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defence

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REPUBLIC OF SOUTH AFRICA

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23 August 2018

Chairperson
Portfolio Committee on Defence and Military Veterans
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Dear Honourable M.S. Motimele, MP

RECOMMENDATIONS¹: BUDGET REVIEW AND RECOMMENDATION REPORT (BRRR) OF THE PORTFOLIO COMMITTEE ON DEFENCE AND MILITARY VETERANS (PCD&MV) ON THE DEPARTMENT OF DEFENCE (DOD) ANNUAL REPORT FY2016/17

Enclosure 1: DS/DPSP/DPM&E/R/501/8/8 dated 12 March 2018
2: DW FMN/R/501/8 dated 18 August 2018

1. Secretary for Defence letter to the Chairperson of the PCD&MV, DS/DPSP/DPM&E/R/501/8/8 dated 12 March 2018 and "*Announcements, Tablings and Committee Reports*" No 27 of 2018, dated 13 March 2018, refers.
2. The DOD's responses to BRRR recommendations are listed below.
3. **Recommendation.** The Committee instructed the Department to provide feedback on the 2016 BRR Recommendations within 30 days of the publication of this Report.
4. **Response.** Comprehensive feedback were provided to the PCD&MV on 12 March 2018 (See Enclosure).
5. **Recommendation.** The Committee recommended that the Department should clearly highlight the amounts drawn from the SDA, the reasons thereof and especially its impact of the Department's operational capabilities. This should be reflected in quarterly reports by the Department to the Committee.

¹ Paragraph 7 of "*Announcements, Tablings and Committee Reports*" No 27 of 2018.

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6. **Response.**

- a. Substantial budget cuts across Government departments from the 2017/18 MTEF-period, necessitated the DOD to endeavour in a reprioritisation exercise, through the annual Departmental Programme and Budget Evaluation Committee (DPBEC) sessions. Without an exit mechanism, and with an increasing Compensation of Employees' (CoE) budget, the DOD had no option as to reprioritise funds from within the Department towards CoE expenditure. DPBEC recommendations were presented to the Plenary Defence Staff Council and submitted to the MOD&MV for approval.
- b. As per the MOD&MV's directive on 26 June 2018, funding will be surrendered from the SDA over the 2019/20 MTEF, specifically from the Capital Acquisition Projects listed on the Strategic Capital Acquisition Master Plan (SCAMP), for the shortfall in the CoE. Consequently, contracted and un-contracted projects in the 2019/20 MTEF will be negatively affected. Although un-contracted projects were identified as the primary source of funding, it was not sufficient to address the CoE shortfall. Furthermore, sourcing funding from the SDA beyond the MTEF will result in contract cancellations with associated litigation.

7. **Recommendation.** It was recommended that the Department in future give the Committee the assurance that classified information has been reported to the JSCI or that the Department request a closed meeting to share such information with the Committee for oversight and accountability purposes.

8. **Response.** On request, the DOD briefed the JSCI on 24 November 2017 (See Enclosure, par 4).

9. **Recommendation.** The Committee recommended that the maintenance and servicing of aircraft be prioritised as chartering of other aircraft are not only expensive but also "rob" SAAF pilots from accruing flying hours to stay current.

10. **Response.** Agree with Committee's recommendation.

11. **Recommendation.** The Committee requested the Department to submit a comprehensive report on how the airlift capability challenges in the SAAF can be fully dealt with, with specific reference to the lack of serviceable aircraft at 35 and 28 Squadrons, Helicopter squadrons, as well as the reconsideration of the expensive and underutilised VVIP fleet at 20 Squadron. The objective must be to prevent non-essential chartering of transport, patrol and especially VVIP aircraft. This report should be submitted to the PCODMV within 4 months from the adoption of this BRRR.

12. **Response.** *A comprehensive report to be provided to the Committee on 29 August 2018.*

13. **Recommendation.** The Committee requested the Department to provide details of the flying hours for training, operations, VVIP flights, and the amount of hours and money used and spend for charter flight for operations and VVIP transport. This report should be submitted to the PCDMV within 30 days from the adoption of this BRRR.

14. **Response.** *A comprehensive report to be provided to the Committee on 29 August 2018.*

15. **Recommendation.** It was recommended that the Department prioritise the development of exit mechanisms in consultation with NT and the DPSA, and that such plans should be shared with the Committee as soon as it have been concluded. The objective must be to align this with the expenditure formula of 40/30/30 as per the 2015 Defence Review and NT requirements. This should be communicated to the Committee in a written report within 3 months of the adoption of this BRRR.

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16. **Response.** *Status quo* remains. See Enclosure, par 12(a).

17. **Recommendation.** The Committee requires the Department to submit a comprehensive report on how the Department propose the DOD and the SANDF be repositioned and expenditures be reprioritised based on (a) requirements in terms of Section 200 of the Constitution and (b) the available and appropriated budget. Included must be recommendations on how current assets and properties be utilised, alienated and/or liquidated to sustainably fund essential capital and operational expenditures. This report should be submitted to the PCDMV within 3 months from the adoption of this BRRR.

18. **Response.** Refer to attached Enclosure 2 for a detailed report.

19. **Recommendation.** The Committee recommended that the Department should clearly spell out the challenges it is encountering with the roll-out of Option 2 of Milestone 1, especially as it relates to those issues that do not require additional funding. During presentations on quarterly performance, the DOD should provide quarterly updates on the implementation of Milestone 1 of the Defence Review. The DOD should provide the PCDMV with a written report on the funding of Milestone 1, including the role of Armscor and the possible sweating of assets. This should be provided to the PCDMV within 3 months of the adoption of this BRRR.

20. **Response.**

- a. The DOD has achieved good progress with the implementation of the SA Defence Review 2015. Through the "SA Defence Review 2015 (*Milestone 1 - Plan to Arrest the Decline*)" *Implementation within Current FY2018/19 Resource Allocation*," with initial focus on the non-cost driven deliverables, the interventions have been embedded into the plans of the defence programmes allowing for programmatic implementation. The DOD will continue to implement the interventions that can be achieved within the Medium-Term Expenditure Framework (MTEF) Defence allocation. These interventions will be focussed on achieving improved organisational effectiveness and efficiency whilst at the same time provide the departmental functional policy, strategy and plans that will inform the next DOD Strategic Plan. On 26 April 2018, the Defence Secretariat provided concise feedback on the progress of the Secretariat Strategy and Military Strategy as well as the Defence Review Implementation Project Team (DRIPT) contribution to compiling the Minister of Defence and Military Veterans (MOD&MV) Budget Speech for 2018. The Constitutional mandate of the MOD&MV and the role of the Head of Department as the Accounting Officer as well as the 2018/19 MTEF priorities were spelt out.
- b. The DOD ensured the implementation of departmental instructions and guidelines relating to the implementation of the SA Defence Review 2015 (Defence Plan to Arrest the Decline with Targets and Timelines). The implementation of the SA Defence Review Implementation Plan is monitored through the departmental quarterly performance reporting process.
- c. In addition, the Defence Secretariat ensured that strategic direction is provided to the development of a new funding approach to Defence in pursuit of adequate resourcing for the DOD. During the period under review, a written response received from the Director-General of the National Treasury (NT) to the Secretary for Defence indicated that "*While all attempts have been made to fund the critical elements of the Defence Review 2015, the constrained financial outlook has made it difficult to fund the Review from the fiscus over the 2018 MTEF*".

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21. **Recommendation.** It was recommended that the SDA Act and the accounting system should be aligned and that the Committee should investigate this issue further in order to address this disjuncture.

22. **Response.** Ongoing discussions are currently taking place between the DOD and the National Treasury to resolve the Accounting issues, whilst continuing to adhere to the stipulations of the Defence Special Account (DSA) Act. Any possible amendments to the DSA Act will affect the PFMA and the Armscor Act.

23. **Recommendation.** The Committee undertook to consider a Study Tour to developing and developed countries to benchmark how other countries approach their oversight over Special Defence accounts and the accounting systems that are being used.

24. **Response.** None from DOD.

25. **Recommendation.** It was recommended that the Department outline their challenges with the BMA to the Committee since the Bill is currently being finalised by the NCOP. Specifically, clarity is required of the SANDF's Rules of Engagement when patrolling and enforcing the law in the South African airspace and land borders.

26. **Response.** Approval and promulgation of the Border Safeguarding Sub-Strategy is pending and dependant on final alignment with the Overarching Border Management Strategy, once approved by Cabinet. The BMA Sub-strategy can only be developed once the Overarching Strategy and BMA Bill is developed and promulgated. The SANDF's Rules of Engagement for the first phase of land and air protection is currently being formalised.

27. **Recommendation.** The Committee recommended that the Department should explain – besides the reasons presented by the AG – what led to the regression in the audit opinion by the A-G. The DOD should, by no later than 20 March 2018, indicate in a written report to the PCDMV the measures put in place to ensure that this will not re-occur for the 2017/18 financial year.

28. **Response.** Feedback was provided to the PCD&MV via the DOD Annual Report FY2016/17 presentation to the PCD&MV of 28 February 2018. Also see Enclosure, par 18.

29. **Recommendation.** It was recommended that the Department provide the Committee, within 30 days, with information on the number of members exiting, the costs involved, how many contracts were extended beyond the retirement age, the costs involved with this as well as the reasons thereof. The report should also include means that will be used to ensure force rejuvenation and measures to address the top-heavy structure of the SANDF.

30. **Response.** During the 1st quarter of FY2018/19, the following aspects influenced the funded strength of the DOD:

a. **Personnel Appointments**

- i. **Uniform Members (excluding MSDS translations to CSS).** 24 Appointments were planned for during the 1st quarter of FY2018/19 and 19 members were appointed. This means that 5 members were not appointed as planned.
- ii. **MSDS Intake.** The MSDS intake of the SAAF only commenced in May 2018 and the members were taken on-strength during June 2018. This influenced the calculated average strength of the DOD.
- iii. **MSDS Translations to CSS.** No translations were planned for the 1st quarter of FY2018/19.

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- iv. PSAP Members. 132 PSAP appointments were planned for the 1st quarter of FY2018/19; however 34 PSAP appointments took place, 98 less than the planned target for the 1st quarter. The majority of these appointments were planned for by the SAAF (93).

b. Personnel Exits

- i. Uniform Members. Planned attrition for uniform members was 251, however, the attrition for the 1st quarter was 489, of which 200 members resigned. Therefore 238 more members exited the DOD.
- ii. MSDS Intake. Planned attrition for MSDS members was 15, however, the attrition was 55 for the 1st quarter, of which 21 members resigned. 26 Members exited due to ill-health but this is mainly due to outstanding authorities that were only completed during the 1st quarter.
- iii. PSAP Members. Planned attrition for PSAP members was 172, however, the attrition was 296 for the 1st quarter, of which 122 resigned. Therefore more members exited the DOD. A trend of early retirement is noticed with PSAP members, for the 1st quarter 58 members exited by means of early retirement.

31. Recommendation. The poor performance (63.26%) of the Department was lamented and the Committee recommended that the Department should indicate who are the people liable and what kind of action has been taken against them.

32. Response.

- a. Feedback were provided to the PCD&MV via the DOD Annual Report FY2016/17 presentation to the PCD&MV of 28 February 2018.
- b. During the 1st quarter of FY2018/19, the DOD's performance was measured against the achievement of 28 1st quarter targets of which 20 (71.4%) were achieved.

33. Recommendation. The prosecution of corruption and fraud cases are poor and the Department should address this situation with the urgency and seriousness it deserves.

34. Response.

- a. For FY2017/18: refer to Enclosure, par 20(c).
- b. Statistics of progress made during the 1st quarter of FY2018/19 are reflected in the DOD QPR1, Appendix A-13, serial 49 and 50.

35. Recommendation. The Committee encouraged the Department to urgently address the situation at the Dockyard as delays impact further on the operational capabilities of the SA Navy, specifically with regards to Projects Hotel and Biro. Of particular relevance is the reported difficulties Denel is experiencing to secure the finances in terms of their responsibilities in these projects.

36. Response.

- a. The Partial Acquisition Plan for the acquisition of three Multi-Mission Inshore Patrol Vessels as well as the Acquisition Plan for the acquisition of a Hydrographic Vessel were approved by the MOD&MV on 04 October 2017. The construction contract with DAMEN Shipyards Cape Town for the three Multi-Mission Inshore Patrol Vessels was

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finalised and was effective as from 11 January 2018 while the effective date of the Hydrographic vessel contract with SA Shipyards Durban was 19 December 2017. The production of both the three Multi-Mission Inshore Patrol Vessels and the Hydrographic Vessel will commence during FY2018/19.

- b. MOD&MV Budget Vote dated 18 May 2018 refers:

"The DOD welcome the changes being effected in Denel and in particular the appointment of a new Board. Denel's challenges negatively impact on the delivery of defence systems and capabilities, making it difficult to spend the Special Defence Account allocation. This has also negatively affected the entire Defence Industry, and in particular those smaller companies dependent on Denel's supply-chain. As the biggest client of Denel, therefore the DOD requests an urgent intervention by Government to develop a rescue plan that ensures the retention of critical sovereign assets, intellectual property and the critical skills that resides in Denel. As a result of Denel's challenges, we have reversed our earlier decision to transfer the Navy Dockyard from Armscor to Denel, which I had announced here in this House".

37. **Recommendation.** The Committee recommended that given our porous borders, the Department should not consider reducing the sub-units, but rather increase it given the sterling role it plays in preventing cross border crime and crossings. In this sense, the Committee also urges National Treasury to look at providing additional funds for the expansion of the SANDF's borderline safeguarding operations. National Treasury should provide feedback on this recommendation within 3 months of the adoption of this BRRR.

38. **Response.** In support of Outcome 3, "All people in South Africa are and feel safe" during the 1st quarter of FY2018/19, the SANDF deployed **15 sub-units** to execute Op CORONA (Border Safeguarding) in Limpopo, Mpumalanga, KwaZulu-Natal, Free State, Eastern Cape, Northern Cape and North West Provinces.

39. **Recommendation.** The Committee notes the lack of cooperation between the DOD and the Department of Public Works. The Ministers of Defence and Public Works are encouraged to convene an urgent meeting to address maintenance backlogs, notably the renovations at 1 Military Hospital and security infrastructure at Silvermine Naval Base and 9 SAI Battalion. The Ministry of Defence should provide a formal written report to the PCODMV within 3 months of the adoption of this BRRR.

40. **Response.** Refer to attached Enclosure 2 for a detailed report.

41. It is trusted that the information and responses provided will suffice. The valuable support provided to the DOD by the Committee is appreciated.



(DR S.M. GULUBE)

SECRETARY FOR DEFENCE: DIRECTOR-GENERAL

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Enclosure 1

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12 March 2018

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Dear Honourable M.S. Motimele, MP

OUTSTANDING QUESTIONS: DEPARTMENT OF DEFENCE (DOD) ANNUAL REPORT FY2016/17 PRESENTATION TO THE PORTFOLIO COMMITTEE OF DEFENCE AND MILITARY VETERANS (PCD&MV) ON 28 FEBRUARY 2018

- Appendix A:** *Status of DOD Policies as on 28 February 2018*
- B:** *Presentation to the Portfolio Committee on Public Service and Administration as well as Monitoring and Evaluation on 30-day Payment to Service Providers dated 15 March 2017*
- C:** *Reprioritisation in terms of the Current Funding*
- D:** *SANDF Presentation: Feedback to the PCD on BRRR 2016 dated February 2017*
- E:** *DOD Quarterly Performance Status (2nd & 3rd Quarter) for FY2016/17: Presentation to the PCD&MV on 22 March 2017 (Only slides 43 to 46)*

1. The DOD Annual Report FY2016/17 presentation to the PCD&MV on 28 February 2018 and the Secretary for Defence letter to the Chairperson of the PCD&MV, DS/DPSP/DPM&E/R/501/8/8 dated 05 March 2018, refers.
2. During the DOD's appearance before the PCD&MV on 28 February 2018, Committee members made remarks/statements and enquired about various matters, which could not be responded to/addressed during the session, mainly due to time constraints. The DOD undertook to respond, in writing, to all outstanding questions. The DOD responses to specific questions raised by Committee members are listed below.
3. **Question.** The Committee indicated that they wanted oversight over the Special Defence Account (SDA) and agreed with the Auditor-General South Africa (AGSA) on the "limitation of scope" qualification. It was further indicated that the Committee was worried about the SDA being utilised to fund the shortfalls within the Human Resources-budget.

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4. **Response.** SDA performance information (financial and non-financial) are prepared and approved by the Executive Authority and made available to appropriate oversight bodies, as well as for audit by AGSA auditors which were vetted and issued with the required security clearances. The DOD recently briefed the Joint Standing Committee of Intelligence (JSCI) on the SDA-activities and performance, relating to the FY2016/17, on 24 November 2017.

5. **Question.** The Committee indicated that they heard that the DOD bought luxury vehicles of about Rm73 recently.

6. **Response.** During the period under review (FY2016/17), the DOD spent R18 773 019.68 to procure luxury vehicles. The DOD utilise these "luxury vehicles" when hosting and/or transporting (a) international dignitaries and (b) international and national VIP guests.

7. **Question.** How much money was used for chartering of VIP aircrafts and how many hours in total?

8. **Response.** The total cost of chartering aircraft during FY2016/17 was R61 837 365.26 and represented 464.58 flying hours.

9. **Question.** What is the serviceability status of VIP aircraft, specifically the INKWAZI, and why does it take so long to service/maintain?

10. **Response.** The SANDF (SA Air Force) VVIP aircraft fleet is currently awaiting the finalisation and placement of service and maintenance contracts. The SA Air Force, through ARMSCOR, has engaged on a new contracting model, tailoring and customisation of appropriate contracting approaches to ensure (a) value for money, (b) competitive tender process and (c) revised starting period of contracts in order to avoid the "hockey stick" effect on cash-flow towards the end of a financial year.

11. **Question.** The Committee enquired about the status of an "exit plan" over the medium-term as well as the status of rejuvenating the SANDF. Further questions on human resources related to the average age of soldiers and Reserve Force members were asked.

12. **Response.**

- a. The DOD's effort to rejuvenate has been constrained by the reduction of the "Compensation to Employees" budget ceiling. The ordered commitments of the DOD however remain unchanged. The current level of ambition also remains higher than the feasible level of ambition, indicated in Milestone 1 of the Defence Review 2015. The position of the DOD is that it can consequently not reduce its footprint, but will explore other interventions to rejuvenate, such as engaging with other State Departments in the Security Cluster to laterally transfer members. National Treasury (NT) was engaged on this matter and the Council on Defence (COD) was briefed accordingly. As a result, the implementation of an exit mechanism, as envisaged in the Defence Review 2015, was put in abeyance by the COD.
- b. The average age of Privates in FY2010/11 was 28 years but has increased to 31 years in FY2016/17. The projected age in FY2019/20 will be 34 years. The reason for the increase in the average age is due to the reduction in the annual Military Skills Development System (MSDS) intakes and Core Service System (CSS) translations.
- c. The average age of Reserve Forces are increasing and with the reduction of the MSDS intakes, the average age of the Reserve Forces will further increase, unless a separate process is followed to rejuvenate the Reserve Forces. The January 2018 MSDS intake only addressed the current attrition rate, implying that all MSDS members will translate

to the CSS in future. The average age of the Reserve Forces deployed in FY2016/17 was 40 years.

13. **Question.** The "40/30/30" concept was mentioned and that the DOD must seriously consider changing the Defence Review to deal with the current situation. The DOD was required to provide the status of the implementation of Milestone 1 of the Defence Review.

14. **Response.** Please refer to the *"Progress on SA Defence Review 2015 (Milestone 1 – Plan to Arrest the Decline) Implementation within current FY2017/18 Resource Allocation – Quarter 3"*, attached as Appendix B to the Department of Defence 3rd Quarterly Performance Report on Performance against Plan for the FY2017/18 over the Period 01 October 2017 to 31 December 2017.

15. **Question.** Various comments were made regarding the Qualified Audit Opinion and that it was a major concern for the Committee. Comments related to (a) re-looking at the Defence Special Account Act, where political intervention/discussions were required. It was recommended that a study tour must be considered with regard to how Defence is audited in other countries. It was mentioned that (b) in terms of the RT70 transversal contract, the Ministers of Defence and Finance should meet to deal with the issue.

16. **Response.** The DOD agrees with recommendations made and will participate in future deliberations in order to ensure a positive audit outcome in future. Due to the current "limitation of scope" in terms of sensitive activities (relates to $\pm 1\%$ of the Defence Vote), the Special Defence Account will however remain qualified for FY2017/18.

17. **Question.** The Committee needed to know what the DOD is doing regarding the qualifications received on asset management.

18. **Response.** The DOD has an Intervention Plan in place for FY2017/18 onwards. Interventions/actions to be taken are monitored on a monthly basis through specific functional forums and management bodies. By means of monthly monitoring, the DOD ensures that the "old, legacy" logistic systems reconcile with external systems. Assets are furthermore scanned-in directly after acquisition/procurement in order to ensure that it is registered on the asset register(s) immediately after acquisition/procurement.

19. **Question.** An update of outstanding policies and strategies was required. It was mentioned that the DOD Procurement Policy was still not promulgated; such a policy should reduce corruption and fraud and prevent stealing money. 178 Cases of fraud were reported during FY2016/17, detail to be provided.

20. **Response.**

- a. The "Status of DOD Policies" is attached as Appendix A.
- b. The DOD Procurement Policy is not yet promulgated, mainly due to the fact that the National Treasury's Procurement Bill has not yet been passed and promulgated as National Policy. The DOD is currently incorporating various inputs, amongst others, inputs from the Draft Procurement Bill, into the Draft DOD Procurement Policy. This Policy will be submitted for approval once the Procurement Bill has been passed as National Policy.
- c. 178 Cases of corruption and fraud were reported during the FY2016/17. 27 Cases were reported via the National Crime Hotline, 38 cases via the Directorate Anti-Corruption and Fraud Hotline and 113 cases via the Military Police. Out of the 151 new cases received, registered and reported for investigation by the Military Police, were reported on the Crime Admin System. Not all cases reported could be justified as

cases of "fraud and corruption", some were normal theft cases. 13 Convictions of corruption and fraud-related cases took place during FY2016/17, whilst 2 cases were found not guilty and a further 57 cases were withdrawn.

21. **Question.** The Committee enquired on the status of the Dockyard, as well as when the Naval Base Durban will be operational?

22. **Response.** The Dockyard is currently managed in terms of the (a) "Dockyard Transfer Agreement" and the (b) "Service Delivery Agreement" between the DOD and ARMSCOR, which came into effect in 2005. The Dockyard is operational, but continues to deteriorate in the absence of a sustainable management and funding model. Following the granting of Ministerial Authority for the establishment of the Naval Base Durban, the Base is operational and continues to be escalated based on the SA Navy's operational requirements.

23. **Question.** The DOD must brief the Committee on the status of the Funding Model.

24. **Response.**

- a. The DOD actively participated in the joint DOD and NT Budget Task Team (BTT) that seeks to develop a new funding approach for Defence. The report is now called the "*Budget Task Team Report on the Costing and Funding of the Implementation of the DR 2015*" and is awaiting NT approval. The start of the implementation thereof will depend on the outcome of discussions between the Secretary for Defence and relevant NT officials. Furthermore, the joint DOD and the NT Presentation are planned to be delivered to the joint workshop of the Portfolio Committee on Defence and Military Veterans (PCD&MV) and the Joint Standing Committee on Defence (JSCD) during the 4th quarter of FY2017/18.
- b. The DOD is ready to brief both the PCD&MV and the JSCD on the status of the "Funding Model". A scheduled briefing to the PCD&MV during the latter part of 2017 was cancelled. The DOD was scheduled to brief the JSCD on 09 March 2018; this briefing was also cancelled.

25. **Question.** The Committee indicated that the DOD did not respond to all the 2016 Budgetary Review and Recommendations Report (BRRR) matters.

26. **Response.** For the convenience of the Committee and for record purposes by the Secretariat of the PCD&MV, the status of "outstanding" BRRR 2016 matters reflected in the table below.

Table 1: BRRR 2016 DOD Responses (current and previous).

S/N	2016 BRRR Recommendations	DOD Follow-up ¹	DOD Response as on 12 March 2018
1	The Department should continue to attend to the matters of emphasis raised by the Auditor General and strive for a clean audit opinion in future.	The matter of payment within 30 days was raised by the AG in 2015/16. Although there was an improvement in the amounts paid within 30 days, the problem persists. The DOD received a qualified audit report.	Refer to the "Presentation to the Portfolio Committee on Public Service and Administration as well as Monitoring and Evaluation on 30-day Payment to Service Providers" dated 15 March 2017 (Attached as Appendix B). Also refer to the "Department of Defence 3 rd Quarterly Performance Report on Performance against Plan for the FY2017/18

¹ As per "Summary and Analysis: Department of Defence Annual Report for the Financial Year 2016/17" dated 08 January 2018, pages 5 to 8.

S/N	2016 BRRR Recommendations	DOD Follow-up ¹	DOD Response as on 12 March 2018
			over the Period 01 October 2017 to 31 December 2017, where the latest status of payment of legitimate invoices is indicated (Page A-13, serie 29).
2	The Department should report to the Committee within 30 days of the adoption of the BRR Report on how funds will be reprioritised in terms of the current funding to ensure the sustainment of defence capabilities and supporting ordered commitments.	No formal report received from the DOD.	Refer to the DOD's response as at January 2017, "Reprioritisation within Current Funding (Attached as Appendix C).
3	The Committee encourages the DOD to increase the use of technology as a force multiplier for land and air border safeguarding.	No clear indication of the increased use of technology as force multiplier. Budgetary constraints impact on this recommendation.	Refer to the SANDF Presentation to the PCD&MV during February 2017 "Feedback to the PCD on BRRR 2016", slide no. 14 (Attached as Appendix D).
4	The DOD should indicate to the Committee, in writing, what the financial constraints are in terms of the implementation of the Cyberwarfare strategy and how the Department aims to implement this Strategy.	No formal report received from the DOD. Financial constraints again noted as a concern to implementing the Cyber Warfare strategy in the 2016/17 Annual Report.	Refer to the DOD Annual Report for FY2016/17, pages 39 – 40. Also refer to the "Department of Defence 3 rd Quarterly Performance Report on Performance against Plan for the FY2017/18 over the Period 01 October 2017 to 31 December 2017 (Page A-31, serie 87 and page A-32, serie 91).
5	The DOD should, on a quarterly basis, update the Committee on progress related to the finalisation of outstanding policies and strategies.	Some of the policy matters addressed during quarterly meetings with the DOD, yet a number of these are still not finalised.	Refer to the "Status of DOD Policies as on 28 February 2018" (Attached as Appendix A).
6	The DOD should, on a quarterly basis, inform the Committee of its achievement of the payment of service providers within the stipulated 30 days.	Information presented to the PCDMV during quarterly engagements.	Refer to the "Presentation to the Portfolio Committee on Public Service and Administration as well as Monitoring and Evaluation on 30-day Payment to Service Providers" dated 15 March 2017 (Attached as Appendix B). Also refer to the "Department of Defence 3 rd Quarterly Performance Report on Performance against Plan for the FY2017/18 over the Period 01 October 2017 to 31 December 2017, where the latest status of payment of legitimate invoices is indicated (Page A-13, serie 29).
7	As part of the Defence Review Implementation Plan, the DOD should present its strategy to reduce spending on personnel to the desired levels of 40 per cent of total expenditure.	No strategy presented to reduce personnel spending. During 2016/17, personnel expenditure increased to 57 per cent of total expenditure.	Refer to paragraph 12(a) above.
8	The Committee urges the DOD to continue with the high absorption rate of MSDS personnel into the Regular Force. Notwithstanding this achievement, the DOD	For 2016/17, a total of 1 842 MSDS Members were recruited and, during the same period, the employment	Refer to paragraph 12(a) above.

S/N	2016 BRRR Recommendations	DOD Follow-up ¹	DOD Response as on 12 March 2018
	should, as part of its presentation on the Defence Review Implementation Plan, inform the Committee of the means it will employ to rejuvenate the SANDF, including as aspects related to the Mobile Exit Mechanism (MEM).	of 744 MSDS Members was terminated. No MEM was presented to the PCDMV.	
9	The DOD should include two new targets related to flying and sea hours which should be reported on quarterly and annually. These targets should measure the percentage of total flying and sea hours achieved against planned hours (This should include all flying and sea hours planned by the DOD for a specific financial year).	Targets not included in the 2016/17 Annual Report.	Amended targets are included in the DOD Annual Performance Plan for <u>2018</u> .
10	The DOD should finalise its revised Procurement policy to deal with the decentralisation of this function as a matter of urgency and present the Committee with the update on this matter as soon as the revised policy has been completed. Clear measures to reduce the 90-day procurement target should form part of this policy.	The Procurement Policy remains outstanding.	Refer to the SANDF Presentation to the PCD&MV during February 2017 "Feedback to the PCD on BRRR 2016", slide no. 8 (Attached as Appendix D). Also refer to the "Department of Defence 3 rd Quarterly Performance Report on Performance against Plan for the FY2017/18 over the Period 01 October 2017 to 31 December 2017 (Page A-35, serie 92).
11	The DOD should provide the Committee with a report within six months of the adoption of the BRR Report, on plans to address the critical skills vacancies.	Plan not submitted to the PCDMV.	Refer to the DOD Annual Report for FY2016/17, page 171 to 172.
12	The Committee urges the DOD to put measures in place to drastically reduce the amount of Irregular, Fruitless and Wasteful expenditure.	Although the DOD states a reduction in Irregular, Fruitless and Wasteful Expenditure, the Auditor-General found higher levels of such expenditure and that these were not declared.	Refer to the Secretary for Defence's Annual Report for FY2016/17 briefing to the PCD&MV on 28 February 2018, specifically relating to slides 50 & 51.
13	The DOD should reduce the number of members that were remunerated at salary levels exceeding grade determination and report on this to the Committee on a quarterly basis.	No quarterly reporting on this aspect to the PCDMV.	Refer to the "DOD Quarterly Performance Status (2 nd & 3 rd Quarter) for FY2016/17" Presentation to the PCD&MV on 22 March 2017, slide 43 (Attached as Appendix E).
14	The DOD should inform the Committee, within 30 days of the adoption of this BRR Report, of its plans, with detailed timelines and costing, for the finalisation of the 1 Military Hospital refurbishment project, including the appointment of the medical technologist required for the finalisation of the project.	Feedback was provided to the Committee during subsequent engagements, but no written report was submitted within the 30 day timeline.	Refer to the SANDF Presentation to the PCD&MV during February 2017 "Feedback to the PCD on BRRR 2016", slide no. 9 - 13 (Attached as Appendix D).
15	The DOD should finalise the Military Disciplinary Bill as a matter of urgency and inform the Committee on when this Bill can be expected as soon as possible.	The Bill has not been introduced to Parliament. The 2016/17 Annual Report notes that "further consultations with	Refer to the SANDF Presentation to the PCD&MV during February 2017 "Feedback to the PCD on BRRR 2016", slide no. 6 (Attached as Appendix D).

S/N	2016 BRRR Recommendations	DOD Follow-up ¹	DOD Response as on 12 March 2018
		role-players were scheduled for May and June 2017 to satisfy the Justice, Crime Prevention and Security (JCPS) Cluster Development Committee Socio-Economic Assessment requirements.	<u>Also refer</u> to the "DOD Quarterly Performance Status (2 nd & 3 rd Quarter) for FY2016/17" Presentation to the PCD&MV on 22 March 2017, slide 44 (Attached as Appendix E). <u>Also refer</u> to the DOD Annual Report for FY2016/17 page 15 & 16.
16	The DOD should provide the Committee with a report, within 60 days of the adoption of this BRR Report, on the work done by military judges on addressing the backlog in outstanding military court cases.	The matter was addressed during subsequent engagements between the DOD and PCDMV, but no written report was submitted within the 60 day timeline.	Refer to the DOD Annual Report for FY2016/17 page 59.
17	The DOD should, within 60 days of the adoption of the BRR Report, inform the Committee in writing of the status of litigation against the Department.	No report received from the DOD.	Refer to the SANDF Presentation to the PCD&MV during February 2017 "Feedback to the PCD on BRRR 2016", slide no. 5 & 6 (Attached as Appendix D).
18	The DOD should, within 60 days of the adoption of the BRR Report, inform the Committee in writing of the status of equipment left in the Central African Republic (CAR) and Sudan following SANDF deployment and subsequent withdrawal from these countries.	No report received from the DOD. (A meeting on Operation Vimbezela was held by the Joint Standing Committee on Defence, but only on 9 June 2017)	Refer to the SANDF Presentation to the PCD&MV during February 2017 "Feedback to the PCD on BRRR 2016", slide no. 23 & 24 (Attached as Appendix D).
19	The DOD should, within 60 days of the adoption of the BRR Report, inform the Committee in writing of the status of the 20 investigations regarding SCM, procurement and contracting investigations.	No report received from the DOD.	Refer to the SANDF Presentation to the PCD&MV during February 2017 "Feedback to the PCD on BRRR 2016", slide no. 7 (Attached as Appendix D).
20	The DOD should, within 60 days of the adoption of the BRR Report, inform the Committee in writing of reasons for the high number of disability leave (99 560 days in 2015) in the Department and what plans are in place to mitigate the loss of working days in this regard.	No report received from the DOD. (The number of disability days taken reduced from 99 560 in 2015 to 41 835 in 2016)	Refer to the SANDF Presentation to the PCD&MV during February 2017 "Feedback to the PCD on BRRR 2016", slide no. 21 & 22 (Attached as Appendix C).

27. It is trusted that the information and responses provided will suffice. The valuable support provided to the DOD by the Committee is appreciated.


(DR S.M. GULUBE)
SECRETARY FOR DEFENCE: DIRECTOR-GENERAL

Appendix A

Status of DOD Policies as on 28 February 2018

STATUS OF DOD POLICIES AS ON 28 FEBRUARY 2018

1. Policies in Process

- a. Internship Policy Status. Policy in Development Phase.
- b. Human Resource Development Policy Status. Policy in Development Phase.
- c. Min Directive on the Execution of Defence Diplomacy. Policy Authorised by Sec Def & C SANDF.
- d. Defence International Affairs DODI/00011 Policy Status. Policy Authorised by Sec Def & C SANDF.
- e. Policy Products in Pursuit of Defence Diplomacy Status. Policy in Development Phase.
- f. Promulgated Acquisition of Armaments in the DOD Policy (DAP 1000 Policy) Status. Policy Corporately Approved.
- g. Defence Intangible Assets Management Policy Status. Policy Corporately Approved.
- h. DOD Procurement Policy Status. Policy in Development Phase.
- i. Compliance to the DOD Corporate Governance of ICT Policy Status. Policy Corporately Approved.

2. Policies Awaiting Corporate Approval

- a. Intangible Assets.
- b. Acquisition of Armaments (DAP 1000).
- c. IT Corporate Governance.
- d. Creditor Payments.
- e. Transformation Management.
- f. HR Structure Management.
- g. Foreign Exchange Transactions.
- h. Verification of Qualifications.
- i. Library Policy.
- j. Information Management Policy.
- k. Fixed-line Communications.
- l. Litigation.

3. DOD Policy Status.

RESPONSIBILITY	PROMULGATED DOD POLICIES				IN PROCESS (NEW) DOD POLICIES			
	Total	Overdue on Revised by Date	Early Warning (Overdue within 6 Months)	Not yet Overdue	Total	Overdue on Planned Promulgation Date	Early Warning (Overdue within 6 Months)	Not yet Overdue
CDPSP	10	0	0	10	0	0	0	0
CDIA	2	0	0	2	0	0	0	0
CFO	21	0	0	21	2	1	0	1
CJ Ops	0	0	0	0	1	1	0	0
CAF	0	0	0	0	2	2	0	0
SG	13	0	0	13	1	0	0	1
CDI	3	0	0	3	3	1	0	2
CoS	18	1	0	17	5	3	0	2
C Mil Policy, Strat & Plan	1	0	0	1	0	0	0	0
C Defence Reserves	0	0	0	0	0	0	0	0
Chaplain General	1	0	0	1	0	0	0	0
CCMIS	13	1	0	12	5	3	0	2
Provost Marshal Gen	1	0	0	1	0	0	0	0
D Copr Communication	2	0	0	2	0	0	0	0
CHR	75	0	1	74	16	13	1	2
CD HR Development	16	0	0	16	4	4	0	0
CD HR Management	11	0	0	11	1	1	0	0
CD HR Strat Dir & Pol	43	0	0	43	10	7	1	2
CD Transformation Man	5	0	1	4	1	1	0	0
C LOG	16	0	0	16	8	5	3	0
D Engineering Sup Sys	1	0	0	1	0	0	0	0
D Asset Man	0	0	0	0	2	2	0	0
D Facilities	4	0	0	4	4	1	3	0
D Supply Sup Ser	9	0	0	9	2	2	0	0
D Procurement Man	2	0	0	2	0	0	0	0
C Def Mat	5	0	0	5	2	2	0	0
CDLS	1	0	0	1	1	1	0	0
CDFR	2	0	0	2	0	0	0	0
IG	1	0	0	1	0	0	0	0
GITO	1	0	0	1	1	0	0	1
GRAND TOTALS	168	1	1	166	42	29	4	9
Percentage	100.0%	0.6%	0.6%	98.9%	100.0%	69.0%	9.5%	21.4%

4. **SANDF Policy Status**

RESPONSIBILITY	PROMULGATED DOD POLICIES				IN PROCESS (NEW) DOD POLICIES			
	Total	Overdue on Revised by Date	Early Warning (Overdue within 6 Months)	Not yet Overdue	Total	Overdue on Planned Promulgation Date	Early Warning (Overdue within 6 Months)	Not yet Overdue
CDPSP	0	0	0	0	0	0	0	0
CDIA	0	0	0	0	0	0	0	0
CFO	0	0	0	0	0	0	0	0
CJ Ops	3	0	0	3	0	0	0	0
SG	0	0	0	0	0	0	0	0
CDI	0	0	0	0	0	0	0	0
CoS	5	0	0	5	0	0	0	0
C Mil Policy, Strat & Plan	4	0	0	4	0	0	0	0
C Defence Reserves	0	0	0	0	0	0	0	0
Chaplain General	0	0	0	0	0	0	0	0
CCMIS	1	0	0	1	0	0	0	0
Provost Marshal Gen	0	0	0	0	0	0	0	0
D Copr Communication	0	0	0	0	0	0	0	0
CHR	0	0	0	0	15	12	0	3
CD HR Development	0	0	0	0	0	0	0	0
CD HR Management	0	0	0	0	13	10	0	3
CD HR Strat Dir & Pol	0	0	0	0	2	2	0	0
CD Transformation Man	0	0	0	0	0	0	0	0
C LOG	1	0	0	1	0	0	0	0
D Engineering Sup Sys	0	0	0	0	0	0	0	0
D Asset Man	0	0	0	0	0	0	0	0
D Facilities	0	0	0	0	0	0	0	0
D Supply Sup Ser	0	0	0	0	0	0	0	0
D Procurement Man	1	0	0	1	0	0	0	0
C Def Mat	0	0	0	0	0	0	0	0
CDLS	3	0	0	3	0	0	0	0
CDFR	0	0	0	0	0	0	0	0
IG	0	0	0	0	0	0	0	0
GITO	0	0	0	0	0	0	0	0
GRAND TOTALS	12	0	0	12	15	12	0	0
Percentage	100.0%	0.0%	0.0%	100.0%	100.0%	80.0%	0.0%	0.0%

Appendix B

**Presentation to the Portfolio
Committee on Public Service and
Administration as well as Monitoring
and Evaluation on 30-day Payment to
Service Providers dated
15 March 2017**



**PRESENTATION TO THE
PORTFOLIO COMMITTEE
ON PUBLIC SERVICE AND
ADMINISTRATION AS
WELL AS MONITORING
AND EVALUATION ON 30-
DAY PAYMENT TO
SERVICE PROVIDERS**

15 March 2017

"Together we move South Africa forward"

SCOPE

1. Background
2. Legacy Accounting System
3. Discussions with Intervention Task team
4. Action to Improve Current Ability
5. External Consultation
6. Main Challenging Areas
7. 30 Days Payment Performance Data
8. Future Interventions Identified.



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BACKGROUND

- Department of Defence currently processes in excess of 460 000 invoices per year.
- Invoices are processed on the FMS system that is not integrated into other SCM processes or other Information Communication Technology (ICT) Systems.
- Meeting was held with an intervention team, which included teams from Departments of Planning Monitoring and Evaluation, Treasury, Trade and Industry, Small Business Development and Public Service and Administration to discuss root causes.
- It was agreed after the above intervention, that National Treasury be approached to assist with the system.
- HR Ceiling on the DOD Cost of Employee Budget limits changes to the staffing of structures to manage the payment process.

LEGACY ICT SYSTEM

- The Financial Management System (FMS) was implemented in the Department of Defence in 1983.
- This makes the system 33 years old.
- Never intended to be an integrated accounting system (Supply Chain Management System) and some of the financial modules the DOD uses.
- Financial Accounting and Asset Management System are not integrated and requires manual intervention causing protracted processes.
- FMS does not provide for or meet the new Accounting Standards as prescribed by PFMA or GRAP.
- Although the system is supported by SITA and comprises of outdated technology that is no longer stable.
 - It does not provide for an invoice tracking system.
 - Downtime is frequent and increases as the system gets older and is extended with add-on's beyond the original design.
 - Current reports to monitor performance on 30 day payment are add-on's and system enhancement not in the original design specifications.

DISCUSSIONS WITH INTERVENTION TASK TEAM

- A task team from Departments of Planning Monitoring and Evaluation, Treasury, Trade and Industry, Small Business Development and Public Service and Administration met with the CFO to discuss the performance related to the 30 day payment of invoices.
- The Financial Management System (FMS) of the DoD does not provide accurate management and performance reports without time-consuming human intervention and manual interfacing.
- The root cause remains the outdated FMS system.
- FMS enhancements within the current system limitations were highlighted.
- Management intervention processes implemented by the department were explained.



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5

ACTIONS TO IMPROVE CURRENT PAYMENT ABILITY (WITHIN FMS)

- High level coordination meeting by the CFO with Service and Divisional Chiefs to coordinate and emphasise requirements to improve ability to comply within current system capacity has been instituted.
- Processes were adjusted to intervene in specific areas to improve process flow of invoices, eg Medical Payment.
- FMS System changes were made within the restrictions of current system to develop a tracking system. The system input however remains manual and is not integrated with the order administration system.
- A Departmental Compliance Management Forum was established at middle management level to enhance performance.
- Integrated training programs were developed to improve on human capability and enhance cooperation between Logistics, Supply Chain and Finance personnel within the payment process.



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6

- Letter from the Accounting Officer was sent to the National Treasury – Accountant General to request assistance with the development of an integrated financial management system.
- CFO has met with the NT to request that Defence be included as a pilot site for the development of IFMS (ERP System).

THE MAIN CHALLENGING AREAS

Medical Invoice and Other Supplier Payments

- Geographical location of suppliers
- Doctors in rural areas not registered in the database of suppliers and medical treatment is compulsory for our soldiers, beneficiaries and veterans.
- Medical treatment is dependant on the medical condition and is unpredictable. Orders and authorities must continuously be adjusted accordingly, causing a delay in payment processes.
- The outsourcing of medical services have increased therefor increasing the number of invoices to be paid. This increase stems from:
 - The medical facilities were originally designed to treat 75 000 patients per year. The patient numbers have increased to 220 000 per year including dependants, military veterans and reserve forces.
 - Own medical facilities are being upgraded via DPW works programmes.

THE MAIN CHALLENGING AREAS

- The remote location of units and operational bases prolongs the document flow as goods are delivered at these bases and accounting takes place in centralised support bases.
- Resolving disputes with suppliers with attached legal processes delays the payment of invoices with disputes.
- When Defence Act Personnel are utilised as HR component to provide the admin support in the procurement process these personnel have to deploy and rotates more regularly resulting in non-continuous support capabilities.
- Challenges are experienced with implementation of the Centralised Supplier Database wrt Bank details of suppliers changing and amendment process taking up to 14 days.
- Orders for food rations constitute a great number of invoices. The nature of these food orders implies regular amendment between order quantities and quantities delivered. Due to vast distances between receiving units and the unit that accounts these adjustments take time. The DoD feeds more that 35 000 people in operations, on courses and living in military quarters per day.



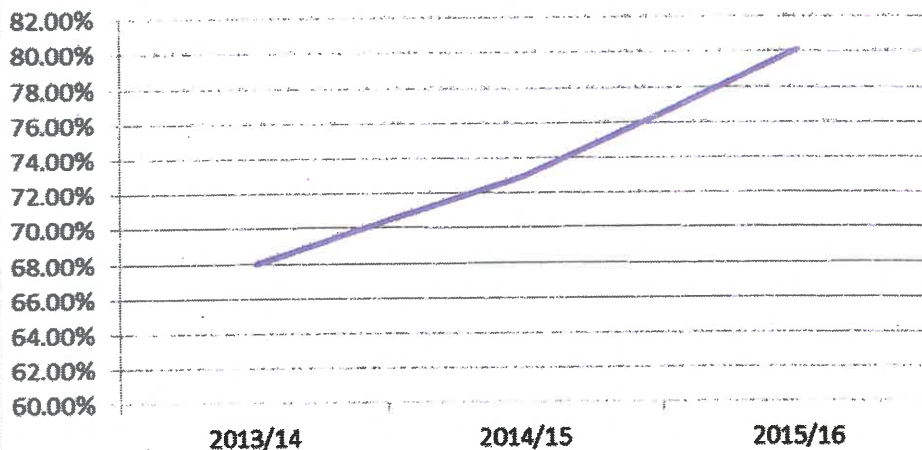
ANNUAL PERFORMANCE

FINANCIAL YEAR	Nr Paid in Time	TotalNr Inv	Year Ave
2013/14	174,878	258,420	68.00%
2014/15	214,292	290,335	73.00%
2015/16	378,170	462,797	80.09%

Note 1: Number of invoices for FY2016/17 to date: 423 788



Compliance Level



FUTURE INTERVENTIONS IDENTIFIED

- Procurement in bulk to reduce number of invoices to be paid.
- Continuous improvement into Supply Chain Management processes of the DOD to reduce unnecessary time delays.
- Continuous engagement with IFMS Team from NT for the DoD to be used as a pilot site.

CONCLUSION

- The performance will not improve to acceptable levels unless the outdated Financial Management System is addressed.
- The volume of invoices that must be processed make manual tracking and monitoring nearly impossible.
- The Department needs assistance from the National Treasury to implement a new accounting system.

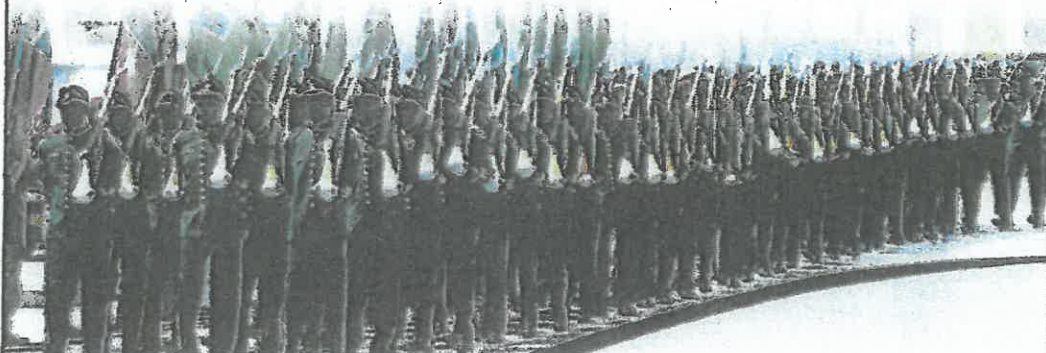


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13

**Any questions or comments?
Thank You!**



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Appendix C

Reprioritisation in terms of the Current Funding

RESTRICTED**APPENDIX C****REPRIORITISATION IN TERMS OF CURRENT FUNDING**

1. In the FY2016/17 the DOD received a baseline increase of R594 952 000 for the 2015 Public Sector wage settlement. The Department had already reprioritised funding to its Compensation Budget for these increases, and the funds were then reprioritised and earmarked to the following Services and Divisions to cater for urgent funding requirements in terms of maintenance of capabilities and in support to ordered commitments:

Service / Division	Purpose	2016/17
Joint Operations Division	Two Additional Border Safeguarding Companies (Operating - Employment)	R40 450 000
SA Army	Two Additional Border Safeguarding Companies (Operating - Preparation)	R33 700 000
SA Military Health Service	Two Additional Border Safeguarding Companies (Operating - Preparation)	R5 800 000
Military Police Division	Two Additional Border Safeguarding Companies (Operating - Preparation)	R4 800 000
SA Army	Procurement of Critical Ammunition	R78 606 000
SA Air Force	Maintenance of Helicopter Systems	R54 701 000
Defence Intelligence Division	Cyber Security & Project IKHAYA	R30 000 000
SA Navy	Refit Support for SDP Vessels	R53 500 000
SA Military Health Service	Establishment of Trauma and Emergency Units at 1 & 2 Military Hospitals	R50 490 000
SA Military Health Service	Maintaining Health Care	R132 094 000
CMIS Division	Establishment of a Disaster Recovery Node	R50 000 000
SA Army (Reserves)	Continuation Training & Revitalisation of Reserves	R20 000 000
Chief Human Resources	DPTSR	R30 000 000
Military Police Division	Operating Requirements	R10 811 000
TOTAL ALLOCATIONS		R594 952 000


RESTRICTED




Appendix D

SANDF Presentation: Feedback to the PCD on BRRR 2016 dated February 2017

PARLIAMENTARY QUESTIONS FEB 17

FEEDBACK TO PCD ON BRRR 2016

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To Provide Feedback on the BRRR 2016

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2

PARLIAMENTARY QUESTIONS FEB 17

Question 1

The DOD should provide the committee with a report on the work done by military judges on addressing the backlog in outstanding military court cases

• **Response**

• **Military Judges**

- Assignment of (senior) military judges within the SANDF for the FY2016/17 is subject to the members being in possession of a valid security clearance (secret).
- Eighteen (18) members (3 x senior military judges and 15 x military judges) were assigned by September 2016. Five members (1 x senior military judge and 4 x military judges) await the completion of the DI vetting process.

• **Backlog Cases**

- The FY2016/17 commenced with 2 396 backlog cases.
- On 31 December 2016 the number of outstanding backlog cases declined to 1 439 cases.
- The total of 957 backlog cases were finalised within the financial year to date
- Reducing backlog cases before the military courts is a continuous process.

3



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PARLIAMENTARY QUESTIONS FEB 17

Question 2

The DOD should inform the committee in writing of the status of litigation against the department as well as other contingent liabilities

• **Response**

- The under-mentioned table reflects the status of litigation against the DOD (Note: *Figures exclude military motor vehicle accidents (MVA) and debtor accounts*)

CONTINGENT FOR IN-YEAR CIVIL CLAIMS 16/17 AGAINST THE DOD	No of Cases
RM 859 421	
STATUS OF LITIGATION AGAINST THE DOD 16/17	
Received:*	96
Finalised:	31
Settled in favour/Win:	26
Cases lost	5

4



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PARLIAMENTARY QUESTIONS FEB 17

Question 2 (Cont...)

The DOD should inform the committee in writing of the status of litigation against the department as well as other contingent liabilities

• **Response**

- In addition to the above, below is the status of Contingent Liabilities (Civil Claims) as at 18 January 2017.

Nature of Liability	Opening Balance 1 April 2016 R 000	Liabilities incurred during the year R 000	Liabilities paid/cancelled/reduced during the year R 000	Closing Balance 19 January 2017
Civil claims	804 059	67 176	11 814	859 421
Mobile Assets Accidents (MAA)	12 182	3 448	3 582	12 048
Subtotal	816 241	70 624	15 396	871 469



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5

PARLIAMENTARY QUESTIONS FEB 17

Question 3

The DOD should finalise the Military Discipline Bill as a matter of urgency and inform the committee on when this bill can be expected.

• **Response**

- The Military Discipline Bill (MDB) was approved by the DOD during the FY2012/13. The draft Bill was pre-certified by OCSLA on 06 May 2016
- The DOD team consulted the JCPS Cluster and its Development Committee on 16 May 2016 and 07 June 2016.
- Plans to finalise compulsory consultations were finalised in early 2017 ,
- MDB will be submitted to Cabinet (Cabinet memo) by 29 June 2018 and the Office of the State Law Adviser will take it to the Legislation and Proceeding Unit in Parliament by 18 October 2018
- Dates are subject to variables within the legislative process that may affect the proposed submission dates.



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6

PARLIAMENTARY QUESTIONS FEB 17

Question 4

The DOD should inform the Committee in writing on the status of the 20 investigations regarding SCM, procurement and contracting investigations

• **Response**

- Feedback on the status of the 20 investigations as required by the committee:
 - Six (6) are under investigation by Directorate Anti-Corruption and Anti- Fraud (DACAFA)
 - Two (2) has been cancelled due to lack of evidence pointing to fraud and corruption (or criminal acts)
 - Ten (10) under investigation by the Military Police Division
 - One (1) under investigation by the Public Service Commission
 - One (1) under investigation by Human Resources Division



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7

PARLIAMENTARY QUESTIONS FEB 17

Question 5

The DOD should finalise its revised Procurement policy to deal with the decentralisation of this function as a matter of urgency and present the Committee with the update on this matter as soon as the revised policy has been completed. Clear measures to reduce the 90-day procurement target should form part of this policy

• **Response**

- The DOD has decentralised procurement to the lowest level. The following procurement entities are established:
 - Three Procurement Centres with a RM5 delegation
 - Six Procurement Units with RM1 delegation
 - Procurement Sections- ASB level with a R100 000,00 delegation and FSE's with a R30 000,00 delegation
 - The draft Procurement policy completed. CSD and the Procurement Bill delay process. Completion date is shifted end of the financial year 2017/18



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8

PARLIAMENTARY QUESTIONS FEB 17

Question 6

The DOD should inform the Committee of its plans, with detailed timelines and costing, for the finalisation of the 1 Military Hospital refurbishment project, including the appointment of the medical technologist required for the finalisation of the project

• Response

- **Plans.** NDPW did not address all requirements of the DOD relating to aspects of functionality and legal compliance. Reconfiguration of the 1st floor and extensive scope changes were necessary that would make provision for:
 - ✓ **Theatre Department.** The upgrading of 13, instead of only 5 theatres to accommodate digitalisation technology
 - ✓ **Radiology Department.** The installation of an MRI and a CT scanner on the reconfigured. This ensures that all X-rays equipment is now housed in one area.
 - ✓ **Isolation/Burns Unit.** The establishment of an Isolation/Burns unit with its own theatre.



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9

PARLIAMENTARY QUESTIONS FEB 17

Question 6 (Cont...)

The DOD should inform the Committee of its plans, with detailed timelines and costing, for the finalisation of the 1 Military Hospital refurbishment project, including the appointment of the medical technologist required for the finalisation of the project

• Response

- ✓ **Second Floor Pharmacy.** The establishment of a Pharmacy on the 2nd floor. This solved the challenge regarding the availability of space for an Isolation/Burns unit to be established on the 1st floor.
- ✓ **Mechanical and Electrical Systems.** Realising potential challenges regarding the mechanical and electrical systems at 1 Military Hospital, an independent condition assessment on all (not only 1st floor) mechanical-, electrical-, wet services, lifts and electronic systems. Repair work had to be done on all these systems servicing the whole hospital.
- ✓ These include, inter alia, fire detection and protection, access control, the building management system and the evacuation and public address systems



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10

PARLIAMENTARY QUESTIONS FEB 17

Question 6 (Cont...)

The DOD should inform the Committee of its plans, with detailed timelines and costing, for the finalisation of the 1 Military Hospital refurbishment project, including the appointment of the medical technologist required for the finalisation of the project

• **Response**

- **Amended Designs.** The following additional amendments on the previous DWP plans were made:
 - ✓ Casualty -, radiology -, intensive care and central sterilising service departments, service and technical floors as well as the mortuary
 - ✓ **Medical Equipment.** The DOD entered into an agreement with the consultants to render a multi professional building/construction service to the DOD. The procurement, installation and commissioning of medical equipment did not form part of the contract with the consultants
 - ✓ Areas that need to be rectified include water reticulation, storm water removal, sewerage and electrical installation

11



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PARLIAMENTARY QUESTIONS FEB 17

Question 6 (Cont...)

The DOD should inform the Committee of its plans, with detailed timelines and costing, for the finalisation of the 1 Military Hospital refurbishment project, including the appointment of the medical technologist required for the finalisation of the project

• **Response**

- **Timelines.** The DOD acknowledged that medical equipment should be part of the project. The timelines linked to procurement and engineering processes are as follows:
 - ✓ Completion of tender documentation (including medical equipment design) 30 Jun 17
 - ✓ Call for tenders, evaluate tenders, received and appoint a building contractor 31 Aug 17
 - ✓ Construction and commissioning (months construction period) 1 Sep 17 to 28 Feb 19

12



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PARLIAMENTARY QUESTIONS FEB 17

Question 6 (Cont...)

The DOD should inform the Committee of its plans, with detailed timelines and costing, for the finalisation of the 1 Military Hospital refurbishment project, including the appointment of the medical technologist required for the finalisation of the project

• **Response**

- **Costing.** The estimated final value of the project including the medical equipment is as follows:
 - ✓ Building/construction work R327 000 000.00
 - ✓ Medical Equipment R591 730 313.00
 - ✓ **Total R918 730 313.00**
- **Appointment of the Medical Technologists to Finalise the Project**
 - ✓ Call for tenders for rendering of medical technology services : **2 Dec 16**
 - ✓ Closing of tenders : **10 Jan 17**
 - ✓ Appointment of Medical Technologists : **28 Feb 17**



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13

PARLIAMENTARY QUESTIONS FEB 17

Question 7

The Committee encourages the DOD to increase the use of technology as a force multiplier for land and air border safeguarding

• **Response**

- The DOD is aware of the need to constantly make use of the latest technology. This was first emphasised in the 1996/98 White Paper on Defence and subsequent Defence Review. It is re-emphasised in the 2015 Defence Review where reference is made to "technology innovation", as well as to the possible appointment of a Chief Defence Scientist to manage the technology spectrum that the DOD is involved with
- There is currently constant R&D interaction between the DOD and scientific institutions such as CSIR and IMT, as well as a variety of defence-related industries, through the offices of Defence Material and the broader acquisition and project environment
- It must be noted that the DOD is engaged in all these activities with a limited R&D budget



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Strategy
2017



14

PARLIAMENTARY QUESTIONS FEB 17

Question 8

Unregistered airports and airstrips in the RSA. The Joint Standing Committee on Defence posed the questions, "Are there unregistered airports and airstrips in RSA, if so, how many and do we know them?" and "Can the existing radars detect drones?"

• **Response**

- 469 registered with the SA Civil Aviation Authority.
- Approximately 964 unregistered.
- The above provides a total figure of approximately 1 433 airfields and landing strips in the RSA.
- Information was verified with the SA Civil Aviation Authority, however the SANDF has its own database.
- All airfield/landing strips are registered on SANDF dataset that was updated in Oct/Nov 2016
- The very nature of radars allows to detect even UAVs. The specifics will require a closed session.



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2017



15

PARLIAMENTARY QUESTIONS FEB 17

Question 9

Costs of outsourcing. The Joint Standing Committee on Defence posed the question, "Does outsourcing reduce costs?"

• **Response (SAMHS will be used as an example)**

- In the case of the SAMHS, the variables that influence the decision to outsource are many and varied. Some of these are the following:
 - ✓ **Outsourcing as an Inherent Medical Service Multiplier.** All medical service providers make use of outsourcing to some degree; it is an intrinsic characteristic of the healthcare system. It would not make economic sense to cater for an ailment that only surfaces once or twice a year. In disciplines where low potential patient numbers can be expected, it makes economic sense to outsource ie nuclear medicine or stem-cell transplant
 - ✓ **Geographic Distribution.** The SAMHS is required to provide healthcare services across the width and breadth of South Africa. SAMHS facilities located in mostly urban and semi-urban centres and generally co-exist with other military installations.



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2017



16

PARLIAMENTARY QUESTIONS FEB 17

Question 9 (Cont...)

Costs of outsourcing. The Joint Standing Committee on Defence posed the question, "Does outsourcing reduce costs"?

• **Response (SAMHS will be used as an example)**

- In the case of the SAMHS, the variables that influence the decision to outsource are many and varied. Some of these are the following:
 - ✓ **Geographic Distribution. (cont)** Having members stationed in remote areas travel to appropriate tertiary medical facilities in metropolitan areas involves travel costs, accommodation, meals and relevant allowances. In such instances, outsourcing to local private or state facilities is cheaper than transporting the patient to a SAMHS facility
 - ✓ **State of Facilities.** Due to the upgrading of the three military hospitals into composite facilities certain departments are closed for renovations, while others are yet to be established, leading to a need for outsourcing.



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2017



17

PARLIAMENTARY QUESTIONS FEB 17

Question 9 (Cont...)

Costs of outsourcing. The Joint Standing Committee on Defence posed the question, "Does outsourcing reduce costs"?

• **Response**

- ✓ **State of Facilities. (cont)** The same applies to support services such as laundry facilities, which cannot be catered for in-house.
- ✓ In the long run, in-house provision of the affected services will lead to a cost saving, but in interim outsourcing cannot be avoided.
- ✓ **Availability of Healthcare Practitioners.** The insufficient budget has resulted in a significant loss of qualified healthcare practitioners.
- ✓ Inability of the SAMHS to compete with remuneration in the private sector.
- ✓ Outsourcing is the only way to supplement the shortage of qualified healthcare practitioners
- ✓ **State of Equipment.** Main medical equipment of the SAMHS is out dated or obsolete. This affects the capacity of the SAMHS to perform certain specialised tests, scans and procedures. At present, outsourcing is therefore the **only option**



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18

PARLIAMENTARY QUESTIONS FEB 17

Question 9 (Cont...)

Costs of outsourcing. The Joint Standing Committee on Defence posed the question, "Does outsourcing reduce costs"?

• **Response**

- **Conclusion.** The provision of healthcare is expensive. Year-on-year, medical-cost-related inflation is between 16 and 25%, which is markedly above the general consumer inflation rate. The SAMHS, however, can only budget according to the consumer inflation rate. The SAMHS is doing a lot of work to mitigate the shortage of allocated funds, but outsourcing is sometimes the only option when it comes to a lack of facilities or personnel, or where time and distance is the deciding factor
- Ultimately, to the question 'Does outsourcing reduce costs? In some instances, outsourcing is **unavoidable**. For a healthcare system to function optimally, all elements (qualified and skilled personnel, suitable equipment/ technology, appropriate facilities and sufficient budget) must be present. The absence of any of these elements inevitably result in outsourcing

19



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Strategy
2017



PARLIAMENTARY QUESTIONS FEB 17

Question 10

DOD Endowment property. The Joint Standing Committee on defence opined that the DOD has a vast amount of endowment property and posed the question, "Will this property be used to generate additional revenue"?

• **Response**

- The matter is being considered by the Department as part of the Defence Review Funding Model

20



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Strategy
2017



PARLIAMENTARY QUESTIONS FEB 17

Question 11

The DOD should inform the Committee in writing of reasons for the high number of disability leave (99 560 days in 2015) in the Department and what plans are in place to mitigate the loss of working days in this regard

• **Response**

- SANDF members and PSAP are entitled to 36 working days sick leave with full pay over a three year cycle (average of 12 working days per annum). The previous sick leave cycle of all officials commenced on 1 January 2013 and ended on 31 December 2015.
- Once an official's exhausts his/her normal leave credits and is granted leave of absence, then the member applies for Temporary Incapacity Leave (TIL) as per policy and that application is subject to verification and validation by an independent medical assessor in the case of PSAP and Military Medical Practitioner in the case of SANDF members.
- For an official's application iro Temporary Incapacity Leave (TIL) to be considered, the official must submit sufficient proof (ie medical certificates, x-rays, medical reports etc) that he/she is too ill/injured to perform his/her work satisfactorily. There is currently **NO** Limitation on the number of days for TIL in Policy. Get extended in 30 tenures.

21



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PARLIAMENTARY QUESTIONS FEB 17

Question 11

The DOD should inform the Committee in writing of reasons for the high number of disability leave (99 560 days in 2015) in the Department and what plans are in place to mitigate the loss of working days in this regard

• **Response**

- If the official continues to be ill or permanently incapacitated, he/she may apply for Ill Health Retirement or the Department of Defence (DOD) will initiate the process.
- It is confirmed that 99 560 days TIL were utilised in the DOD during 2015.
- The three year sick leave cycle commenced on 1 January 2013 and ended on 31 December 2015 which contributed to the high number of TIL days utilised in 2015.
- DOD's total strength during the period under review was 77046 of which 4963 officials utilised TIL .
 - ✓ Represents 6.4% of the DOD.
 - ✓ 597 officials utilised more than 36 working days sick leave in the cycle of three years - 0.8% of the DOD's total strength

22



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Strategy
2017



PARLIAMENTARY QUESTIONS FEB 17

Question 12

Inquiry on the equipment of OP VIMBEZELA

• Response

- RSA Contingent (Operation VIMBEZELA) which has been providing General Military Assistance (in the CAR) was involved in an armed conflict situation in Bangui, Central African Republic on the 22 – 23 March 2013 with the SELEKA rebels and their allies.
- RSA Contingent suffered casualties/loss of soldiers and equipment (which could not be brought back to RSA).
- Situation was complex, volatile and ambiguous as our soldiers had difficulties in identifying rebels and innocent civilians.
- Impossible to search for lost equipment when the possibility of finding it was improbable in the midst of conflict.



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23

PARLIAMENTARY QUESTIONS FEB 17

Question 12

Inquiry on the equipment of OP VIMBEZELA

• Response

- As in any combat situation, the SANDF lost the equipment to the rebels and it could not have been retrieved.
- The priority for the SANDF was to find ways to rescue our soldiers out of a volatile situation.
- When all our soldiers were confirmed back in South Africa, the SANDF convened a Board of Inquiry (BOI) to determine, amongst other things, the losses which have been incurred.
- The equipment losses as a result of the conflict situation in Bangui, Central African Republic must be written-off.
- The total loss is estimated to the value of R4 458 430.



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24

PARLIAMENTARY QUESTIONS FEB 17

Conclusions

• **Closing Remarks**



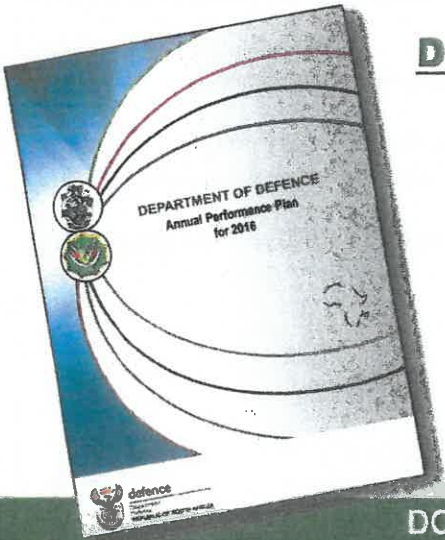
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25

Appendix E

**DOD Quarterly Performance Status
(2nd & 3rd Quarter) for FY2016/17:
Presentation to the PCD&MV on
22 March 2017
(Only slides 43 to 46)**




Department of Defence

Quarterly Performance Status
(2nd & 3rd Quarter)


FY2016/17

DOD Presentation to the PCD&MV
22 March 2017

 **defence**
Department:
Defence
REPUBLIC OF SOUTH AFRICA

Aim

To present the
Department of Defence (DOD)
2nd and 3rd Quarterly (Financial and
Non-Financial) Performance Status
for FY2016/17
to the
Portfolio Committee of
Defence and Military Veterans (PCD&MV)

 **defence**
Department:
Defence
REPUBLIC OF SOUTH AFRICA

RESTRICTED

2

BRRR Dashboard Feedback

The DOD should reduce the number of members that were remunerated at salary levels exceeding grade determination.

Clerks and secretaries that were remunerated at salary levels exceeding their grade determination were placed on the correct salary notches.

The DOD has not yet instituted any action to recover overpayments; awaiting the outcome of arbitration.

BRRR Dashboard Feedback

The DOD should finalise the Military Disciplinary Bill as a matter of urgency.

To date, seven of 14 Departments and Organs of State have submitted comments and inputs on the Bill. Inputs from seven other Departments/ Organs of State are still outstanding.

On 09 November 2016, the Office of the Coordinator for Intelligence within the National Intelligence Coordinating Committee (NICOC) requested the DOD to consult with the State Security Agency (SSA) as a stakeholder.

The Military Discipline Bill Task Team (MDB TT) has subsequently drafted and submitted a letter to the SSA for the Sec Def signature. The letter requests input on the Bill. Input from the mentioned Agency is expected by early February 2017, which will be considered when received.

The Bill will serve at the JCPS Cluster Development Committee for approval to submit to Cabinet by June 2018.

BRRR Dashboard Feedback

The DOD should update the Committee on progress related to the finalisation of outstanding policies and strategies.

A total of 167 DODIs from all functional environments are on record as being promulgated, against which the Department is audited.

The relevance/validity of the requirement of 45 policies that are registered as "policies in development" is currently reviewed.

Nine policies have been processed and are awaiting corporate approval.

BRRR Dashboard Feedback

The DOD should inform the Committee of its achievement of the payment of service providers within the stipulated 30 days.

Although the DOD has difficulty to comply with the payment of all legitimate invoices within the prescribed timeframe, the DOD still managed to pay 100 205 legitimate invoices out of the 120 985 invoices received. This achievement implies a 5% increase on the percentage of payments that were concluded in the previous quarter and can be attributed to interim interventions and actions, such as:

- Implementation of an invoice tracking system, within the limited capabilities of the Financial Management System and non-integrated logistical systems.
- Integrated training of personnel to improve capacity and capability to reduce invoice processing time and improve the accuracy of the invoice tracking system.
- Efforts to ensure that only legitimate and payable invoices are measured in the performance evaluation process.

Enclosure 2



the sandf

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Defence
REPUBLIC OF SOUTH AFRICA

DW FMN/R/501/8

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Department of Defence
Defence Works Formation
Directorate Operations
Private X 319
Pretoria
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18 August 2018

RESPONSE TO THE ANNOUNCEMENTS, TABLING AND COMMITTEE REPORTS IN PARLIAMENT

Enclosure 1: Briefing to the Portfolio Committee on Defence dated 8 November 2017
2: Lack of a long-term maintenance contract at 1 Military Hospital

1. Your draft letter C SANDF/R/ CMPSP/R/501/8 dated August 2018 refers.

2. The Logistics Division response is as follows:

a. Question 2.b.i

- i. In terms of Section 200 of the RSA Constitution "*The Defence Force must be structured and managed as a disciplined military force*". The state of the Department of Defence (DOD) properties does not provide conducive living and working environment which demoralizes the members of the DOD, in turn disrupt the South African National Defence Force (SANDF) state of readiness.
- ii. In terms of Section 80 of the Defence Act, the Minister of Defence (MOD) intends to address the dilapidated and deteriorating properties by utilizing the Defence Immovable Properties both Endowment and GIAMA to fund essential, capital and operational expenditures as follows:

(1) Leases

- (a) Current expenditure on leases amounts to RM689.
- (b) It is the MOD intention to reduce the lease portfolio and realize a saving by building both residential and office accommodation for soldiers on GIAMA and Endowment Properties.



Lefapha la Boiphemelo, Umyango wezokuVikela, Kgobo ya Tshireletso, iSaba lezokhuselo, Department of Defence, Muhasho wa Tefileldzo
Umyango WezokuVikela, Ndabwulo ya sva Vusirehelen, Lefapha la Tshireletso, Departement van Vedingding, Litiko leTefukivike



RESPONSE TO THE ANNOUNCEMENTS, TABLING AND COMMITTEE REPORTS IN PARLIAMENT**(2) Services**

- (a) The Defence Works Formation (DW Fmn) established a Pilot Project to verify and track expenditures on the Services. In Financial Year 2017/18 the outcome of the verification was that Department of Public Works (DPW) incorrectly billed the DOD for services an extra amount of RM477.
- (b) Alienation and Liquidation of Assets. The MOD has no intention to alienate and liquidate any immovable assets. Instead it is the intention of the MOD to increase the capacity of the DW Fmn so that it can maximize the use of DOD Immovable assets and realize savings to fund essential, capital and operation expenditure.

b. Question 2.b.ii.

- i. The MOD has taken note of the recommendations by the Portfolio Committee's need for engagement between DPW and DOD, to this end the Secretary for Defence and Director General of DPW met on the 28 March 2018 and mandated Mr Maroga (DPW) and Major General Ledwaba (DOD) to intervene on emergencies, failure which the problem should be escalated to the two DG's to resolve.
- ii. Mr Maroga and Major General Ledwaba met and agreed to have monthly Task Team meetings which are taking place currently.

MAINTENANCE CHALLENGES AT 1 MILITARY HOSPITAL

3. During the briefing to the Portfolio Committee on Defence on 8 November 2017, the DPW presenter used the analogy of a brand new car that was driven without a service plan until it breaks down (Enclosure 1). During a breakdown the broken part is replaced until the car will reach a stage when all the parts are broken and cannot be driven anymore.

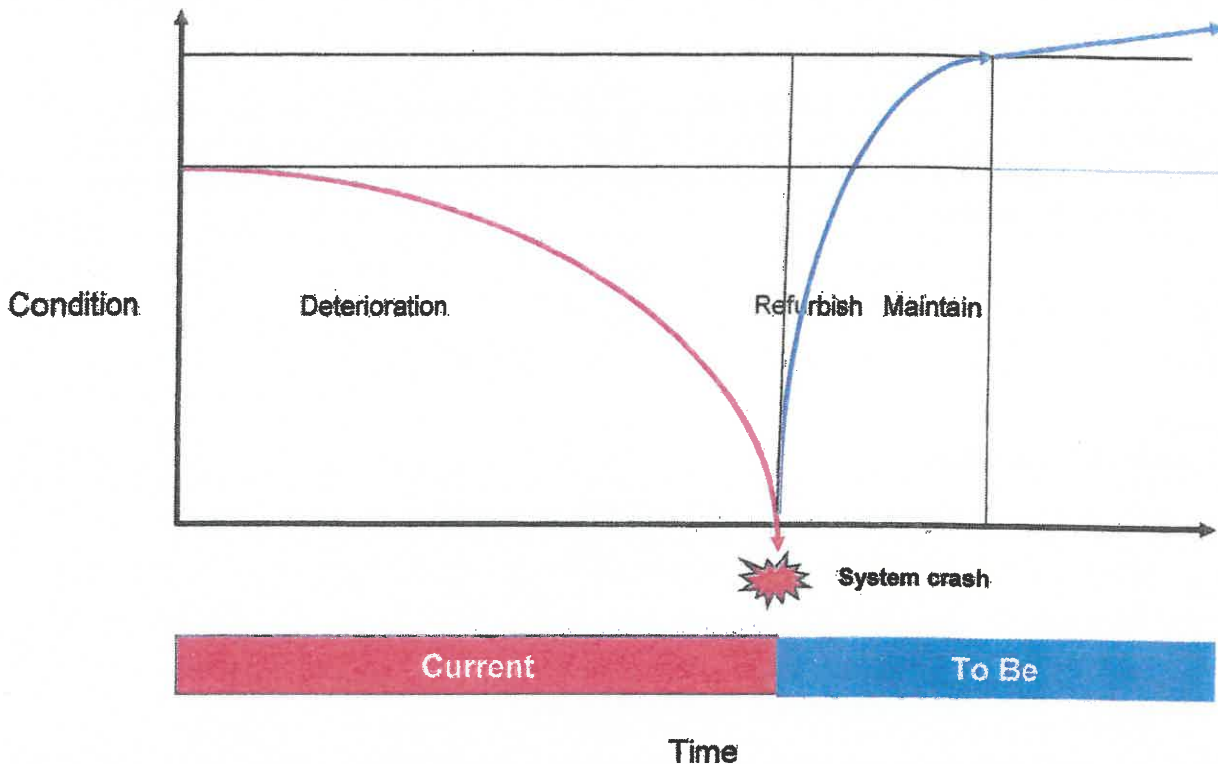
4. The same scenario is experienced at 1 Military Hospital. Due to a lack of service plan (maintenance plan) serious shortcomings exist in Electrical-, Mechanical-, Electronic-, Lift installations and Wet services. These installations are related to the entire hospital and needs to be maintained by DPW until it is replaced by the refurbishment project currently implemented by the DOD.

5. The proposed infrastructure strategy as agreed and adopted by DPW is demonstrated in sketch 1 below. Infrastructure installations need to be replaced/refurbished before it can be maintained. DPW undertook to put a long-term

RESPONSE TO THE ANNOUNCEMENTS, TABLING AND COMMITTEE REPORTS IN PARLIAMENT

maintenance contract in place until the installations are replaced by the current refurbishment project.

Sketch 1



6. The undertaking by DPW to put a long-term maintenance contract in place has not yet realised. The DOD was concerned about this situation and addressed its concerns to DPW as per Enclosure 2. DPW acknowledged the lack of a long-term maintenance contractor and indicated that they were implementing a pro-active maintenance strategy in the State. This pro-active maintenance strategy is currently in a development process and not yet ready for implementation.

7. The fixing of the roof at 1 Military Hospital as reported to the Portfolio Committee on 8 November 2017 has to date not yet taken place. DPW has indicated that the planning for the replacement of all waterproofing on the roofs of the entire hospital complex will be done with internal capacity to safe funds and that the appointment of a contractor will be done during November 2018.

8. Emanating from the briefing to the Portfolio Committee on Defence on 8 November 2017, the DOD and DPW established a Strategic Task Team (STT) with the aim to address DOD infrastructure challenges. Cooperating between the two Departments has improved with improvement of services rendered by DPW to the DOD very slow. The DOD continues to engage with DPW to address infrastructure challenges.

RESPONSE TO THE ANNOUNCEMENTS, TABLING AND COMMITTEE REPORTS IN PARLIAMENT**CONCLUSION**

9. In order to realise meaningful savings through construction of facilities on Endowment and GIAMA properties as indicated in paragraph 2.a.ii and paragraph 5 on 1 Military Hospital including other such installation the DOD will require financial injection before any savings can be realised.

10. Unserviceable infrastructure installations at 1 Military Hospital can be corrected by the implementation of a preventative maintenance strategy (see paragraphs 3 to 8) as currently being developed by DPW. This will put the DOD in a position to render the best medical care to all its patients.



(J.S. MBULI)
CHIEF LOGISTICS: LT GEN

DISTR

For Action

CoS (Attention: Maj Gen F.M. Ramantswana)

Internal

File: DW FMN/R/501/8