DEPARTMENT OF DEFENCE

ANNUAL REPORT

FY2014/15

"Together we move South Africa forward"

DOD Presentation to the PCD&MV
20 October 2015

defence
Department:
Defence
REPUBLIC OF SOUTH AFRICA

AIM

To brief the Portfolio Committee on Defence and Military Veterans (PCD&MV) on the Department of Defence (DOD) Annual Report (AR) for FY2014/15.

SCOPE

- Annual Report Preparation
- Defence Mandate
- Medium Term Strategic Framework (MTSF) Outcomes
- Financial Performance Information
  - Expenditure per Programme
  - Expenditure per SCOA Classification
- Non-Financial Performance Information
  - DOD Selected Performance Indicators
  - Overall Programme Target Achievement

SCOPE

- Overview
  - Political Direction
  - Governance and Accountability
  - Command of Forces
- DOD Audit Outcomes & Trend Analysis
  - Audit Findings: General Defence Account
  - Audit Findings: Special Defence Account
  - Audit on Predetermined Objectives

ANNUAL REPORT PREPARATION

- The DOD Annual Report FY2014/15 was prepared in accordance with the following legislative guidelines and prescripts:

  - Section 40 (1) (d) of the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999).

  - Treasury Regulations, 2005 Chapter 18 Section.

  - Public Service Regulations, 2001, Chapter 1 Part III.

  - National Treasury Departmental Guidelines for the Preparation of Annual Reports.

  - DOD Planning Instruments for FY2014/15.

ANNUAL REPORT PREPARATION

- The DOD Annual Report for FY2014/15 presents the DOD's performance over **two Administrations**:

  - The final year (2013/14) of the 2009 – 2014 electoral period;

  - And the first year (2014/15) of the 2014 – 2019 electoral period.

- The Annual Report also marks **20 years** of existence of the SANDF since integration.

DEFENCE MANDATE

- The DOD derives its mandate from Section 200(2) of the **Constitution**.

- The mandate is given substance by:
  - The **Defence Act**.
  - The **White Paper on Defence** (1996).
  - The **Defence Review** (1998) *{Defence Review 2014 in future}.*
  - Delegated **legislation**.

- Through the **DOD Strategy Map**, the mandate is translated into **Defence outcomes**:
  - RSA is defended and protected.
  - Enhanced Civil Control of Defence.

- The **DOD outputs** expresses aspects of the MTSF in relation to:
  - Outcome 3: *"All people in South Africa are and feel safe".*
  - Outcome 11: *"Creating a better South Africa and contributing to a better and safer Africa in a better World".*

DEFENCE MANDATE

DOD's Mission

*"To provide, manage, **prepare and employ** defence capabilities commensurate with the needs of South Africa, as regulated by the Constitution, national legislation and Parliamentary and Executive direction. This will be provided through the proper management, provision, preparedness and employment of defence capabilities that are in line with the domestic and global needs of South Africa."*

MTSF OUTCOMES

- The DOD's specific **outputs** are fully aligned with the **Government National policy imperatives** as set out in the MTSF.

- During FY2014/15, the DOD actively contributed towards the following MTSF outcomes:

  - **Outcome 11**: ***Creating a better South Africa and contributing to a better and safer Africa in a better world.***

  - **The DOD contributed to conflict prevention, peacekeeping, peace and security and post conflict reconstruction and development by:**

    - Providing the forces pledged for the SADC Standby Force.
    - Providing forces for external deployments and ordered commitments.
    - Conducted a number of joint, inter-departmental, inter-agency and multinational military exercises.
    - Providing a defence diplomacy service.

MTSF OUTCOMES

- **Outcome 3**: ***All people in South Africa are and feel safe.***

- **The DOD contributed to South Africa security by:**

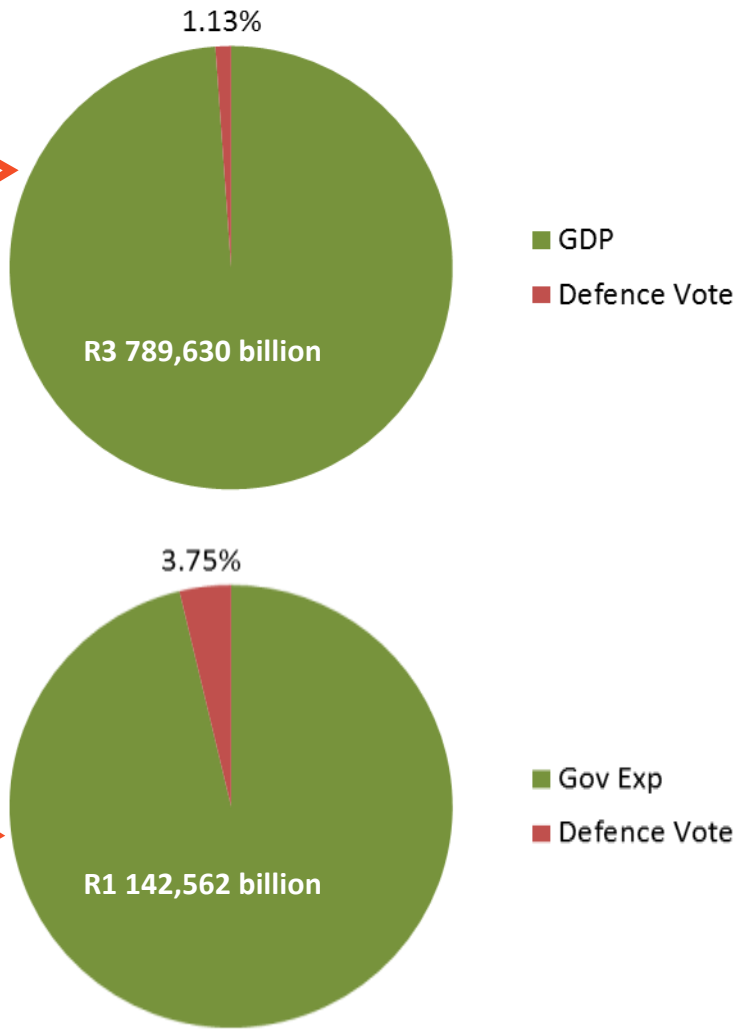
  - Border safeguarding operations.
  - Cooperation with the South African Police Service (SAPS) during safety and security operations.
  - Search and rescue operations.
  - Humanitarian aid during natural disasters.
  - Support to other government departments when required.

FINANCIAL PERFORMANCE INFORMATION

DEFENCE VOTE: FY2014/15

The Defence Budget Vote for FY2014/15 amounted to **R42,831 billion**.

The Defence Budget Vote amounted to **1,13% of South Africa's gross domestic product** (GDP) and **3,75% of total government expenditure** (GE).



defence
Department:
Defence
REPUBLIC OF SOUTH AFRICA

DEFENCE VOTE: FY2014/15

- The inadequate budget allocation impacted on the:

  - Sustainment of declining defence capabilities.
  - Supporting and executing ordered commitments (both internal and external operations).
  - Rejuvenation of the force.

- The above is **articulated in the Defence Review 2014** as a basis/motivation for **increased defence funding**.

FIN PERFORMANCE TRENDS FY2012/13 – FY2014/15

	2012/2013	2013/2014	2014/2015
	RM	RM	**RM**
Vote	37 888.542	40 658.184	**42 856.879**
Expenditure	37 702.218	40 447.521	**42 842.381**
Over Expenditure			
Amount overspent as percentage of Vote			
Amount surrendered	186.324	210.663	**14.498**
Amount surrendered as percentage of Vote	0,492%	0,518%	**0,034%**

Take Note: In real terms the DOD budget has declined over time.

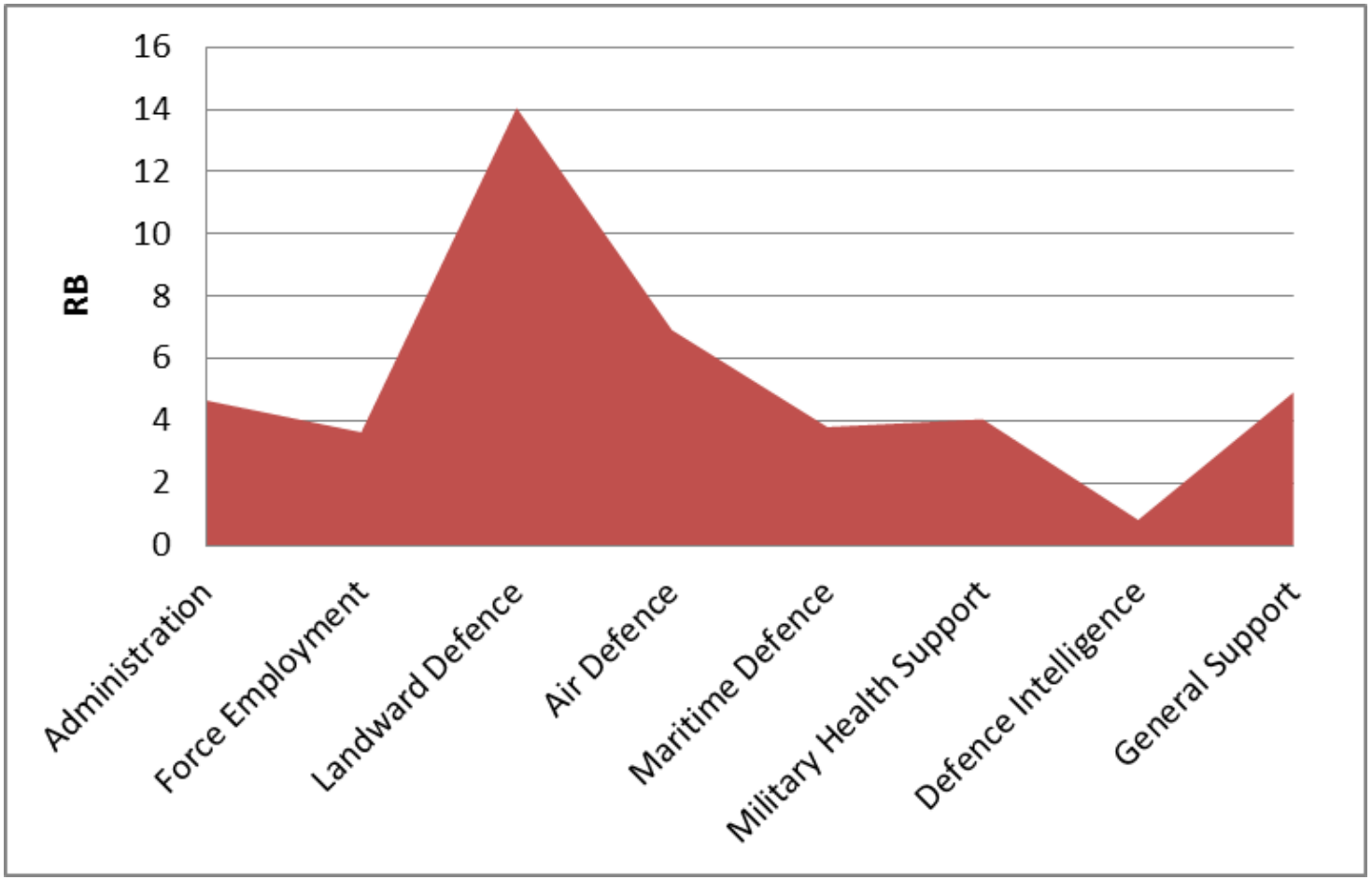
The under spending in FY2014/15 of (Rm14,498) consists of the following:

- Administration Programme. Within transfers to departmental agencies and accounts for the transfer payment to the Safety and Security Sector Education and Training Authority (SASSETA) (Rm1,602) being less than anticipated.
- Landward Defence Programme. Within Goods and Services (Rm12,865) due to the incapacity of industry to meet Defence requirements.
- Military Health Support Programme. Within transfers to non-profit organisations due to the transfer payment claim by the St John's (Rm0,031) Ambulance Brigade being less than anticipated.

EXPENDITURE PER PROGRAMME: FY2014/15

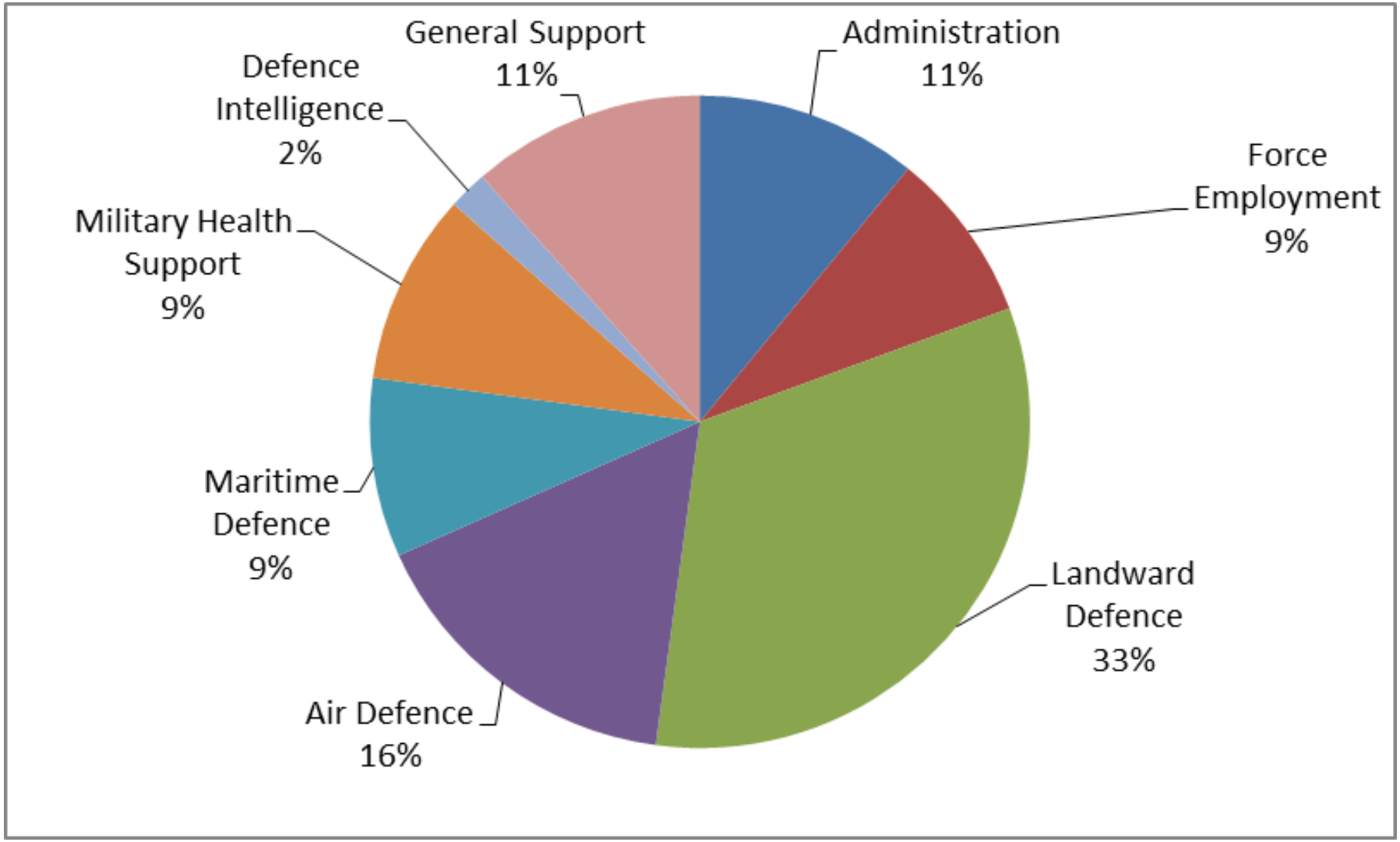
Programme	2014/2015			
	Final Appropriation	Actual Expenditure	Percentage Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	%	R'000
Administration	4 660 587	4 658 985	11%	1 602
Force Employment	3 631 441	3 631 441	9%	
Landward Defence	14 061 981	14 049 116	33%	12 865
Air Defence	6 913 523	6 913 523	16%	
Maritime Defence	3 802 369	3 802 369	9%	
Military Health Support	4 053 144	4 053 113	9%	31
Defence Intelligence	819 775	819 775	2%	
General Support	4 914 059	4 914 059	11%	
Total	**42 856 879**	**42 842 381**	**100%**	**14 498**

EXPENDITURE PER PROGRAMME: FY2014/15



defence
Department:
Defence
REPUBLIC OF SOUTH AFRICA

% EXPENDITURE PER PROGRAMME: FY2014/15

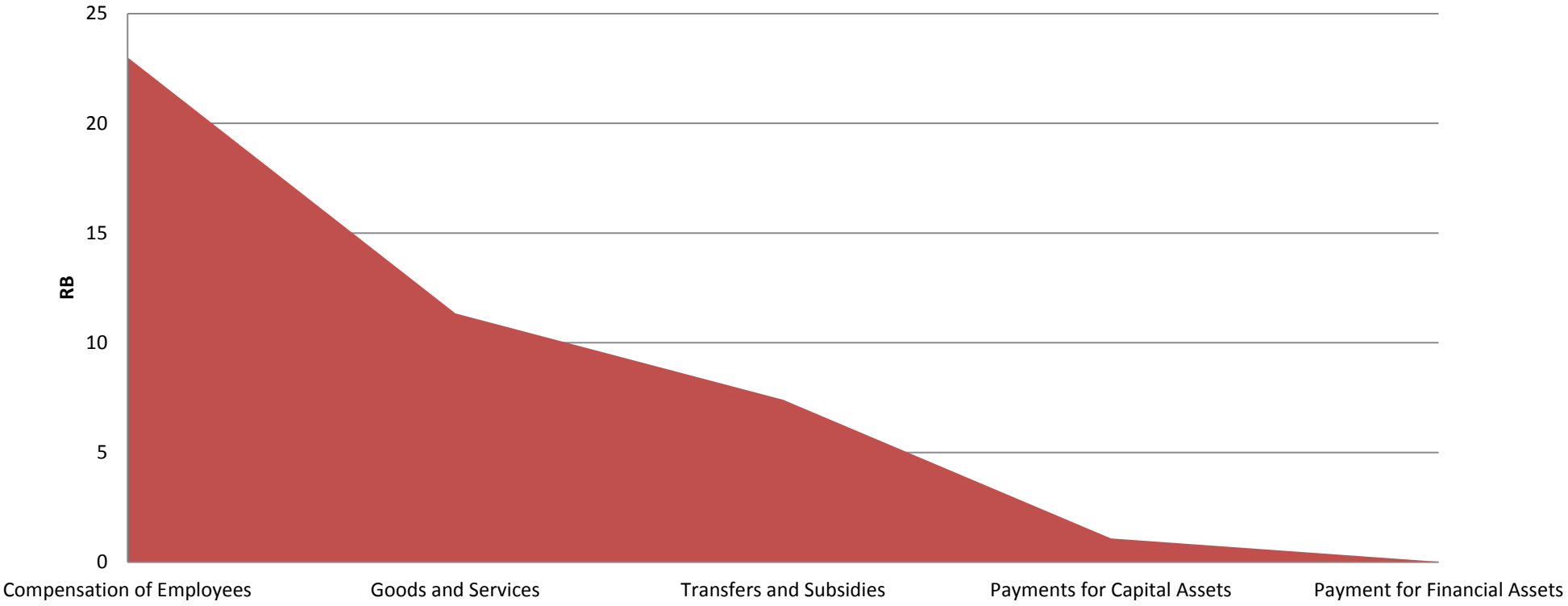


defence
Department:
Defence
REPUBLIC OF SOUTH AFRICA

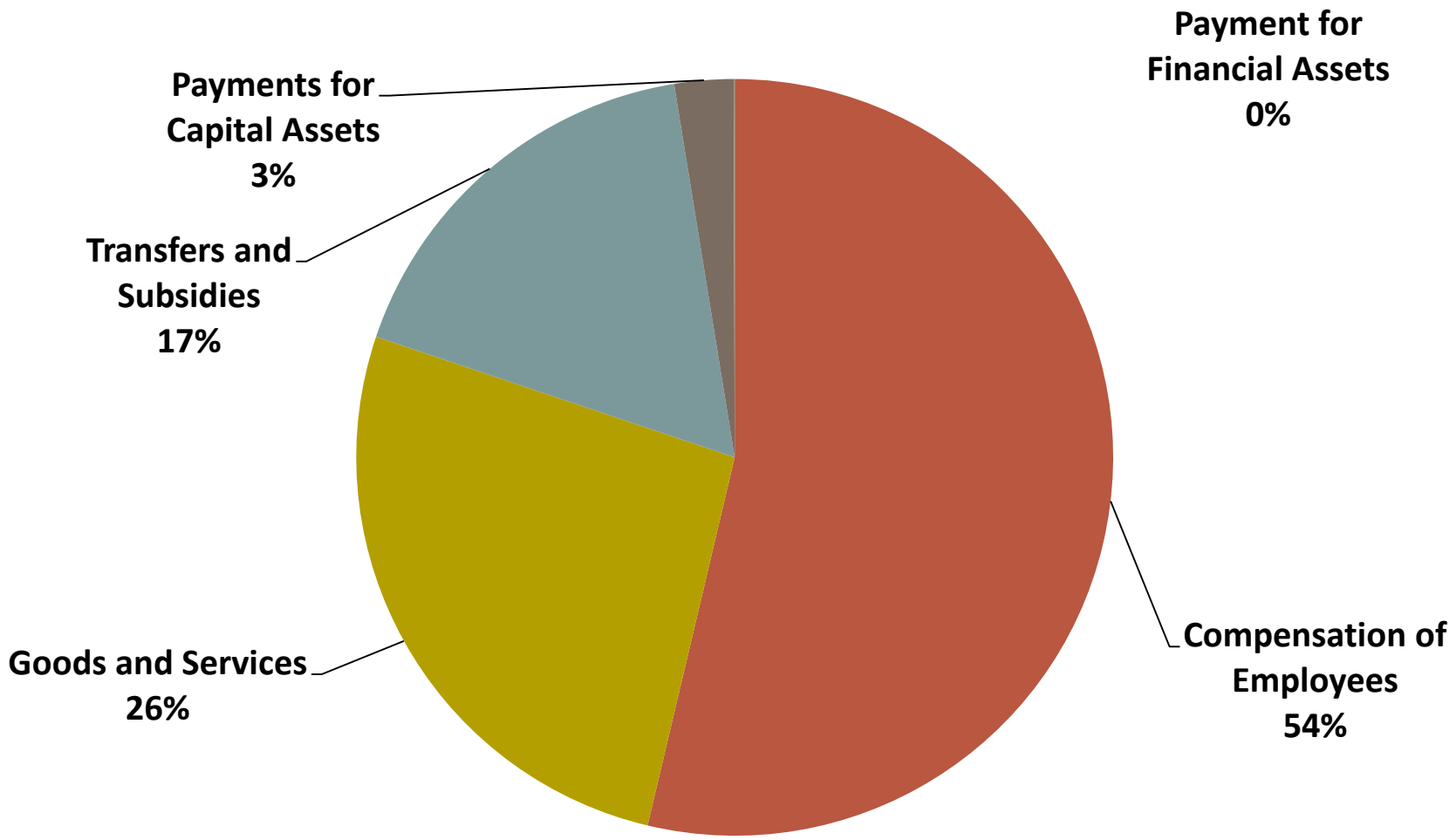
EXPENDITURE PER SCOA CLASSIFICATION: FY2014/15

Programme	2014/2015		
	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000
Current payments	34 356 338	34 343 473	12 865
Compensation of Employees	23 005 809	23 005 809	
Goods and Services	11 350 529	11 337 664	12 865
Transfers and Subsidies	7 401 813	7 400 180	1 633
Payments for Capital Assets	1 081 225	1 081 225	
Payment for Financial Assets	17 503	17 503	
Total	**42 856 879**	**42 842 381**	**14 498**

EXPENDITURE PER SCOA CLASSIFICATION: FY2014/15



% EXPENDITURE PER SCOA CLASSIFICATION: FY2014/15



defence
Department:
Defence
REPUBLIC OF SOUTH AFRICA

NON-FINANCIAL PERFORMANCE INFORMATION

DOD SELECTED PERFORMANCE INDICATORS

- **The DOD reported-on the following Performance Indicators in the Annual Report**:

  - <u>DOD Selected Performance Indicators</u>
    - ➢ Included in the Estimates of National Expenditure.
    - ➢ Derived from the Defence mandate.
    - ➢ Represents the largest cost drivers in the DOD.
    - ➢ Basis of DOD's budget allocation from National Treasury.

  - <u>Programme Performance Indicators</u>
    - ➢ All budget programmes.
    - ➢ Enable performance monitoring and control.
    - ➢ Identifies how challenges should be addressed and successes replicated.

DOD SELECTED PERFORMANCE INDICATORS

Accountability/ Reporting responsibility	Performance Indicator	Performance		
		Projection FY2014/15	Actual Achievement FY2014/15	Reasons for Over-/ Underachievements
Defence Intelligence (Defence Foreign Relations)	Total number of defence attaché offices	**41 (Baseline 40)**	**43**	**Overachieved**. Ministerial authority was granted for the opening of three additional offices (Ghana, Senegal and South Sudan), which was two more than was projected.
Administration (HR Support Services)	Number of Military Skills Development members in the system per year	**4 272**	**3889**	**Underachieved**. The Services recruited fewer members for the year under review because of a reduction in the NT budget allocation.
Administration (Human Resources Support Services)	Number of Reserve Force person days	**1 883 683**	**2 695 742**	**Overachieved** Owing to an unplanned increase in operational tempo e.g. Op CORONA and Op FLIKKER.
Force Employment	Compliance with Southern African Development Community (SADC) standby force agreements and South African pledge	**100%**	**79%**	**Underachieved**. Not all capabilities pledged could be provided (ie. Oryx helicopters, Combat Support ship, Maritime Reaction Squadron and a level 2 field hospital).
Force Employment Landward Defence Defence Intelligence	Percentage compliance with number of ordered commitments (external operations)	**100% (5)**	**140% (7)**	**Overachieved**. Two additional operations were conducted over and above, namely Op CHARIOT METAAL and Op LOAPI.

DOD SELECTED PERFORMANCE INDICATORS

Accountability/ Reporting responsibility	Performance Indicator	Performance		
		Projection FY2014/15	Actual Achievement FY2014/15	Reasons for Over-/ Underachievements
Force Employment	Percentage compliance with number of ordered commitments (internal operations)	**100%** **(4)**	**100%** **(4)**	**Achieved**
Force Employment	Number of joint, inter-departmental and multinational military exercises conducted per year	**9**	**5**	**Underachieved**. Four exercises were not executed due to capacity problems and time frame to obtain Ministerial authority.
Force Employment	Number of landward subunits deployed on border safeguarding	**13**	**13**	**Achieved**
Air Defence	Number of force employment hours flown per year	**6 985**	**5 026.39**	**Underachieved**. Force Employment hours are an annual target of how many hours are flown for the year. Fewer Force Employment tasks than predicted.
Maritime Defence	Number of hours at sea per year	**12 000**	**8 951.53**	**Underachieved**. The hours underutilised were due to unavailability of vessels that were delayed in maintenance cycles.

DOD PROGRAMME TARGET ACHIEVEMENT

Performance	FY2014/15 Annual Target
Green (Achieved)	109 (74%)
Red (Partially/Not Achieved)	39 (26%)
Total Number of Targets	148

Political Direction (Minister)

- Political direction was provided by the Minister, as the Executive Authority.
- The Minister provided political direction to the DOD and ensured the preparation of defence capabilities to be utilised in meeting ordered commitments. These ordered commitments contributed to **peace, security, and stability in SA and the Southern African region**.
- The Minister played a pivotal role in ensuring that all missions were undertaken under the **legally required political authorisation**, were in **pursuit of Government objectives** and fully accounted for.
- The Minister played an active role in the **Defence diplomacy arena** at both bilateral as well as multilateral areas.

Political Direction (Minister)

- The Minister ensured effective **political direction and oversight** over the **DOD entities** (DFSC and Ombud) established to attend to the welfare of the SANDF service conditions, as well as ARMSCOR wrt matériel acquisitions.

- In order to **improve the SANDF's medical health capability**, the Minister appointed a Ministerial Task Team during March 2014 which made various recommendations particularly in the area of:
  - Human Resources. The audits of the members who qualify to receive **commuted overtime** were completed and, with few exceptions, the amounts due were paid out to members.
  - Infrastructure. The Department of Public Works (DPW) executed **upgrades at 1 Military Hospital** and further upgrades will be completed using external contractors.

Political Direction (Minister)

- The Minister oversaw the completion of the Defence Review Committee (DRC) work which resulted in the **Defence Review document** being **adopted by Parliament in June 2015**. The **preparatory work for the Defence Review implementation is underway**.

- Progress on the implementation of the Defence Review 2014 will be reported-on during the FY2015/16 onwards.

Governance and Accountability (Sec Def)

- The Secretary for Defence, as the **Head of the Department and the Accounting Officer oversees matters of governance and accountability**.

- The DOD maintained and implemented all the Minister, Cabinet, Parliamentary and Cluster decisions, applicable to the DOD for accountability purposes.

- Various initiatives were implemented in line with the Minister's directive and in **pursuit of improved corporate governance**, to reverse the FY2013/14 audit qualification on Intangible Capital Assets. This resulted in the latest audit outcome (Unqualified audit opinion).

- The DOD provided a complete Secretariat service for the **ICTS Cluster** during the 2009 to 2014 electoral period and after the transition to the new electoral period 2014 to 2019, to the **JCPS Cluster** and related subcommittees.

Governance and Accountability (Sec Def)

- The DOD maintained an effective system of financial control, i.e. by means of **appropriate budget preparation, budget control and accounting measures.** By doing this, the DOD achieved only a 0.03% under spending of its allocated departmental budget during FY2014/15.

- Effective enterprise risk management is key to the **achievement of predetermined departmental outputs**. The DOD has managed to **establish and maintain a system of risk management** that is consistent with statutory provisions, ie the PFMA, Treasury Regulations and the Public Sector Risk Management Framework. Risk Management continues to be conducted in accordance with an approved DOD Risk Management Framework.

- In order to **bolster DOD internal controls**, the DOD has consolidated the Internal Audit function. Internal Audit is now beginning to function effectively.

Governance and Accountability (Sec Def)

- A MOU between the DOD and CSIR was developed and will be implemented in the new year. The intent of this MOU is to foster strategic cooperation and streamline interaction, whilst providing **joint strategic planning of technology and services to the National Security Sector at large**.

- Based on the priorities of the SANDF, combined with the prevalent industrial capability and the particular approval status of individual projects, **upgrade and renewal projects** were scheduled within the limits of the allocation for **weapon systems and technology acquisitions**.

- The roadmap to address departmental interventions in the realisation of **improved performance information** in the DOD is being executed. The impact of these interventions is depicted in the state of performance information as per the Audit Report FY2014/15.

Command of Forces (SANDF)

- The C SANDF provided strategic military direction and instructions to ensure the effective Command of Forces.
- The C SANDF ensured the **preparation and employment of forces** in pursuance of set missions.
- The SANDF contributed to stability and security within the RSA and on the continent by deploying military capabilities in the following areas:

Command of Forces (SANDF)

- **Promote Security (External Operations)**. The SANDF continued to participate in the United Nations (UN) Peace Support Operation (PSO) in the Democratic Republic of the Congo (DRC) (Op MISTRAL), the UN/African Union (AU) Hybrid Peace Support Operation in the Sudan (Op CORDITE) and support to Mozambican Defence Force (MDF) with counter piracy operations (Op COPPER).

Op MISTRAL (DRC)	SANDF Contingent deployed in support of the United Nations Organisation for Stabilization Mission in the Democratic Republic of the Congo (MONUSCO). Deployment commenced in 2000.
Op CORDITE (Sudan)	SANDF Contingent deployed in support of the United Nations-African Union Hybrid Mission in Darfur (UNAMID) Sudan. Deployment commenced in 2005.
Op COPPER	SANDF support to Mozambican Government with counter-piracy operations. Deployment commenced Jan 2011.

Command of Forces (SANDF)

- **General Military Assistance Operations (External)**. The SANDF provided military assistance and expertise over a wide range of activities, with the following being the most prominent.

Mission THEBE	Training support in the DRC for security forces conducted by the SA Army.
Team BULISA	Support of the *Forces Armées de la République Démocratique du Congo* (FARDC) ito the writing, translation of their Military Strategy (supported by Defence Intelligence).
Op LOAPI	The SANDF provided assistance during Flood Relief Support to the Mozambican Government in Mocuba district and Zambezi Province.
Op METAAL	The SANDF assisted during the repatriation of the remains of the South African victims during the collapse of the building in Lagos (Nigeria).

Command of Forces (SANDF)

- **Support to the People & Support to Government Departments**. The SANDF employed multi-rolled military capabilities **on request and according to the prescripts of the Defence Act 42 of 2002** in cooperation with other government departments in pursuance of national strategic objectives related to the defence of the RSA and its people.

Op PROSPER (Safety and Security Support)	The SANDF provided support to the SAPS on request as well as during events of national importance, such as the opening of parliament, the national election and the inauguration of the President
Op CHARIOT (Disaster Support, Humanitarian Assistance)	Support was provided by the SANDF by providing capabilities such as helicopters to transport injured people, support fire fighting efforts and proving water bunkers as required

Command of Forces (SANDF)

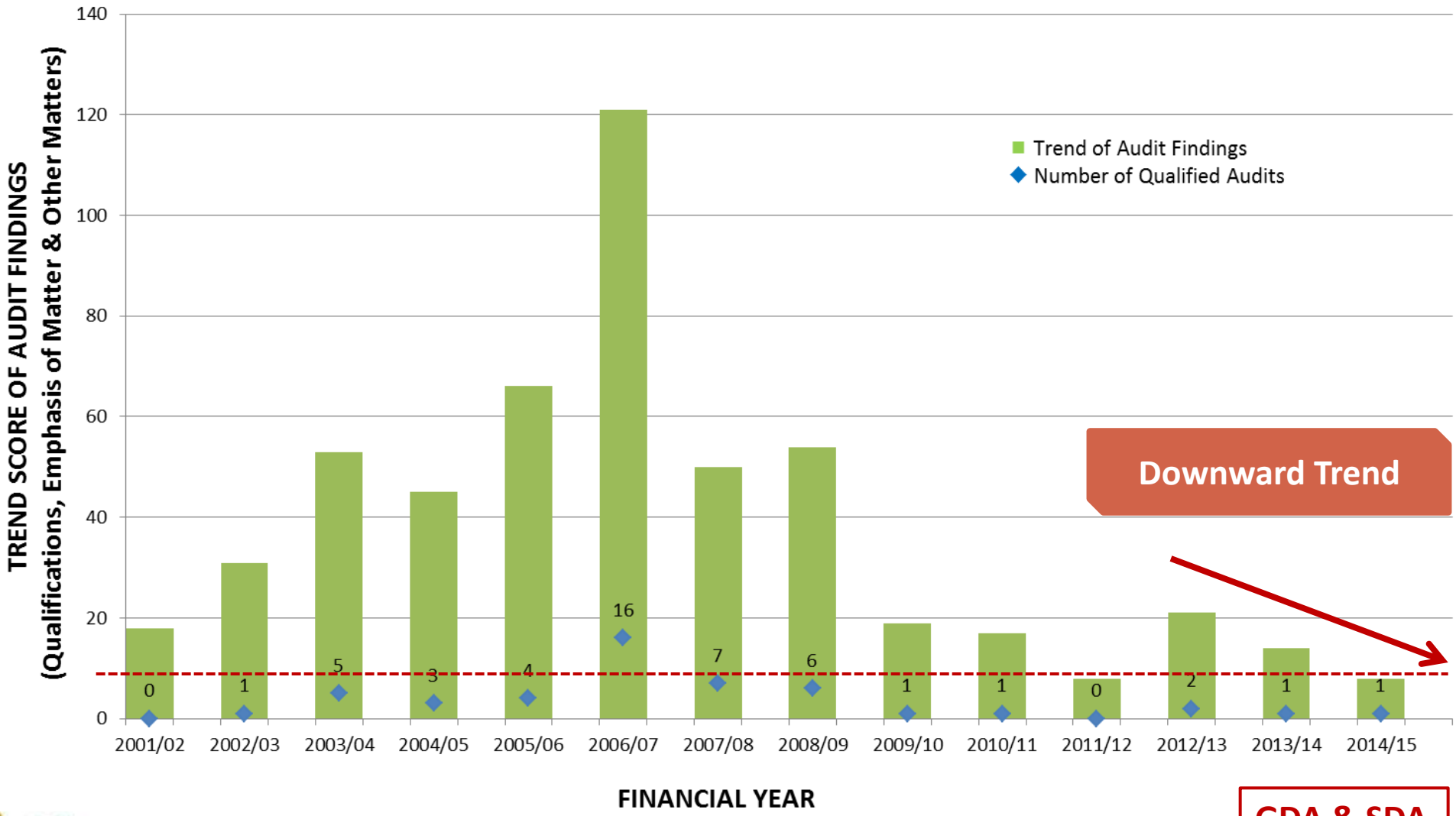
Op ARABELLA (Search and Rescue)	The SANDF assisted the South African Search and Rescue organisation (SASAR) with search and rescue operations and as such rescued a number of people during the year.
VIP Protection Tasks	The SANDF provided internal VIP protection for approved defence related VIPs (local, foreign government visitors and other military dignitaries on numerous occasions during the year
Op CORONA (Border Safeguarding)	The SANDF continued to execute **Borderline Safeguarding Operations** by deploying 13 subunits to conduct operations along the borders in Limpopo, Mpumalanga, KwaZulu Natal, the Free State, the Eastern Cape, the Northern Cape and North West Province. **Operational successes** included the confiscation of 45 weapons, 12 141 illegal foreigners apprehended, 517 criminals arrested, 139 stolen vehicles recovered, 17 112kg dagga confiscated, 1 129 livestock recovered, 14kg copper recovered, and contraband goods to the value of R45,289,408 confiscated.

DOD AUDIT OUTCOMES & TREND ANALYSIS

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

DOD AUDIT OUTCOMES & TREND ANALYSIS



GDA & SDA

defence
Department:
Defence
REPUBLIC OF SOUTH AFRICA

AUDIT FINDINGS: FY2014/15

General Defence Account (GDA)

State of DOD Performance Information

After conducting the relevant tests on the DOD's performance information the AGSA concluded as follows:

*"I did not identify any material findings on the **usefulness and reliability** of the reported performance information for the selected programmes".*

***Selected Programmes**:*

- *Force Employment*
- *Landward Defence*
- *Air Defence*

AUDIT FINDINGS: FY2014/15

General Defence Account (GDA) *…2*

FY2014/15 Unqualified Audit Opinion

"In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Defence as at 31 March 2015 and its financial performance and cash flows for the year then ended, in accordance with MCS and the requirements of the PFMA."*

** MCS: Modified Cash Standard*

AUDIT FINDINGS: FY2014/15

Special Defence Account (SDA)

Basis for Qualified Opinion – Sensitive Activities

"I was unable to obtain sufficient appropriate audit evidence regarding sensitive projects expenditure and related financial assets due to the sensitivity of the environment and the circumstances under which the related transactions are incurred and recorded.

In addition, material classes of sensitive projects expenditure were not separately classified per nature as required by GRAP 1, Presentation of financial statements. I was unable to confirm the sensitive projects expenditure and financial assets by alternative means".

AUDIT FINDINGS: FY2014/15

Special Defence Account (SDA) *…2*

FY2014/15 Audit Opinion

"In my opinion, except for the possible effects of the sensitive activities described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Special Defence Account as at 31 March 2015 and its financial performance and cash flows for the year then ended, in accordance with GRAP and the requirements of the PFMA".

QUESTIONS