the incorporation of the Tax team, specifically Section 197 of the Labour Relations Act, No. 66 of 1995. The Act requires that the respective rights and obligations of the tax employees and Shandon, the previous employer, are automatically transferred to the new employer, being Interfront.

9.2 Fraud and Corruption

Interfront has a Fraud Prevention Policy in place, in conjunction with the Fraud Prevention Strategy. These provide for, inter alia, the detection and investigation of corruption, maladministration and/or fraud. An independent service provider established and currently provides Interfront with a dedicated email address and telephone number for reporting matters of fraud and corruption. The email address and telephone number are monitored by the service provider and anonymity provides for the protection of whistle-blowers. The service provider furnishes Interfront with monthly reports on matters being reported, if any. To date, no incidents have been reported.

9.3 Conflicts of Interest

All Interfront employees are annually required to declare any private outside interest which may interfere with or have the potential to interfere with their ability to discharge their duties honestly and openly. The employees' declarations extend to the interests of their partners, spouses, and dependent children and are reviewed to determine if a possible conflict exists. In such an instance, the conflict is reported to EXCO and the employee is engaged to explain the circumstances and to determine any corrective action.

Interfront's Non-Executive Directors are required to submit a Declaration of Private Interest document at the time of their appointment and these are regularly updated.

9.4 Codes of Conduct

The Interfront Code of Ethics and Conduct expresses the set of values and behaviours expected of Interfront employees to ensure that they conduct themselves in an appropriate and ethical manner. No incidences breaching the provisions of Interfront's Code of Ethics and Conduct have been reported during the year under review.

A Supplier Code of Conduct was adopted and all suppliers are required to sign and agree to the code when they submit proposals to do business with Interfront. The code provides for compliance by the service provider with applicable laws and regulations, including anti-bribery and corruption, compliance with human rights and labour standards, as well as health and safety regulations. In terms of the Supplier Code of Conduct, Interfront reserves the right to demand that corrective measures be taken should the service provider not comply. Alternatively, if the transgression is of such a nature that corrective action cannot remedy the situation, Interfront may terminate the contract or take other steps deemed necessary.

10. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The Health and Safety Committee was established to ensure Interfront complies with its moral and legal obligations to safeguard and protect our employees and visitors against injury, disease and risks to health and safety within Interfront.

At the height of the pandemic, a COVID-19 Steering Committee was established to aid the Chair of the Health and Safety Committee. Representation included senior members from HR, ICT, Governance, Operations and EXCO. The Committee ensured compliance with regulations and health and safety measures that required attention. Subsequent to the lifting of some of the regulations allowing staff to visit Interfront offices, the health and safety duties were transferred to the Health

and Safety Committee and the Health and Safety Policy was updated accordingly.

Quarterly inspection reports are submitted to the Company Secretary / Manager: Corporate Services as the Section 16.2 appointee in terms of the Occupational Health and Safety Act, No. 85 of 1993, as amended.

Redundant IT hardware is recycled through a certified third party, supported by documented proof. The COVID-19 pandemic resulted in rapid automisation of systems and processes, which resulted in a significant reduction in Interfront's paper trail. A service provider has been appointed to assist with the collection, shredding and disposing of company documents as required.

11. COMPANY SECRETARY

The role and responsibilities of the Company Secretary include, but are not limited to the following:

- Making Directors aware of all laws and regulations relevant to Interfront.
- Scheduling Board and committee meetings.
- Ensuring that the Directors and Management operate within an authority framework approved by the Board.
- Taking responsibility for the preparation of all or parts of the Annual Report and ensuring that statutory deadlines are met.
- Acting in good faith, avoiding any conflicts of interest, and ensuring appropriate guidance is provided to the Board in all matters relating thereto.
- Ensuring compliance with all the statutory provisions of the Companies Act, inter alia, lodging the Annual Return as prescribed.
- Ensuring compliance with the MOI.

Declaration by the Company Secretary

I, the undersigned Madelein Pepperell, in my capacity as Company Secretary, certify that the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of the company in terms of the Companies Act and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.



M. Pepperell
Company Secretary
31 July 2022

12. SOCIAL RESPONSIBILITY

Interfront commenced its Bursary and Graduate Internship Programme during the 2013/2014 financial year. The purpose of the Bursary Programme is to promote diversity in Interfront and the wider IT Sector. Bursaries are provided for both undergraduate and postgraduate students from designated groups. Interfront continued its support of its current bursars and an amount of R120 803 for the 2021/2022 financial year was spent on this.

Interfront has an established Graduate Internship Programme to develop the youth of South Africa, as part of Interfront's social responsibility. The aim is to appoint young inexperienced IT graduates and provide training with the intention of retaining them after their Graduate Internship Programme has been completed. Five graduate interns joined the programme during the 2021/2022 financial year.

13. AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee (the Committee) is established as an independent statutory committee in terms of section 51 (1) (a) of the Public Finance Management Act (PFMA), Treasury Regulation 27.1 as well as section 94 of the Companies Act, Act No 71 of 2008 (Companies Act). The Committee functions within approved terms of reference and complies with the relevant legislation, regulations and governance codes.

The Committee has been combined with the SARS Audit and Risk Committee, as provided for in the Treasury Regulations 27.1.2 and section 94 (2) (a) of the Companies Act.

The Committee submits this report for the financial year as required by Treasury Regulations 27.1.7 and 27.1.10 (b) and (c) issued in terms of section 51 (1)(a)(ii) and 76(4)(d) of the PFMA as well as section 94 (7) (f) of the Companies Act.

Audit and Risk Committee Membership

The Committee consists of four Independent Members and is chaired by Ms. Doris Dondur.

The Committee had four ordinary meetings were held for the financial year ended 31 March 2022 as required as per its approved Terms of Reference.

Audit and Risk Committee Responsibility

The Committee is satisfied that it has complied with its responsibilities as outlined in Section 51(1)(a)(ii) of the

PFMA, Treasury Regulation 27.1.7 and section 94 (7) of the Companies Act. The Committee also reports that it has adopted and reviewed formal Terms of Reference as its Audit and Risk Committee Charter and has discharged all its responsibilities as contained therein.

The Effectiveness of Internal Controls

The PFMA requires the Accounting Authority to ensure that the organisation has and maintains effective, efficient, and transparent systems of financial, risk management and internal controls. The Committee's reviews the effectiveness of internal controls and oversees risk management. The reviews on the effectiveness of the internal controls were conducted and they covered financial, operational, compliance and risk assessment.

In line with the applicable legislation, Internal Audit provides the Committee and management with reasonable assurance that the internal controls are appropriate and effective. This is achieved by evaluating internal controls to determine their effectiveness and efficiency and by developing recommendations for enhancement or improvement. The Committee has reviewed the findings of the Internal Audit's work and did not reveal any short comings in internal controls during the year under review.

Through the Committee's analysis of the audit reports and engagement with the management team, the Committee reports that the system of internal controls for the period under review were adequate and effective and the risks were found to be at an acceptable level.

13. AUDIT AND RISK **COMMITTEE REPORT** (CONT.)

In-Year Management and Monthly and Quarterly Reports

The public entity has reported monthly and quarterly, through its shareholder, SARS, to National Treasury, as required by the PFMA. The Committee has reviewed the quarterly management reports of the organisation, as part of the reports provided by the shareholder and is satisfied with the adequacy of information provided by the organisation and to its shareholder.

Risk Management

Management is responsible for the establishment and maintenance of an effective system of governance relating to, inter alia, risk management and the prevention and detection of fraud and internal controls. Internal Audit was guided by the prevailing section of governance systems which determines the risk profile provided by management in identifying critical audit areas and managements inputs in the formulation of its 3-year strategic and annual plans.

The entity has a risk committee that is composed of EXCO members and senior management to fulfil the risk management responsibilities. A risk register is updated quarterly to ensure that all the major risks including emerging risks facing the organisation are effectively managed. The Committee monitors the risk register and management's progress with regards to the implementation of the risk mitigating actions at its quarterly meetings.

The Effectiveness of Internal Audit

Internal Audit is responsible for reviewing and providing assurance on the adequacy and effectiveness of the internal control environment across all of the significant areas of the organisation and its operations.

The Committee is responsible for ensuring that the organisation's internal audit function is independent and has the necessary resources, skills, standing, and authority within Interfront to enable it to discharge its responsibilities effectively. The Internal Auditors have unrestricted access to the Committee.

The Chief Audit Executive has a direct functional reporting line to the Chairperson of the Committee.

The Committee reviews and approves the Internal Audit Plan annually. Internal audit's activities are measured against the approved internal audit plan and the head: Internal Audit tables progress reports in this regard to the Committee.

For the financial year ended 31 March 2022; the Internal Audit function derived at their overall opinion as per the table below which summarises the internal audit overall opinion based on the audit results (Stakeholder Relations Management and Audit of Predetermined Objectives) for the financial year under review:

No	Process	Opinion
1	Process Environment	Good

The Committee is satisfied that Internal Audit has appropriately discharged its functions and responsibilities in the year under review. Accordingly, the Committee has reviewed the Internal audit charter, approved the audit plan, and deliberated on the quarterly reports as submitted by Internal Audit.

13. AUDIT AND RISK **COMMITTEE REPORT** (CONT.)



Doris Dondur



Thabiso Ramasike



Barend Petersen



Carmen Mpelwane

Evaluation of Financial Statements

The Committee reviewed the Annual Financial Statements prepared by the public entity and is satisfied that they comply with the applicable Accounting Standards and that the accounting policies used are appropriate. The Annual Financial Statements were reviewed with the following focus:

- Significant financial reporting judgments and estimates.
- Clarity and completeness of disclosure and whether disclosures made have been properly set in context.
- Changes in the Accounting Policies and Practices.
- Significant adjustments resulting from the Audit.
- Compliance with accounting standards and legal requirements.
- Explanation for the accounting treatment adopted.
- Material, unique transaction.
- Reasons for year-on-year fluctuations.
- Asset valuations and revaluations.
- Re-assessment of the useful life of the assets.

The review of Annual Financial Statements and the Annual Report for the 2021/2022 Financial Year was completed at the Committee's meeting held on 27 July 2022.

External Audit: Auditor-General of South Africa (AGSA)

The Committee noted the terms of the AGSA's engagement letter, audit strategy, and audit fees in respect of the 2021/2022 financial year. It is legislated that the Auditor General of South Africa is the appointed auditor of the entity and the Committee has noted that there were no non-audit services rendered by them during the year.

The Committee has also had in-committee meetings with the AGSA.

General Remarks

The Committee commends management for the diligence exercised in implementing effective processes, checks, and balances throughout the financial year which resulted in Interfront submitting financial statements that were free from material errors, omissions, and misstatements. The Committee also commends Interfront for remaining compliant with the relevant laws and legislations, especially compliance related to supply chain management.

13. AUDIT AND RISK **COMMITTEE REPORT** (CONT.)

General Remarks (continued)

Nonetheless, management's attention is drawn relating to the performance management as misstatements were identified by the AGSA indicating that planned targets were not all accurately reported in the annual performance report.

Conclusion

The Committee has reviewed the AGSA's management and audit reports for the financial year ended 31 March 2022 and concurs with their conclusions.

The Committee, therefore, accepts the audit opinion and conclusion expressed by the AGSA on the Annual Financial Statements, Annual Performance Report, and Annual Report.

Signed on behalf of the Audit and Risk Committee by:



Ms Doris Dondur
Chairperson of the Audit and Risk Committee
Date: 18 August 2022

14. B-BBEE COMPLIANCE **PERFORMANCE INFORMATION**

As a subsidiary of SARS, Interfront formed part of the SARS B-BBEE verification process and shares in the status of a Non-Compliant Contributor. Interfront is currently pursuing and working with a service provider to obtain its own certification based on the company information.

PART D

HUMAN CAPITAL MANAGEMENT

1. OVERVIEW
2. HUMAN CAPITAL PRIORITIES FOR THE YEAR
3. WORKFORCE PLANNING
4. PERFORMANCE MANAGEMENT
5. ACHIEVEMENTS
6. CHALLENGES
7. HUMAN CAPITAL PERFORMANCE INDICATORS
8. TRANSFORMATION AND EMPLOYMENT EQUITY GROWTH
9. REMUNERATION
10. TERMINATIONS

1. OVERVIEW

In the period under review, the human capital environment faced some significant challenges. Due to the COVID-19 pandemic and imposed lockdowns, remote working rapidly emerged, which has, in an already scarce market, grown the playing field for IT human resources even further, increasing the risk of staff turnover. This was amplified further by the limited increases in financial incentives as a result of pressure on the fiscus and associated budget cuts. The full impact of this materialised towards the end of the previous reporting period and continued into the reporting period under review. As a result, this became the number one risk during the financial year. Interfront thus only partially achieved its goals of limiting staff turnover to 14% and maintaining a minimum staff complement of 110 employees. Several measures have been implemented to address the risk, which resulted in a slight decrease in the high staff turnover rate at the end of quarter three, but additional measures must

continuously be sought to ensure a high level of long-term employee retention.

On a positive note, Interfront's employees have successfully adapted to the remote working environment, which will result in savings over the long run if managed well and applied to mitigate the risks on Human Capital. Interfront has subsequently adopted a hybrid working model, which allows employees the flexibility to work from home or in the office. While most of the employees prefer to work from home, they are required to visit the office for a minimum number of days every month to facilitate engagement and camaraderie. Currently, we are monitoring the performance of the new model and have not adopted any formal policies to ensure formal changes are well-planned and that high levels of productivity and employee engagement are still achieved following the formalisation of a model.

2. HUMAN CAPITAL PRIORITIES FOR THE YEAR

Retaining high-performing staff is critical to Interfront's long-term success. Company-specific experience generates valuable intellectual capital. Furthermore, replacing employees is expensive both financially as a result of recruitment costs, as well as from a productivity standpoint. Lead times to upskill staff impact both newly hired employees and employees who assist in the upskilling process. The cumulative loss in productivity can thus be substantial. Due to the highly specialised fields in which we operate, Interfront's learning curve for a new employee can take up to a year and thus there is a significant delay before reaching optimal performance levels.

Interfront made an effort to improve employee engagement and retention during the period under review by reintroducing some initiatives, such as market positioning. A staff engagement survey will be conducted to establish a baseline for assessing staff engagement. Upon review of the engagement survey results, an action plan will be drafted, and special emphasis will be placed in the next 12 to 24 months on improving the baseline and creating an environment conducive to high staff engagement.

3. WORKFORCE **PLANNING**

Interfront's Organogram is regularly reviewed and amended, as the demand for resources increases and changes. Due to financial constraints, the Organogram is carefully managed and focused on resources for the Operations Department, which forms the engine room of

Interfront's operations. As a result of the introduction of the Tax team in April 2022, the company structure will be expanded and the management structure will be revised to accommodate the new environment.

4. PERFORMANCE **MANAGEMENT**

Interfront strives to create a high-performance culture. Our performance management process includes formal agreements with our staff for each financial year and two performance reviews, including a mid-year and

final evaluation. In the year under review, performance bonuses, as well as salary increases have been linked to performance, and it is expected that this will become the norm in terms of future incentives for high performers.

5. ACHIEVEMENTS

In April 2021, eight graduate interns at entry level were appointed to junior positions, and five graduate interns were promoted to their second year of the internship program. A total of five new students were appointed to year one in February 2022. In light of the high unemployment rate in our country, Interfront as a small

company of fewer than 150 employees is proud to offer a graduate programme where young, inexperienced individuals are nurtured, developed, gain experience and enter the workforce. The Interfront Graduate Programme has been able to accommodate 52 graduates since its inception.

6. CHALLENGES

Interfront's number one risk is the loss of staff, which has been accentuated in recent months due to the following factors:

- Scarce skills as a result of the industry in which Interfront operates.
- The IT industry salary standards are increasing faster than anticipated.
- The COVID-19 pandemic has opened up the employment market and made resources much more mobile, to the extent that they can work for companies overseas while living in South Africa.

- Below-market increases in the previous financial year due to pressure on the fiscus.
- Limited opportunities for growth after a certain level due to Interfront's size.

The staff losses experienced result in additional workload assigned to team members who remain. This can affect their morale and workplace engagement, and lead to exhaustion and burnout if not addressed.

7. HUMAN CAPITAL **PERFORMANCE INDICATORS**

7.1 Maintain and Develop a Skilled, Diverse and Engaged Workforce

As part of the broader people strategy, Interfront supports the development of its staff through:

- Study assistance for those furthering their studies in fields aligned with Interfront's objectives.
- Internal training programmes.

- Bursaries awarded to qualifying students studying Computer Science or IT at tertiary institutions.
- Graduate Internship Programme.

The training and development committee assists in identifying training needs for the various teams within Interfront. Below is a table indicating the costs associated with training and development of staff.

Interfront Training Expenditure for the 2021/2022 Financial Year

Business Unit	Personnel Expenditure (R)	Training Expenditure (R)	Training Expenditure as a % of Personnel Costs	No. of Employees at Year End	Average Training Cost per Employee (R)
Staff training		298 833	0.37%	111	2 692
Bursaries		120 803	0.15%	2	60 402
Graduate interns		101 150	0.12%	5	20 230
Professional membership		21 107	0.03%	4	5 277
Staff formal study assistance		91 327	0.11%	3	30 442
TOTAL	81 622 163	633 220	0.78%		

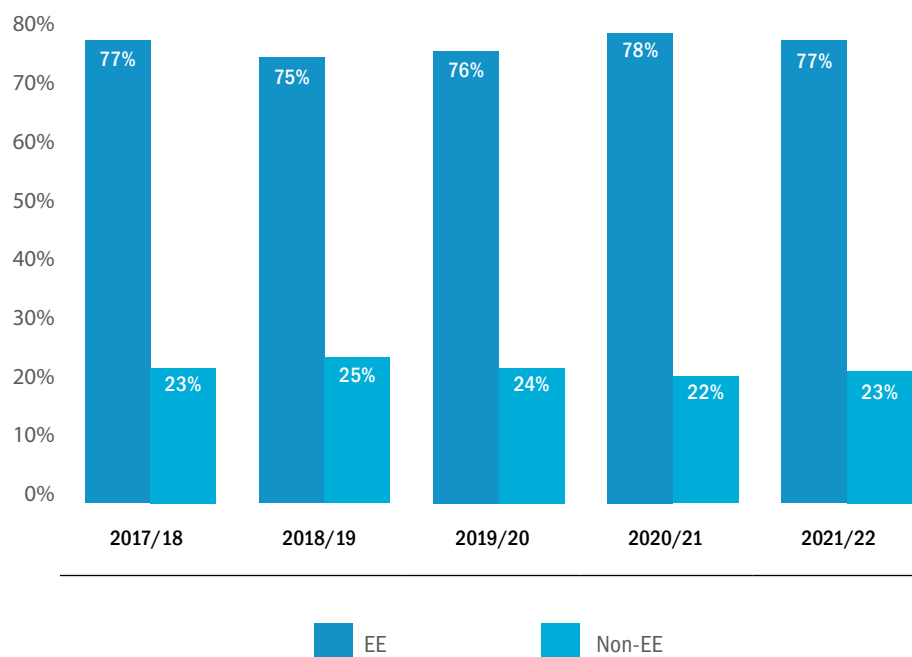
8. TRANSFORMATION AND **EMPLOYMENT EQUITY GROWTH**

The Human Capital Department and the Employment Equity Consultative Forum (EECF) have been instrumental in creating organisational structures to achieve diverse and equal representation in the workplace. Interfront operates in a scarce skills environment. Thus, increasing our diversity levels over the past five years has been challenging, especially with regard to women, since the industry is dominated by men. In addition to ensuring compliance with regulations, we recognise the importance of recruiting and retaining a diverse workforce

to ensure economic development. To this end, our internship programme has focused on individuals from the designated EE groups. Training new employees on the Employment Equity Act has improved the understanding of EE in the workplace.

The Employment Equity Plan has been in place for the past five years and a new one will be developed by the EECF for the next five years. Below is a diagram illustrating the EE split among Interfront staff over the past five years.

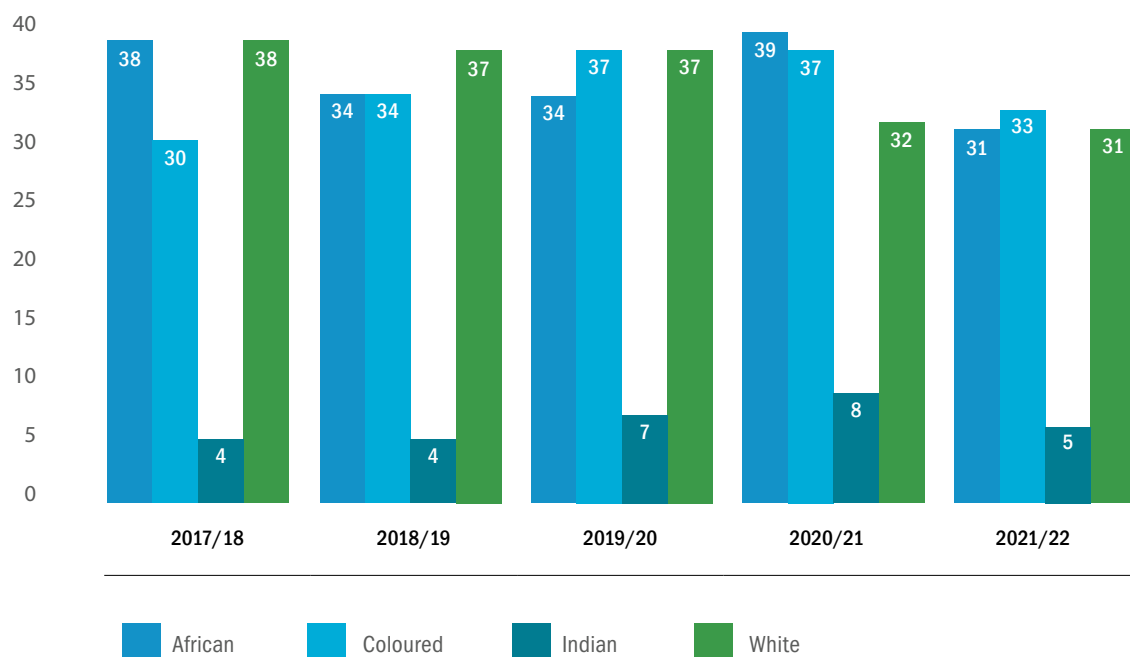
8. TRANSFORMATION AND EMPLOYMENT EQUITY GROWTH (CONT.)



Five-year staff EE representation chart

Overall EE Representation for Interfront Staff for 2017/2018 to 2021/2022 Financial Years

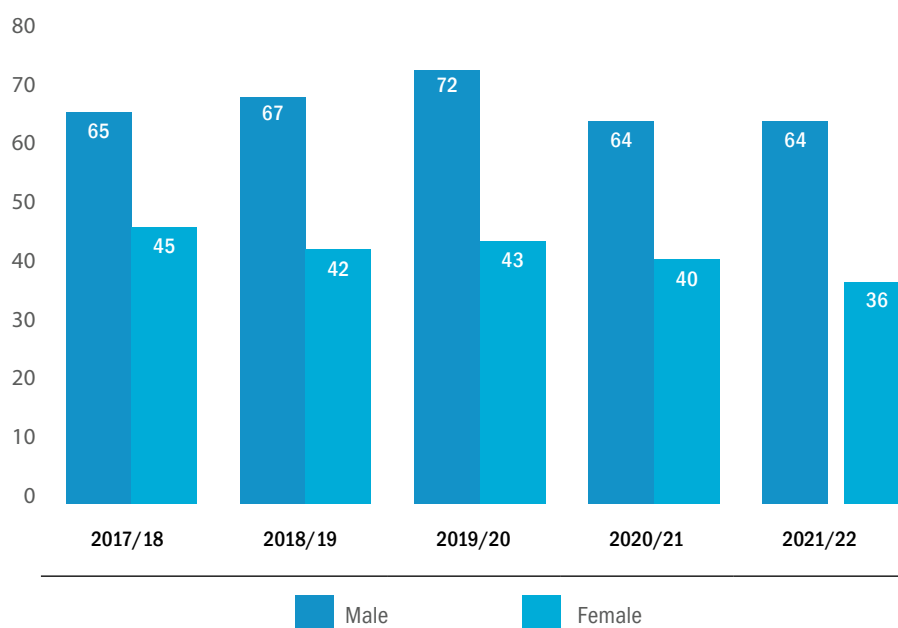
For the year under review, increased attention was given to transformation and EE in terms of improvements in gender and ethnicity representation. Maintaining a gender balance over the past five years has been challenging. The diagram below indicates the progress and challenges faced.



Five-year EE Growth Comparison by Ethnicity

Race Representation among Interfront Staff for 2017/2018 to 2021/2022 Financial Years

8. TRANSFORMATION AND EMPLOYMENT EQUITY GROWTH (CONT.)



Five-year staff EE Growth Comparison Male vs Female
Gender Representation among Interfront Staff for 2017/2018 to 2021/2022 Financial Years

9. REMUNERATION

It is our aim to pay staff competitive salaries for the work they do and positions they occupy. To ensure this, each year Interfront benchmarks staff salaries against industry norms. Where we find salaries are below par, we endeavour to rectify this as far as possible through salary positioning. We have also introduced a strategy whereby we aim to pay high-performing staff more than the median to increase staff retention and engagement. Exit interview results indicate that staff view our remuneration philosophy in a positive light.

Below is the breakdown of the remuneration and rewards costs for Interfront for the year under review.

Personnel Remuneration and Rewards for 2021/2022 Financial Year

Occupational Level	Performance Rewards	Personnel Expenditure	% Performance Rewards to Total Personal Cost
Top Management	401 248		0.49%
Senior Management	921 237		1.13%
Professional Qualified	1 474 577		1.81%
Skilled Technical	735 791		0.90%
Semi-Skilled	26 843		0.03%
Unskilled	17 602		0.02%
TOTAL	3 577 298	81 622 163	4.38%

9. REMUNERATION (CONT.)

Personnel Expenditure for 2021/2022 Financial Year

Occupational Level	Personnel Expenditure (R)	% of Personnel Expenses to Total Personnel Cost (R)	No. of Employees (Average per Year)	Average Personnel Cost per Employee
Top Management	5 180 205	6.35%	2	2 590 102
Senior Management	14 840 372	18.18%	11	1 349 125
Professional Qualified	36 405 060	44.60%	35.42	1 027 908
Skilled Technical	22 155 602	27.14%	46.5	476 465
Semi-Skilled	2 617 059	3.21%	10.5	249 244
Unskilled	423 865	0.52%	3.83	110 574
TOTAL	81 622 163	100%	109.25	747 114

Personnel Cost by Objective for 2021/2022 Financial Year

Programme, Activity and Objective	Total Expenditure for the Entity	Personnel Expenditure	Personnel Expenditure as a % of Total Expenditure	No. of Employees	Average Personal Cost per Employee
Quality Software Development and Support	94 295 247	65 297 730	69%	89	735 335
Maintain a Software Development Centre of Excellence	23 573 812	16 324 433	69%	22	735 335

10. TERMINATIONS

Interfront ended the year with a staff turnover of 17.65% against a target of 14%. Staff turnover is most evident in the areas of Development, DevOps, and Testing. Due to the high staff turnover and the limited number of available human resources in the market, Interfront expanded its recruitment pool by considering:

- Employment of foreign nationals with valid work permits on contract.
- Candidates based outside the Western Cape.
- Developers who are open to short-term contracts, including older, qualified employees.

The table below indicates staff turnover over the last five years.

Staff Turnover for 2017/2018 to 2021/2022 Financial Years

Employee Turnover Statistics				
2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
17.43%	19.18%	8.93%	10.14%	17.65%

10. TERMINATIONS (CONT.)

10.1 Employment and Vacancies

Employee Level	No. of Employees	Approved Posts	No. of Employees	Vacancies	% of Vacancies
	2020/2021	2020/2021	2020/2021	2020/2021	
Top Management	2	3	2	1	3.85%
Senior Management	11	11	11	0	0
Professional Qualified	33	51	40	11	42.31%
Skilled Technical	46	55	41	14	53.85%
Semi-Skilled	9	3	3	0	0
Unskilled	3	3	3	0	0
TOTAL	104	126	100	26	

10.2 Employment Changes

Employee Level	Employees at the Beginning of Period	Appointments	Resignations	Movement to Level	Movement from Level (Loss)	% of Vacancies
Top Management	2	0	0	0	0	2
Senior Management	11	0	0	0	0	11
Professional Qualified	35	5	5	5	0	40
Skilled Technical	45	6	13	8	5	41
Semi-Skilled	8	5	2	0	8	3
Unskilled	3	0	0	0	0	3
TOTAL	104	16	20	13	13	100

10.3 Reasons for Staff Losses

Reason	Number	% of Total No. of Staff Leaving
Death	0	0
Resignation	18	90%
Dismissal	0	0
Retirement	0	0
Ill health	0	0
Expiry of contract	2	10%
Other	0	0
TOTAL	13	100

10. TERMINATIONS (CONT.)

10.4 Labour Relations

Nature of Disciplinary Action	Number
Verbal Warning	2
Written Warning	0
Final Written Warning	0
Dismissal	0



PART E

FINANCIAL INFORMATION

1. BOARD'S RESPONSIBILITY AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS
2. REPORT BY THE BOARD OF DIRECTORS
3. FINANCIAL REPORT
4. REPORT OF THE AUDITOR-GENERAL TO INTERNATIONAL FRONTIER TECHNOLOGIES SOC LTD
5. ANNUAL FINANCIAL STATEMENTS

1. BOARD'S RESPONSIBILITY AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The PFMA requires the Board to maintain adequate accounting records and to take responsibility for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Board to ensure that the Annual Financial Statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flow for the period.

The external auditors were engaged to express an independent opinion on the Annual Financial Statements and were given unrestricted access to all financial records and related data.

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Annual Financial Statements are based upon appropriate accounting policies being consistently applied and supported by reasonable and prudent judgements and estimates.

The Board acknowledges that it is ultimately responsible for the system of internal financial control established by the entity and places considerable importance on maintaining a strong control environment. To enable the Board to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures, and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees

are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that, in all reasonable circumstances, is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across Interfront. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviours are applied and managed within predetermined procedures and constraints.

Based on the information and explanations given by management, the Board is of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied upon for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide reasonable and not absolute assurance against material misstatement or deficit.

The Board has reviewed the entity's budget forecast for the year to 31 March 2023 and, in the light of this review and the current financial position, is satisfied that the entity has, or has access to, adequate resources to continue in operational existence for the foreseeable future. The Annual Financial Statements are prepared on the basis that the entity is a going concern.

Although the Board is primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors. The external auditors are responsible for independently reviewing and reporting on the entity's Annual Financial Statements. The Annual Financial Statements have been examined by the entity's external auditors and their report is presented on page 77.

The Annual Financial Statements set out on page 81 to 111 were approved by the Board on 31 July 2022 and were signed on its behalf by:



Leilanie Janse van Rensburg
Acting Managing Director



Mustaq Enus-Brey
Chairperson of the Board

2. REPORT BY **THE BOARD OF DIRECTORS**

The Board submits its report for the year ended 31 March 2022.

2.1 Incorporation

The entity was incorporated on 20 April 2009 and obtained its certificate to commence business on the same day.

2.2 Review of Activities

The entity is primarily engaged to hold, invest in, and develop customs and border management software solutions for use by border control and revenue agencies around the globe.

The operating results and state of affairs of the entity are fully set out in the attached Annual Financial Statements and in our opinion, do not require any further comment. The net deficit of the entity was R6 383 966 (2021 deficit: R8 769 728) and is in line with the newly adopted cash break-even finance model.

2.3 Going Concern

The Annual Financial Statements have been prepared based on accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations, and commitments will occur in the ordinary course of business.

As of 31 March 2022, the entity had an accumulated surplus of R60 728 352, while the total assets exceed its liabilities by the same.

2.4 Financial Statements

The preparation and fair presentation of Interfront's Annual Financial Statements are the responsibility of the Directors. In the opinion of the Directors, the Annual Financial Statements fairly present the financial position of Interfront as of 31 March 2022 and the results of its operations and cash flow information for the year then ended.

2.5 Subsequent Events

The Board is not aware of any matter or circumstance

arising since the end of the financial year that has materially impacted the state of affairs as at year-end.

2.6 Accounting Policies

The Annual Financial Statements are prepared in accordance with the effective standards of GRAP, as issued by the Accounting Standards Board and prescribed by the framework developed by National Treasury. More detail on the accounting policies can be found on page 86 of the Annual Financial Statements.

2.7 Share Capital

There were no changes in the authorised or issued share capital of the entity during the year under review. Interfront was capitalised by way of an interest-free Shareholder's loan. The loan was fully repaid during the previous financial year.

2.8 Distributions to Owners

No dividends were declared or paid during the year under review.

2.9 Board

Details of the Board members can be found under [Part C: Governance](#).

2.10 Secretary

The Company Secretary for the term was Ms Madelein Pepperell.

2.11 Governance

General

The Board is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Board supports the highest standards of corporate governance and the ongoing development of best practices.

2. REPORT BY **THE BOARD OF DIRECTORS** (CONT.)

Interfront adheres to the statutory duties and responsibilities set out in the Companies Act and the PFMA. The entity confirms and acknowledges its responsibility for compliance with the Code of Corporate Practices and Conduct ('Code') laid out in the King Report on Corporate Governance for South Africa (2016). The Board members discuss the responsibilities of management in this respect and monitor the entity's compliance with the code at Board meetings. The salient features of the entity's adoption of the Code can be found in **Part C: Governance** in this report.

Board of Directors

The Board:

- Retains full control over the entity, its plans and strategy.
- Acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication, both internally and externally by the entity.
- Is of a unitary structure comprising:
 - Two independent, Non-Executive Directors, of which one serves as the Chairperson.
 - Non-Executive Directors, employed by the Shareholder.
 - Executive Directors.

Chairperson and Managing Director

The Chairperson is an independent, Non-Executive Director (as defined by the Code). The roles of Chairperson and Managing Director are separate, with responsibilities being divided between them in such a manner that no individual has unfettered powers of discretion.

Remuneration

The remuneration of the Acting Managing Director/ Financial Director and the Director of Operations, who are the only two Executive Directors of the entity, was determined by the controlling entity upon appointment and the Board will determine the increase in remuneration within limits.

Executive Meetings

Non-Executive Directors have access to all members of the entity's management team. Details of the Board members and their meeting attendance are disclosed in **Part C: Governance**.

Internal Audit

As permitted by the PMFA, the entity has outsourced its internal audit function to the Internal Audit Function of SARS.

Controlling Entity

Interfront's controlling entity is the South African Revenue Service (SARS), established by the South African Revenue Service Act of 1997.

Auditors

In line with the requirements of the Public Audit Act, No. 25 of 2004 (PAA) and paragraph 84(3)(b) of the Companies Act, the AGSA will continue in office for the next financial period.

Annual Financial Statements

The financial statements set out on page 81 to 111, which have been prepared on the going concern basis, were approved by the Board on 31 July 2022.

3. FINANCIAL REPORT

3.1 Five-Year Financial Overview

STATEMENT OF FINANCIAL PERFORMANCE					
Description	2018	2019	2020	2021	2022
Rendering of Services	136 841 054	153 986 982	112 536 279	105 363 506	108 405 948
Interest and other	6 172 990	4 738 427	4 241 825	1 450 850	1 427 710
Expenditure	(109 939 588)	(125 762 589)	(119 136 291)	(118 166 081)	(117 869 059)
Earnings Before Tax (EBT)	33 074 456	32 962 820	(2 358 187)	(11 351 725)	(8 035 401)
Earnings After Tax (EAT)	23 172 276	23 125 682	(2 361 021)	(8 769 728)	(6 383 966)

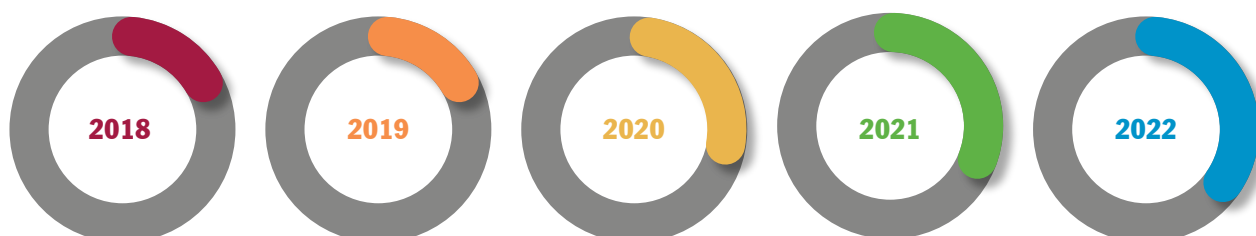
STATEMENT OF FINANCIAL POSITION					
Description	2018	2019	2020	2021	2022
Total Assets	128 787 821	132 208 544	106 960 416	86 202 838	80 298 775
Total Liabilities	(21 075 031)	(21 269 327)	(18 482 521)	(19 090 519)	(19 570 422)
Total Net Assets	107 712 790	110 838 917	88 477 895	67 112 319	60 728 853
Equity – Shareholder's loan	(52 595 410)	(32 595 853)	(12 595 853)	-	-
Accumulated surplus	(55 117 379)	(78 243 064)	(75 882 042)	(67 112 319)	(60 728 353)

3. FINANCIAL REPORT (CONT.)

3.2 Statement of Financial Performance

In line with the modified cash break-even finance model, Interfront ended the year with an accounting deficit and cash surplus (nett deficit: R6 383 966, 2020/2021: R8 769 728). In addition to a large staff turnover, which resulted in a lower employee cost than expected, the ongoing national lockdown resulted in some savings on variable expenses and the deferral of others, which contributed to a lower nett deficit.

SUPPORT / DEVELOPMENT SPLIT (%)



In the year under review, the classification of 'Rendering of Services' was adjusted to reflect the spirit of the change in the operating model better, and figures from the prior year were adjusted accordingly (refer to note 30 to the Annual Financial Statements). Overall, the rendering of services increased marginally from the prior year, attributable to the inflation increase offset by a decrease in the average number of staff, our key revenue generator. Interest income decreased by 10%, due to the previous repayment of the Shareholder's loan in late 2020 and the associated decrease in the average cash balance.

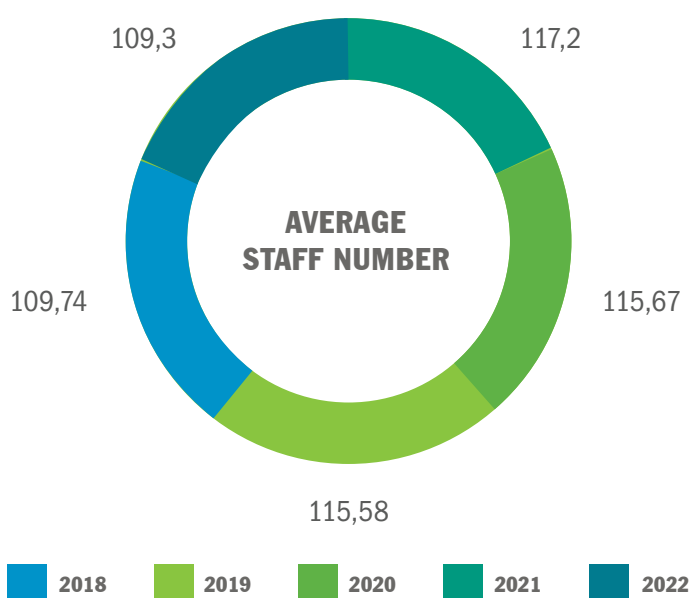
Employee costs ended in line with the year before, a decrease in real terms. Despite an increase in average staff salaries of 5.72% (R62 791, 2020/2021: R59 396), the average staff number declined by 6.76% (109.3, 2020/2021: 117.2), owing to high employee turnover. To compensate for the loss of internal development skills, Interfront continues to use external developers. However, the cost was decreased by 4.8%. In view of the significant vacancy rate among our development staff, we expect to continue using these services for some time to come.

Administrative expenditures increased by 10.5% in the year under review, in part due to an increase in recruitment fees associated with countering staff losses. In addition, staff visited Interfront offices more frequently after some lockdown restrictions were lifted, resulting in a higher level of activity at Interfront offices. Auditors' remuneration decreased by 25.9%, mainly as a result of the timing of the planned internal audit activities.

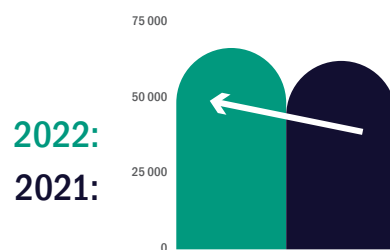
Due to the volatility of the rand, a marginal forex loss was accounted during the year under review. Due to the limited risk currently associated with the foreign revenue, we do not hedge against future exchange rate fluctuations.

3. FINANCIAL REPORT (CONT.)

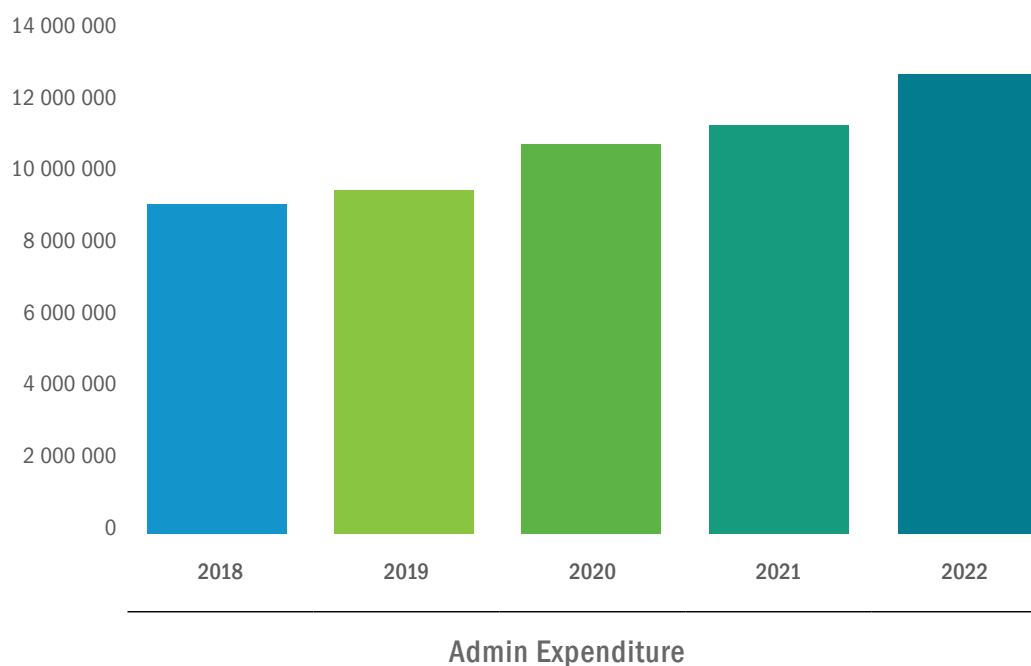
AVERAGE STAFF NUMBER AND ADMINISTRATIVE EXPENDITURE FOR 2018 TO 2022



Average staff number
2022: 109.3 **2021: 117.2**



Average cost per staff members



3. FINANCIAL REPORT (CONT.)

Statement of Financial Position

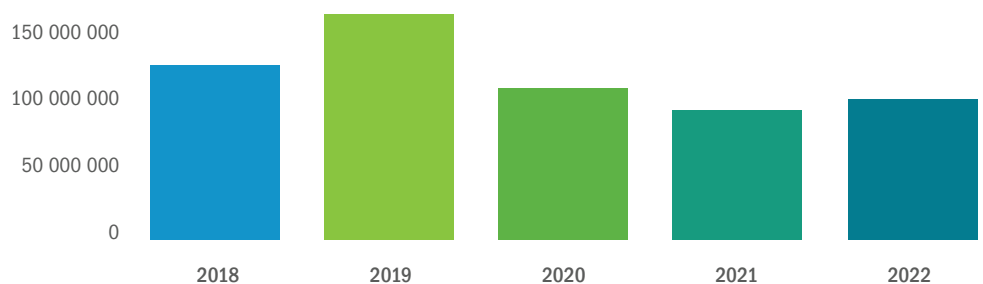
Current Assets increased marginally by 2.2%. Non-Current Assets decreased by 28.2%, as a result of the amortisation of the intangible assets.

Current Liabilities increased by 15.9%, mainly due to an increase in payables from exchange transactions. Revenue recognition was amended to align with the revised operating model during the review period. As a result, the contra-entry resulted in the recognition of payments-in-advance from SARS. During the revision of Interfront's finances and operating model, SARS agreed to make 12 equal payments per month to Interfront, as part of its MSA to ensure continued liquidity. Revenue-billed-in-advance represents the difference between these payments and the revenue recognised based on the stage of completion principle. Due to their inherent nature, IT projects have a high probability of running over financial years, with some deliverables only recognised in the following year and the associated revenue then recognised accordingly.

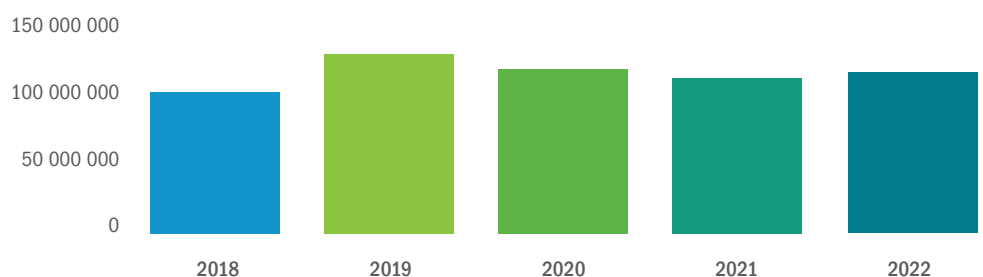
The Non-Current Liabilities of the company decreased materially as a result of the temporary tax difference in IP that is still being reversed, and which was countered by the creation of a deferred tax asset due to the recognition of the revenue-billed-in-advance. The net impact of these transactions fully reversed the deferred tax liability and resulted in a minor deferred tax asset.

In line with the break-even financial model, the year-on-year variance in the payment received in advance, together with the accounting deficit, resulted in a decrease in Net Assets of 9.5% to R60 million (2020/2021: R67.1 million).

Interfront remains committed to being a responsible custodian of its finances, as part of the public sphere it operates in and is committed to the cost-savings initiatives issued by National Treasury.



Rendering of Services



Expenditure

4. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON **INTERNATIONAL FRONTIER TECHNOLOGIES SOC LTD**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

1. I have audited the financial statements of the International Frontier Technologies SOC LTD set out on pages 81 to 111, which comprise the statement of financial position as at 31 March 2022, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the International Frontier Technologies SOC LTD as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act 71 of 2008 (Companies Act).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the accounting authority for the financial statements

6. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the PFMA and the 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.
7. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

8. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

4. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON **INTERNATIONAL FRONTIER TECHNOLOGIES SOC LTD**

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the public entity's annual performance report for the year ended 31 March 2022:

Strategic outcome	Pages in the annual performance report
Strategic Outcome Oriented Goal 1- Quality Software Development and Support	31 - 35

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not identify any material findings on the usefulness and reliability of the reported performance information for this outcome :
 - Strategic Outcome Oriented Goal 1- Quality Software Development and Support

Other matters

Achievement of planned targets

15. Refer to the annual performance report on pages 24 to 42 for information on the achievement of planned targets for the year and management's explanations provided for the achievement of targets.

Adjustment of material misstatements

16. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of quality software development and support. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

4. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON **INTERNATIONAL FRONTIER TECHNOLOGIES SOC LTD**

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

17. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
18. I did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

OTHER INFORMATION

19. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.
20. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
21. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
22. I have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

23. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
24. I did not identify any significant deficiencies in internal control.

Auditor General

Pretoria
31 July 2022



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

4. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON **INTERNATIONAL FRONTIER TECHNOLOGIES SOC LTD**

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

Introduction and scope

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objectives and on the public entity's compliance with respect to the selected subject matters.

FINANCIAL STATEMENTS

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
 - obtain an understanding of internal control relevant to the audit 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 public entity's internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
 - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the International Frontier Technologies SOC LTD to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

5. ANNUAL **FINANCIAL STATEMENTS**

International Frontier Technologies SOC Ltd
Trading as Interfront
Financial Statements for the year ended 31 March 2022

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STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Statutory receivable	3	-	366 590
Receivables from Exchange Transactions	4	4 188 003	4 474 535
Cash and Cash Equivalents	5	57 724 100	55 757 374
		61 912 103	60 598 499
Non-Current Assets			
Property Plant and Equipment	6	6 756 276	5 804 468
Intangible Assets	7	11 548 817	19 799 871
Deferred Tax	12	81 579	-
		18 386 672	25 604 339
Total Assets		80 298 775	86 202 838
Liabilities			
Current Liabilities			
Current tax payable	3	1 115	-
Operating lease liability	11	67 018	-
Payables from Exchange Transactions	8	13 915 828	11 675 587
VAT payable	9	942 198	819 392
Provisions	10	3 812 855	3 679 735
		18 739 014	16 174 714
Non-Current Liabilities			
Operating lease liability	11	831 409	769 439
Deferred Tax	12	-	2,146,366
		831,409	2,915,805
Total Liabilities		19,570,423	19,090,519
Net Assets		60,728,352	67,112,319
Share Capital/Contributed Capital	14	1	1
Accumulated surplus		60,728,351	67,112,318
Total Net Assets		60,728,352	67,112,319

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Rendering of services	16	108 405 948	105 363 506
Profit/(Loss) from exchange transactions and other sundry income	16	(374 529)	(531 699)
Interest received - investment	16	1 786 154	1 982 549
Gain on disposal of assets and liabilities		16 085	-
Total revenue from exchange transactions		109 833 658	106 814 356
Expenditure			
Employee costs		(90 340 312)	(90 014 801)
External development services		(5 929 827)	(6 227 045)
Depreciation and amortisation		(9 139 066)	(10 334 583)
Loss on disposal of assets and liabilities		-	(26 125)
Administrative expenses		(11 817 614)	(10 696 845)
Auditor's remuneration		(642 240)	(866 682)
Total expenditure		(117 869 059)	(118 166 081)
Deficit before taxation		(8 035 401)	(11 351 725)
Taxation	18	(1 651 435)	(2 581 997)
Deficit for the year		(6 383 966)	(8 769 728)

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Share capital	Shareholder's loan - Equity	Accumulated surplus / deficit	Total net assets
Balance at 01 April 2020	1	12 595 853	75 882 045	88 477 899
Changes in Net Assets				
Prior year adjustment	-	-	(3 123 181)	(3 123 181)
Previously reported deficit	-	-	(5 646 546)	(5 646 546)
Payment of Shareholder's loan	-	(12 595 853)	-	(12 595 853)
Total changes		(12 595 853)	(8 769 727)	(21 365 580)
Restated* Balance at 01 April 2021	1	-	67 112 318	67 112 319
Changes in Net Assets				
Surplus for the year	-	-	(6 383 967)	(6 383 967)
Total changes	-	-	(6 383 967)	(6 383 967)
Balance at 31 March 2022	1	-	60 728 351	60 728 352
Note(s)	14	15		

CASH FLOW STATEMENT

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Rendering of services		108 692 480	129 981 203
Interest income		1 786 154	1 982 549
SARS Prepaid amounts		3 043 649	4 337 752
Foreign exchange profit/(loss) and other sundry income		(374 529)	(531 699)
		113 147 754	135 769 805
Payments			
Employee costs		(96 270 139)	(96 241 846)
Suppliers		(13 134 273)	(10 227 332)
Taxes on surpluses	3	(208 805)	971 358
Movement in provisions		133 122	(596 210)
VAT movement		122 806	(2 244 717)
		(109 357 289)	(108 338 747)
Net cash flows from operating activities	20	3 790 465	27 431 058
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(1 854 172)	(786 571)
Purchase of other intangible assets	7	-	(331 645)
Proceeds from sale of property, plant and equipment		30 435	-
Net cash flows from investing activities		(1 823 737)	(1 118 216)
Cash flows from financing activities			
Payment of Shareholder's loan		-	(12 595 853)
Net increase/(decrease) in cash and cash equivalents		1 966 728	13 716 989
Cash and cash equivalents at the beginning of the year		55 757 374	42 040 381
Cash and cash equivalents at the end of the year	5	57 724 102	55 757 370

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Presentation of Financial Statements

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999) (PFMA).

These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand (ZAR).

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant Judgements and Sources of Estimation Uncertainty

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the Annual Financial Statements. Significant judgements include the following:

Trade receivables

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the key assumption may change which may then impact our estimations and then require a material adjustment to the carrying value of assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value-in-use of intangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, including projected future revenue forecasts and economic factors such as inflation, exchange rates and interest rates.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note 10 - Provisions.

1.1 Significant Judgements and Sources of Estimation Uncertainty (continued)

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which a determination is made.

The entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the entity to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Useful lives and residual value of assets

As described in the accounting policy below, the company reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each reporting period.

Allowance for doubtful debts

An impairment loss is recognised in surplus and deficit when there is objective evidence that debtors are impaired. The impairment is measured as the difference between the carrying amount of debtors and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Intangible assets

The entity assesses at each reporting period whether there is any indication that the cash-generating intangible assets may be impaired. This assessment requires management to make assumptions and it is reasonably possible that these assumptions may change, which may then impact our estimations and may require material adjustment to the carrying value of the intangible asset.

1.2 Property, Plant and Equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- The cost of the item can be measured reliably. Property, Plant and Equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Property, Plant and Equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Property, Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses. The useful lives of items of property, plant and equipment have been assessed as follows:

1.2 Property, Plant and Equipment (continued)

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight-line	5 - 15 years
IT equipment	Straight-line	3 - 10 years
Leasehold improvements	Straight-line	Over the life of the asset or lease period, whichever is shorter
Generators	Straight-line	10 - 15 years
Security equipment	Straight-line	5 years
Office equipment - leased	Straight-line	Over the term of the lease

At each reporting date the entity assesses whether there is any indication that the entity's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the Financial Statements (see note 6).

1.3 Intangible Assets

An intangible asset is recognised when:

- It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- The cost or fair value of the asset can be measured reliably.

Intangible Assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is initially recognised at cost and subsequently carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

1.3 Intangible Assets (continued)

Amortisation is provided to write down the intangible assets with finite useful lives, on a straight-line basis, over their estimated useful lives to their residual values as follows:

Item	Depreciation method	Average useful life
Intellectual property rights	Straight-line	10 years
IT software	Straight-line	3-5 years

Intangible Assets are derecognised:

- On disposal; or
- When no future economic benefits or service potential is expected from its use or disposal.

1.4 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or non-collectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is an assumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial

1.4 Financial Instruments (continued)

instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- Cash;
- A residual interest of another entity; or
- A contractual right to:
 - Receive cash or another financial asset from another entity; or
 - Exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- Deliver cash or another financial asset to another entity; or
- Exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

1.4 Financial Instruments (continued)

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

1.5 Statutory Receivables

Identification

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations, or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The entity recognises statutory receivables when the definition of an asset is met and when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably:

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

The entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- Interest or other charges that may have accrued on the receivable (where applicable); and
- Amounts derecognised.

Derecognition

The entity derecognises a statutory receivable, or a part thereof, when:

- The rights to the cash flows from the receivable are settled, expire or are waived.

1.6 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as a statutory receivable.

Current tax liabilities for the current and prior periods are measured at the amount expected to be paid to the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which, at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in the surplus or deficit for the period.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is expensed in each period.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis. Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease asset or liability.

1.8 Impairment of Cash-Generating Assets

Identification

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

1.9 Impairment of Non-Cash-Generating Assets

Identification

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

1.10 Share Capital/Contributed Capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ordinary shares as well as the loan received from the Shareholder are classified as equity.

1.11 Employee Benefits

Short-term employee benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as a:

- Liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- Expense, unless another Standard of GRAP requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

Post-employment benefits

Defined contribution plans

Payments to a defined contribution retirement benefit plan are charged as an expense as they fall due. The entity has no legal or constructive obligation to pay future benefits if the responsibility is vested with the contributing retirement benefit schemes.

1.12 Provisions and Contingencies

Provisions are recognised when:

- The entity has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

1.12 Provisions and Contingencies (continued)

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

All provisions of the entity are short term in nature and the effect of discounting is immaterial.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

1.13 Revenue from Exchange Transactions

Revenue from exchange transactions comprises the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

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

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- The stage of completion of the transaction at the reporting date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame, unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other act, the recognition of revenue is postponed until the significant act is executed.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

1.14 Interest Received

Investment income is recognised on a time-proportion basis using the effective interest method.

1.15 Translation of Foreign Currencies

Foreign currency transactions

A foreign currency transaction is recorded in rands, on initial recognition, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date foreign currency monetary items are translated using the closing rate.

1.15 Translation of Foreign Currencies (continued)

Exchange differences arising from the settlement of monetary items or on translating monetary items from initial recognition are recognised in surplus or deficit in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in rands by applying to the foreign currency amount the exchange rate between the rand and the foreign currency at the date of the cash flow.

1.16 Related Parties

Management comprises those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships, on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances. The purpose of this is to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS

2. Changes in Accounting Policy

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year. The entity has not adopted any new policies in the current financial year.

3. Statutory Receivables - Income Tax

Figures in Rand	2022	2021
Balance at the beginning of the year	366 590	980 971
Current tax for the year recognised in surplus or deficit	(576 510)	356 977
Balance at the end of the year	1 115	(366 590)
	(208 805)	971 358

Figures in Rand

2022

2021

4. Receivables from Exchange Transactions

Trade debtors	1 199 060	1 257 168
Prepayments and other sundry receivables	2 973 584	3 202 008
Deposits	15 359	15 359
	4 188 003	4 474 535
Fair value of receivables from exchange transactions		
Trade and other receivables	4 188 003	4 474 535

Receivables from exchange transactions past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired.
There were no amounts past due at 31 March 2022 or 31 March 2021.

5. Cash and Cash Equivalents

Cash and cash equivalents consist of:		
Cash on hand	3 180	5 518
Bank balances	48 781 125	47 186 730
Short-term deposits	8 939 795	8 565 126
	57 724 100	55 757 374

Figures in Rand

2022

2021

6. Property, Plant and Equipment

	2022			2021		
	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying Value	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying Value
Leasehold improvements	6 021 451	(4 781 037)	1 240 414	6 021 451	(4 727 709)	1 293 742
Furniture and fixtures	1 851 645	(942 099)	909 546	1 772 315	(969 041)	803 274
Office equipment - leased	109 788	(109 788)	-	109 788	(109 788)	-
IT equipment	18 278 916	(13 674 577)	4 604 339	16 591 377	(12 895 107)	3 696 270
Generators	-	-	-	203 544	(193 367)	10 177
Security equipment	20 108	(18 131)	1 977	20 108	(19 103)	1 005
Total	26 281 908	(19 525 632)	6 756 276	24 718 583	(18 914 115)	5 804 468

Reconciliation of property plant and equipment - March 2022

	Opening Balance	Additions	Disposals	Change in estimate	Depreciation	Total
Leasehold improvements	1 293 742	-	-	472 203	(525 529)	1 240 416
Furniture and fixtures	803 274	140 588	(3 063)	149 111	(180 364)	909 546
IT equipment	3 696 270	1 713 584	(1 110)	1 735 870	(2 540 275)	4 604 339
Generators	10 177	-	(10 177)	-	-	-
Security equipment	1 005	-	-	2 752	(1 780)	1 977
	5 804 468	1 854 172	(14 350)	2 359 936	(3 247 948)	6 756 278

Reconciliation of property plant and equipment - March 2021

	Opening Balance	Additions	Disposals	Change in estimate	Depreciation	Total
Leasehold improvements	1 463 874	-	-	(170 132)	1 293 742	1 240 416
Furniture and fixtures	641 441	260 308	-	(98 475)	803 274	909 546
IT equipment	4 904 932	526 263	(26 125)	(1 708 800)	3 696 270	4 604 339
Generators	10 177	-	-	-	10 177	-
Security equipment	1 005	-	-	-	1 005	1 977
	7 021 429	786 571	(26 125)	(1 977 407)	5 804 468	6 756 278

Other information

Property plant and equipment fully depreciated and still in use (gross carrying amount)

Property plant and equipment	-	522 493
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Expenditure incurred to repair and maintain property plant and equipment

Expenditure incurred to repair and maintain property plant and equipment included in the Statement of Financial Performance

Repairs and maintenance	376 272	682 779
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Impairment

As per GRAP 26 management assessed whether there was any indication that the tangible assets were impaired. No such indications were identified.

Figures in Rand

2022

2021

7. Intangible Assets

	2022			2021		
	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying Value	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying Value
Intellectual property and other rights	73 582 623	(63 435 342)	10 147 281	73 582 623	(56 077 080)	17 505 543
IT software	8 392 416	(6 990 880)	1 401 536	8 392 416	(6 098 088)	2 294 328
Total	81 975 039	(70 426 222)	11 548 817	81 975 039	(62 175 168)	19 799 871

Reconciliation of intangible assets - March 2022	Opening Balance	Additions	Changes in estimate	Amortisation	Total
Intellectual property and other rights	17 505 543	-	-	(7 358 262)	10 147 281
IT software	2 294 328	-	690	(893 482)	1 401 536
	19 799 871	-	690	(8 251 744)	11 548 817

Reconciliation of intangible assets - March 2021	Opening Balance	Additions	Changes in estimate	Amortisation	Total
Intellectual property and other rights	24 863 805	-	-	(7 358 262)	17 505 543
IT software	2 961 598	331 645	-	(998 915)	2 294 328
	27 825 403	331 645	-	(8 357 177)	19 799 871

Impairment

As per GRAP26 management assessed whether there was any indication that the intangible assets were impaired. No such indications were identified.

8. Payables from Exchange Transactions

Trade payables	1 192 501	1 501 099
Accrued leave pay	3 193 216	3 264 437
PAYE payable	1 860 891	1 752 089
Other accruals	287 819	820 210
Revenue billed in advance	7 381 401	4 337 752
	13 915 828	11 675 587

Payables are carried at invoice amounts, which approximates fair value due to their short-term nature. Revenue billed in advance relates to our services provided to SARS which are still a work in progress.

Figures in Rand	2022	2021
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9. VAT Payable

VAT payable		
VAT payable	942 198	819 392

10. Provisions

Reconciliation of provisions - March 2022

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	3 679 735	3 812 855	(3 577 298)	(102 437)	3 812 855

Reconciliation of provisions - March 2021

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	4 275 945	3 679 735	(3 653 695)	(622 250)	3 679 735

Performance bonuses represent the estimated obligation for the current year.

11. Operating Lease

Operating lease		
Non-Current Liabilities	(831 409)	(769 439)
Current Liabilities	(67 018)	-
	(898 427)	(769 439)

Operating leases represent rentals payable by the entity for its office premises.

The office leases were for an initial period of 5 years with an annual rental escalation of 7% and expiry date of 31 August 2024. During the year an addendum was signed to extend the initial period of the lease over the St Andrew's offices by a further 2 years, with more favourable rental escalations. The office leases contain an option to extend the leases after the initial period by a further 5 years.

Figures in Rand

2022

2021

12. Deferred Tax Liability

Deferred tax liability		
Deferred tax	81 579	(2 146 366)
Reconciliation of deferred tax asset\ (liability)		
At the beginning of the year	(2 146 366)	(4 371 386)
Temporary difference on prepayments	24 714	(19 615)
Temporary difference on tangible fixed assets	(136 628)	(232 455)
Movement in provision and accruals	838 497	947 955
Originating temporary difference on operating lease	34 827	87 779
Reversing temporary difference on intellectual property	1 389 879	1 441 356
Reduction in the opening balance due to rate change	76 656	-
	81 579	(2 146 366)

13. Employee Benefit Obligations

Defined contribution plan

It is the policy of the entity to provide retirement benefits to all its employees. Entitlement to retirement benefits is governed by the rules of the Allan Gray Retirement Annuity Fund, which is a defined contribution retirement annuity fund. The entity has no legal or constructive obligation to pay for future benefits. The responsibility vests with the Allan Gray Retirement Annuity Fund.

The entity is under no obligation to cover any unfunded benefits.

The total economic entity contribution to such schemes	6 138 371	6 017 113
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Figures in Rand

2022

2021

14. Share Capital

Authorised

1000 Ordinary shares of R1 each

1 000

1 000

Reconciliation of the number of shares issued:

Reported as at 01 April 2021

1

1

999 unissued ordinary shares are under the control of the Board in terms of the Memorandum of Incorporation.

Issued

Ordinary

1

1

Share capital is fully paid and has no restrictions.

15. Shareholder's Loan

The loan was unsecured, bears no interest and has no fixed terms of repayment. The loan was repaid in full in the prior year.

Shareholder's Loan

Opening balance

-

12 595 853

Payment of Shareholder's loan

-

(12 595 853)

Shareholder's loan recognised in equity

-

-

Figures in Rand

2022

2021

16. Revenue

Revenue

SARS Services: Cost recovery	93 122 391	89 440 754
Rendering of services: Luxembourg	15 283 557	15 922 752
Profit/(Loss) from exchange transactions	(374 529)	(531 699)
Interest received	1 786 154	1 982 549
	109 817 573	106 814 356

The amount included in revenue arising from exchanges of goods or services are as follows:

Rendering of services	108 405 948	105 363 506
Profit/(Loss) from exchange transactions	(374 529)	(531 699)
Interest received	1 786 154	1 982 549
	109 817 573	106 814 356

17. Auditors' Remuneration

Auditors' Remuneration

External audit: fees	598 041	592 564
Internal audit: fees	42 579	208 534
Subsistence and travel: external audit	1 620	65 584
	642 240	866 682

Figures in Rand

2022

2021

18. Taxation

Major components of the tax (income)/expense

Taxation

Current

Local income tax - current period	574 110	(327 702)
Local income tax - recognised in current tax for prior periods	2 400	(29 275)
	576 510	(356 977)

Deferred

Deferred tax movement current year	(2 227 945)	(2 225 020)
	(1 651 435)	(2 581 997)

Reconciliation of the tax expense

Reconciliation between accounting surplus and tax expense.

Accounting deficit	(8 035 402)	(11 351 725)
Tax at the applicable tax rate of 28% (2021: 28%)	(2 249 913)	(3 178 483)

Tax effect of adjustments on taxable income

Originating temporary difference	2 151 289	2 225 021
Non-deductible difference	571 875	625 760
Prior year under/over provision	2 400	(29 275)
Reduction in deferred tax movement for the year due to rate change effective April 2022	100 858	-
	576 509	(356 977)

19. Operating Deficit

Operating deficit for the year is stated after accounting for the following:

Gain/(Loss) on disposal of assets	16 085	(26 125)
Amortisation on intangible assets	8 251 744	8 357 176
Depreciation on property plant and equipment	3 247 948	1 977 407

Figures in Rand

2022

2021

20. Cash Generated from Operations

Deficit	(6 383 967)	(8 769 728)
Adjustments for:		
Depreciation and amortisation	11 499 692	10 334 583
Gain/(Loss) on disposal of assets	(16 085)	26 125
Movements in operating lease assets and liabilities	128 988	313 498
Movements in provisions	133 120	(596 210)
Movement in tax receivable and payable	367 705	614 381
Deferred revenue movement	(2 227 945)	(2 225 020)
Change in useful life estimate	(2 360 625)	-
Operating deficit for the year is stated after accounting for the following:		
Trade and other receivables	286 532	24 617 697
Trade and other payables	2 240 244	5 360 449
VAT movement	122 806	(2 244 717)
	3 790 465	27 431 058

21. Commitments

Authorised operational expenditure

Already contracted for but not provided for

IT goods and services	1 767 417	85 639
Office services	34 280	35 226
HR services	11 046	8 858
	1 812 743	129 723

Total operational commitments

Already contracted for but not provided for	1 812 743	129 723
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This committed expenditure relates to IT and office services and will be financed by: retained surpluses existing cash resources funds internally generated and so forth.

Operating leases - as lessee (expense)

Minimum lease payments due

- Within one year	4 299 593	4 339 527
- In the second to fifth year inclusive	9 961 183	11 749 264
	14 260 776	16 088 791

Operating lease payments represent rentals payable by the entity for certain of its office properties. Refer to Note 11 for more detail.

Figures in Rand

2022

2021

22. Related Parties

Relationships

Controlling entity

Companies in which members of management have significant influence

Members of the Board of Directors

South African Revenue Service
Tshole Business Solutions (Pty) Ltd (24.5% effective interest)
Tatis International (Pty) Ltd (in liquidation) (17.88% effective interest)
M. A. Enus-Brey: Chairman of the Board
L.L. Janse Van Rensburg: Financial Director (and Acting Managing Director)
J.M. Robertson: Operations Director
*Y. van der Merwe: Non-Executive Director
*B. Theron: Non-Executive Director
*H. Smith: Non-Executive Director
*V.C. Nthabyane: Non-Executive Director
S.W. van Graan: Non-Executive Director (appointed 23 September 2021)

Members of key management

M. Peperrell
N. Mohoto
S. Mtsweni

*These Non-Executive directors are employed by the shareholder

Related party balances

Payables from exchange transactions

South African Revenue Services

42 579

208 534

Revenue Billed in advance (SARS)

7 381 401

4 337 752

The trade payable represents amounts owing to SARS for internal audit services performed at arms length.

Rendering of services to related parties

South African Revenue Services

93 122 391

89 440 754

Related party transactions

Interfront entered into an agreement for the transfer of employees. The controlling entity is also a party to the agreement. Refer to Note 26 for more detail.

22. Related Parties (continued)

Remuneration of management Management class: Executive management

2022	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Other benefits received	Total
Name					
M. Pepperell	1 197 345	78 355	255	14 000	1 289 955
N. Mohoto	1 081 951	51 909	6 000	12 651	1 152 511
S. Mtsweni	1 152 575	62 736	14 398	13 476	1 243 185
	3 431 871	193 000	20 653	40 127	3 685 651

2021	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Other benefits received	Total
Name					
M. Pepperell	1 113 001	89 776	997	13 078	1 216 852
N. Mohoto	1 067 210	77 554	6 000	12 540	1 163 304
S. Mtsweni	1 133 239	82 353	10 449	13 316	1 239 357
	3 313 450	249 683	17 446	38 934	3 619 513

23. Directors' Emoluments

Executive Directors

2022	Basic salary	Annual Bonus	Subsistence and travel	Company contributions	Total
Name					
J.M. Robertson	3 058 120	246 038	14 400	35 757	3 354 315
L.L. Janse van Rensburg	2 122 085	155 210	12 334	24 812	2 314 441
	5 180 205	401 248	26 734	60 569	5 668 756

2021	Basic salary	Annual Bonus	Subsistence and travel	Company contributions	Total
Name					
J.M. Robertson	3 018 876	-	14 400	35 472	3 068 748
G.O. Randall	471 830	-	689	-	472 519
L.L. Janse van Rensburg	2 063 113	-	10 737	23 496	2 097 346
	5 553 819	-	25 826	58 968	5 638 613

23. Directors' Emoluments (continued)

Non-Executive Directors

2022	Members' fees	Committees fees	Total
Name			
M.A. Enus-Brey	21 909	6 018	27 927
S.W. van Graan	8 019	2 916	10 935
	29 928	8 934	38 862

2021	Members' fees	Committees fees	Total
Name			
M.A. Enus-Brey	16 546	972	17 518
	16 546	972	17 518

No fees or remuneration are payable to the Non-Executive Directors who are also employees of the Shareholder.

24. Risk Management

Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk.

Risk management is carried out by the Board. The Board provides written policies for overall risk management, as well as a review covering specific areas.

Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

24. Risk Management (continued)

At 31 March 2022	Less than 1	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	13 915 826	-	-	-
Operating lease contractual amounts	4 299 593	4 570 748	5 390 434	-
At 31 March 2021	Less than 1	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	11 675 588	-	-	-
Operating lease contractual amounts	4 339 527	4 643 293	7 105 971	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and receivables from exchange transactions. The entity only deposits cash with major banks with high a quality credit standing.

Financial assets exposed to credit risk at year end were as follows:

Financial Instrument	2022	2021
Cash and cash equivalents	57 724 100	55 757 374
Receivables from exchange transactions	4 188 003	4 474 535

Market risk

Interest rate risk

The entity's interest rate risk arises from amounts held in short-term cash balances. The entity's income and operating cash flows are substantially independent of changes in market interest rates in relation to these balances.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Receivables from exchange transactions	7.75 %	4 188 003	-	-	-	-
Cash in current banking institutions	7.75 %	57 724 100	-	-	-	-
Payables from exchange transactions	7.75 %	13 915 827	-	-	-	-
Operating lease obligation	7.75 %	4 299 593	4 570 748	5 390 434	-	-

24. Risk Management (continued)

Foreign exchange risk

The entity provides services to one international customer and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the EURO. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The entity does not currently hedge foreign exchange fluctuations.

Foreign currency exposure at statement of financial position date

Current assets	2022	2021
Receivables from exchange transactions	74 167	72 333
Exchange rates used for conversion of foreign items were:		
EURO	16.17	17.38

25. Going Concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. A major portion of revenue is currently attributable to a single customer, the Shareholder. This is expected to continue in the near future.

26. Events After The Reporting Date

Interfront entered into an agreement for the transfer of 43 employees from Shandon Business Solutions in accordance with Section 197 of the Labour Relations Act No. 66 of 1995. The effective date of the transfer was 1 April 2022. A recruitment fee of R4,835,814 is payable in terms of the agreement. The agreement enables SARS, through its subsidiary Interfront, to bring continued development and support of the eFiling and Mobi-applications in-house, therefore reducing the risk of reliance on external service providers.

27. Reconciliation between Budget and Statement of Financial Performance

SARS as principal of its wholly owned subsidiary, incorporates Interfront in its parliamentary and ultimate statutory accountability processes. Interfront is included inter alia in the SARS strategic plan, budget, monthly and annual reporting, as well as the consolidated annual financial statements. Interfront functions primarily as a service provider supporting customs modernisation. Within these overall objectives, Interfront is governed by its Board under close scrutiny of SARS. Interfront is thus excluded from the detailed reporting requirements based on paragraph 3 GRAP 24.

28. Irregular Expenditure

	2022	2021
Opening balance as previously reported	-	1 402 552
Opening balance as restated	-	1 402 552
Irregular expenditure condoned and to be removed	-	(1 402 552)
Closing balance	-	-

Amount condoned

The irregular expenditure related to findings by internal auditors during their audit of November 2019. The internal auditors claimed National Treasury approval needed to be obtained for deviating from a competitive bidding process for staff parking amounting to R1,201,768 over a seven year period. Interfront believed that the procurement fell within the definition of a sole supplier and followed the related procurement process. A secondly instance was raised on placement fees that were paid to recruitment agencies where the Service Level Agreements had expired, amounting to R200 784. At the time the CV's were received there was no valid Service Level Agreement in place. However, after concluding the interview and once the candidate passed the technical evaluation, the agreement was renewed before any appointments were made. The alleged irregular expenditure was condoned by the Board on 10 June 2021 as there was no indication of fraud, malicious intent or financial losses.

29. Change in Estimate

Property, Plant and Equipment

Management assesses the useful lives of property, plant and equipment and intangible assets annually. In the current period, the estimated useful lives of the below asset classes were revised. The revision had the following impact on depreciation charges for the current period: -

Asset class	Prior estimate	Current estimate	Change in estimate	Depreciation	Depreciation
Leasehold improvements	10 years	12 years	(472 203)	525 531	94 787
Furniture & fittings	5 to 10 years	5 to 15 years	(149 111)	180 363	123 170
Security equipment	10 years	12 years	(2 752)	1 780	1 978
IT equipment	3 to 10 years	3 to 12 years	(1 735 870)	2 540 275	1 088 324
IT software	3 to 5 years	3 to 12 years	(690)	893 483	555
			(2 360 626)	4 141 432	1 308 814

30. Prior-Year Adjustments

Presented below are those items contained in the Statement of Financial Position, Statement of Financial Performance and Cash Flow Statement that have been affected by prior-year adjustments:

Statement of Financial Position

2021	Note	As previously reported	Adjustment	Restated
Payables from exchange transactions		7 337 836	4 337 751	11 675 587
Accumulated surplus		70 235 499	(3 123 181)	67 112 318
Deferred taxation		3 360 936	(1 214 570)	2 146 366
		80 934 271	-	80 934 271

Statement of Financial Performance

2021	Note	As previously reported	Adjustment	Restated
Revenue from exchange transactions		109 701 258	(4 337 752)	105 363 506
Taxation		1 367 427	(1 214 570)	2 581 997
Surplus for the year		111 068 685	(3 123 182)	107 945 503

Cash Flow Statement

2021	Note	As previously reported	Adjustment	Restated
Cash flow from operating activities				
Revenue from services		134 318 955	(4 337 752)	129 981 203
SARS prepaid amount		-	4 337 752	4 337 752
		134 318 955	-	134 318 955

Adjustment

Due to the change in the funding model that resulted in an amended billing model from time and material billing to fixed price billing, the accounting treatment of revenue was amended to correctly reflect the revenue at 31 March of each respective year, with consideration given to the stage of completion principle. This resulted in the deferment of revenue items not deemed to be completed at year-end.

31. Other Matters

Tatis International (Pty) Ltd (in liquidation), with whom Interfront contracted through a sale of business agreement, was placed in liquidation on 19 April 2018. The liquidators convened an insolvency enquiry into the affairs of Tatis International (Pty) Ltd (in liquidation), for the purpose of inter alia identifying possible claims and following up inter alia on the agreements to which the controlled entity was also a party. Tatis International (Pty) Ltd (in liquidation) indicated its intention to commence arbitration proceedings in accordance with the provisions inter alia of the sale of business agreement, and an arbitration agreement is in the process of being entered into between Tatis International (Pty) Ltd (in liquidation) and Interfront. The parties agreed that an informal without prejudice mediation process would not be followed. This process is ongoing and no clear estimation can be made on the date that the process will be concluded. Interfront, as well as its legal representation remain of the view that the entity is not liable for any claim. Accordingly, no provision or contingency has been included in these financial statements.

ANNEXURES

1. ANNEXURE A:
2. ANNEXURE B:
3. LIST OF ABBREVIATIONS AND ACRONYMS

ANNEXURE A

BOARD DIRECTORSHIP MUSTAQ AHMED ENUS-BREY

	Name of Company	Office held	Date of Appointment
*	Brimstone Investment Corporation Ltd	CEO	01 Nov 1995
	Brimbrands (Pty) Ltd	Director	28 Mar 1998
	Brimstone Management Company (Pty) Ltd	Director	01 Aug 1997
	Brimstone Properties (Pty) Ltd	Director	16 Feb 1997
	Business Venture Investments No 813 (Pty) Ltd	Director	26 May 2005
	Brim Tiger SPV (Pty) Ltd	Director	28 Jul 2009
	Brimsure (Pty) Ltd	Director	01 May 2004
	Business Venture Investments No 931 (Pty) Ltd	Director	26 May 2005
	Business Venture Investments No 933 (Pty) Ltd	Director	2005
	Newshelf 831 (Pty) Ltd	Director	2006
	Newshelf 1062 (Pty) Ltd	Director	06 Sept 2010
	Newshelf 1063 (Pty) Ltd	Director	06 Sept 2010
	Newshelf 1064 (Pty) Ltd	Director	06 Sept 2010
	Newshelf 1168 (Pty) Ltd	Director	14 Dec 2011
	Newshelf 1354 (Pty) Ltd	Director	17 Mar 2016
	Newshelf 1169 (Pty) Ltd	Director	14 Dec 2011
	Newshelf 1269 (Pty) Ltd	Director	01 Sept 2013
	Newshelf 1279 (Pty) Ltd	Director	31 Oct 2014
	Newshelf 1331 (Pty) Ltd	Director	17 Jul 2015
	Newshelf 1404 (Pty) Ltd	Director	04 Jul 2017
	Newshelf 1409 (Pty) Ltd	Director	14 Sept 2017
	Newshelf 1416 (Pty) Ltd	Director	28 Nov 2017
	Friedshelf 1534 (Pty) Ltd	Director	06 April 2014
	Friedshelf 1535 (Pty) Ltd	Director	06 April 2014
	Oceana SPV (Pty) Ltd	Director	2006
	Septen Investments	Director	
	H Investments No 219 (Pty) Ltd	Director	2001
	House of Monatic (Pty) Ltd	Non-Exec Director	24 Aug 1998

	House of Monatic Corporate Clothing (Pty) Ltd	Non-Exec Director	11 June 2018
	House of Monatic Brands (Pty) Ltd	Non-Exec Director	11 June 2018
	AON Re Africa (Pty) Ltd	Non Exec Director	2006
*	Equites Property Fund Limited	Non Exec Director	2016
	FPG Investments (Pty) Ltd	Non Exec Director	2016
	FPG Property Fund	Non Exec Director	01 March 2018
	Lion of Africa Insurance Co Ltd	Non Exec Director	1999
*	Oceana Fishing Group Limited	Non Exec Director	01 Nov 1995
	International Frontier Technologies SOC Ltd	Non Exec Director	18 Oct 2011
	African Monarch 710 Inv Holdings (Pty) Ltd	Director	23 April 2003
	Breyfin 1 Proprietary Ltd	Director	2017
	Breyfin 2 Proprietary Ltd	Director	2017
	Jasmyn Beleggings	Director	2017

*JSE Listed Company

	Name of Company	Office held	Date of Appointment
	Jasmynweg Beleggings 2	Director	2017
	Jasmynweg Beleggings 3 Proprietary Ltd	Director	2017
	Jasmynweg Beleggings 4 Proprietary Ltd	Director	2017
	Zibiset (Pty) Ltd	Director	04 July 2013
	H Investments No 157 (Pty) Ltd	Director	1998
	H Investments No 237 (Pty) Ltd	Director	1998
	Brainfin Financial Services (Pty) Ltd	Director	22 July 2012
	Blik Investments (Pty) Ltd	Director	25 Sept 2000
	Breyfin (Pty) Ltd	Sole Director	02 Mar 1998
	Kalab Investments (Pty) Ltd	Director	28 Mar 1996
	My Domain	Non Exec Director	2016
	My Domain Rentals (Pty) Ltd	Non Exec Director	2016
	Cape Monarch Investments	Director	23 June 2015
	Masibambane Consultants	Director	26 May 1997
	Business Venture Investments No 871 (Pty) Ltd	Director	
	Pro-One Investments (Pty) Ltd	Director	25 Nov 1997
	Roselane Investments (Pty) Ltd	Director	2005
	51 Wales Street (Pty) Ltd	Director	18 Jan 1994

*JSE Listed Company

ANNEXURE B

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by the AGSA.

The Annual Report is complete, accurate, and free from any omissions.

The Annual Report has been prepared in accordance with the guidelines on annual reporting issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the Standards of GRAP applicable to Interfront.

The accounting authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.

The accounting authority is responsible for establishing and implementing a system of internal control, which has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information, and the Annual Financial Statements.

External auditors are engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, the Annual Report fairly reflects the operations, performance information, human resources information, and financial affairs of Interfront for the financial year ended 31 March 2022.

Yours faithfully,



Leilanie Janse van Rensburg
Acting Managing Director
Date: 31 July 2022

LIST OF ABBREVIATIONS AND ACRONYMS

ADA	Administration des Douanes et Accises
AGSA	Auditor-General of South Africa
AIP	Advance Import Payment
APN	Advanced Payment Notification
BPM	Business Process Management
Clean Audit	Unqualified audit report with no material findings on the reporting of performance objectives or non-compliance with legislation
Companies Act	Companies Act, No. 71 of 2008
CPS	Cargo Processing System
DPS	Declaration Processing System
EAT	Earnings After Tax
EBT	Earnings Before Tax
ECP	Engineering Change Proposal
EE	Employment Equity
EECF	Employment Equity Consultative Forum
EU	European Union
EXCO	Executive Committee
Forex	Foreign Exchange
FPM	Function Point Measurement
GIBS	Global Executive Development Programme
GRAP	Generally Recognised Accounting Practice
HR	Human Resources
iCBS	Interfront Customs and Border Management Solutions
ICT	Information and Communications Technology
IETA	Import, Export and Transit
Interfront	International Frontier Technologies SOC Ltd
IP	Intellectual Property
IT	Information Technology
KEL	Known Error List
MOI	Memorandum of Incorporation
MSA	Master Services Agreement
MTDN	Multimodal Transport Document Number

LIST OF ABBREVIATIONS AND ACRONYMS (CONT.)

NCAP	New Customs Act Programme
NCTS	New Computerised Transit System
NPR	Number Plate Recognition
PAA	Public Audit Act, No. 25 of 2004
PFMA	Public Finance Management Act, No. 1 of 1999
PPPF	Preferential Procurement Policy Framework
RCG	Reporting of Conveyances and Goods
RLA	Registration, Licensing and Accreditation
SARS	South African Revenue Service
SLA	Service-Level Agreement
SOC	State-Owned Company
TDN	Transport Document Number
TMS	Tariff Management System
VAT	Value-Added Tax
XLD	XebiaLabs Deploy





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