



PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA

RESEARCH UNIT

PO Box 15 Cape Town 8000 Republic of South Africa
Tel: 27 (21) 403 8273 Fax: 27 (21) 403 8118
www.parliament.gov.za

4 October 2019

**SUMMARY AND ANALYSIS OF THE
DEPARTMENT OF DEFENCE DRAFT ANNUAL
REPORT FOR THE FINANCIAL YEAR 2019/20**



Contents

1. INTRODUCTION	4
2. STRATEGIC PRIORITIES AND PREDETERMINED OBJECTIVES.....	5
2.1 Strategic Outcomes and Outputs	5
2.2 Strategic Priorities of the Minister of Defence.....	6
3. PROGRAMME AND SUB-PROGRAMME PERFORMANCE EVALUATION VERSUS EXPENDITURE	8
3.1 Programme 1: Defence Administration.....	9
3.1.1 Defence Administration financial shifts and expenditure	9
3.1.2 Defence Administration performance.....	9
3.2 Programme 2: Force Employment	11
3.3 Programme 3: Landward defence	12
3.4 Programme 4: Air defence	13
3.5 Programme 4: Maritime defence	13
3.6 Programme 6: Military Health Support	15
3.7 Programme 7: Defence Intelligence	15
3.8 Programme 8: General Support	16
4. ORGANISATIONAL STRUCTURE AND HUMAN RESOURCE SUPPORT.....	17
5. BROAD FINANCIAL CONCERNS AND THE AUDITOR-GENERAL'S REPORT	18
5.1 Revenue generation.....	18
5.2 Unauthorised, fruitless and wasteful, and irregular expenditure	19
6. CONCLUSION.....	19
REFERENCES	20



DISCLAIMER

Section 5(1)(d) The Money Bills and Related Matters Act (2009) outlines the procedure for the introduction of the national budget. It states that:

1) The National Assembly, through its committees, must annually assess the performance of each national department, with reference to the following:

- (a) The medium term estimates of expenditure of each national department, its strategic goals and measurable objectives, as tabled in the National Assembly with the national budget;
- (b) prevailing strategic plans;
- (c) the expenditure reports or statements relating to a vote appropriating funds for such department published by the National Treasury in terms of section 32 of the Public Finance Management Act;
- (d) *the financial statements and annual report of such department;*
- (e) the reports of the Standing Committee on Public Accounts relating to a department; and
- (f) any other information requested by or presented to a House or Parliament.

Sections 5(4-6) of the Act provide that the BRRR must be tabled before the adoption of the MTBPS report but after the adoption of the Appropriation Bill. Further the Act makes provision for the tabling of additional BRRRs at the discretion of committees.

Given the above, and in the context of the extended deadline to departments and entities for the submission of annual reports, Parliament will make use of 2019/20 quarterly reports as well as **draft Annual Reports** to compile a preliminary assessment of departmental performance for 2019/20 before a BRRR will be finalised when Annual Reports are submitted by 16 November 2020.

Members may note that this analysis is based on the draft Annual Report from the Department of Defence (DOD). As such, information is yet to be audited and finalised and may change upon the submission of the finalised Annual Report. Furthermore, the analysis will not refer to the input of the Auditor General since this audit opinion has not been finalised.



1. INTRODUCTION

The Department of Defence (DOD) is responsible for the defence and protection of the Republic of South Africa. In addition to training and preparation, the South African National Defence Force (SANDF) is currently employed in a number of roles, ranging from participation in peacekeeping missions in the Democratic Republic of Congo (DRC) and naval deployments in the Mozambican channel to internal deployments in assistance to the South African Police Service under Operation Notlela (Covid-19 related deployments) and border safeguarding. These activities continued through the 2019/20 financial year, despite financial constraints. These commitments reflect increased operational demands amid decreased funding available to the SANDF. The status of the DOD is therefore perceived to be in a state of decline. As per the 2015 Defence Review, the SANDF thus set itself the target to “arrest the decline” under Milestone 1 of the Review which commenced in 2017/18. However, due to funding and other challenges, this process remains ongoing.

The aim of this paper is to provide a summary and analysis of the draft DOD Annual Report for the financial year ending on 31 March 2020 for the Portfolio Committee on Defence and Military Veterans (PCDMV). This brief focuses on the following selected issues:

- A brief overview of strategic priorities and predetermined objectives as well as the Ministerial priorities.
- Programme and sub-programme performance and expenditure evaluation.
- Human Resource support.

A Review of the legislative framework for performance assessment:

The Constitution vests the National Assembly with the power of oversight over their respective executives, in addition to their legislative and other powers. Furthermore, the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act 9 of 2009) stipulates the procedure to be followed by Parliament prior to the introduction of the national budget. Section 5(1) states that the National Assembly, through its committees, must annually assess the performance of each national department, with reference to the following:

- The medium term estimates of expenditure of each national department, its strategic priorities and measurable objectives (APP), as tabled in the National Assembly with the national budget (ENE);
- prevailing strategic plans;
- the expenditure report relating to such department published by the National Treasury in terms of section 32 of the Public Finance Management Act (quarterly expenditure);
- the financial statements and annual report of such department (Annual Report);
- the reports of the Committee on Public Accounts relating to a department; and
- any other information requested by or presented to a House or Parliament.



A Review of the legislative framework for performance assessment (continue)

The outcome of the performance assessment process followed by Committees is to annually submit a **budgetary review and recommendation report (BRRR)** for tabling in the National Assembly, as per Section 5(2) of the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act 9 of 2009). It further stipulates that a BRRR -

- Must provide an assessment of the department's service delivery performance given available resources;
- Must provide an assessment on the effectiveness and efficiency of the department's use and forward allocation of available resources; and
- May include recommendations on the forward use of resources.

2. STRATEGIC PRIORITIES AND PREDETERMINED OBJECTIVES

This section provides a broad overview of the DOD's activities in relation to government objectives. It deals with strategic outcomes and outputs as well as Ministerial priorities.

2.1 Strategic Outcomes and Outputs

The 2014-2019 Medium Term Strategic Framework (MTSF) of Government identifies a number of priorities that are based on the electoral mandate. The 2019/20 Annual Reporting period falls under the mentioned MTSF. The outcomes-based approach of the MTSF identifies the 12 desired outcomes of the Government. The DOD plays an important role in Outcome 3 (All people in South Africa are and feel safe) and Outcome 11 (Creating a better South Africa and contributing to a better and safer Africa in a better world). Contributions to these outcomes are summarised in the table below.

DOD contributions to strategic outputs

MTSF Outcomes	Sub-outcome	Actual Achievement 2019/20¹
Outcome 3	Sub-outcome 3: South Africa's borders are effectively protected and managed	<ul style="list-style-type: none">• 15 Landward units deployed for border safeguarding.• Assistance with water pollution in the Vaal River and selected municipalities.• Assistance with wildfires.• Supporting Operation Phakisa and the Oceans Economy.• Search and rescue operations• Support to the Department of Health through requested interventions
Outcome 11	Sub-outcome 3: Political cohesion in Southern Africa	<ul style="list-style-type: none">• SANDF deployed peacekeeping forces in the SADC region (The DRC and Mozambican channel)• 10 Defence Attaches deployed to the SADC region.

¹ DOD (2020). p. B19-22.



2.2 Strategic Priorities of the Minister of Defence²

The Minister of Defence maintained the six strategic priorities in 2019/20 that were identified in previous years. These priorities relate directly to the 2015 Defence Review, notably Milestone 1 of the Defence Review, and include:

- Defence Strategic Direction
- Strategic Resourcing Direction
- Organisational Renewal
- Human Resources Renewal
- Capability Sustainment Direction
- Ordered Defence Commitments Direction

These priorities are closely linked to the Defence Review Implementation Plan. Since 2014, the Minister of Defence has indicated the importance of organisational renewal within the SANDF. 'Organisational renewal' was subsequently put forward as a key ministerial priority in all following years from 2014 to 2019. Organisational renewal in the SANDF is closely aligned to the need for force rejuvenation to ensure a high level of operational capacity. Milestone 1 of the Defence Review also calls for a significant reduction in the personnel figures of the SANDF. This is also in line with instructions from National Treasury who placed a compensation of employees ceiling on DOD expenditure. These concerns relate strongly to the Minister's prioritisation of Human Resources Renewal. However, the Minister has stated on several occasions, including in her introductory letter in the 2017/18 Annual Report, that "in terms of human resources, the budget constraints necessitated Defence to consider a reduction of personnel. However, considering operational pressures, we made a decision not to reduce the personnel complement."

The outflow of the stagnating defence budget, the compensation of employees ceiling and a lack of organisational renewal impacts significantly on another Ministerial priority, namely Capability sustainment. In her draft letter in the draft DOD 2019/20 Annual Report, the Minister notes that "the Defence budget has been cut beyond the bone – the Special Defence Account, a key instrument to enable Defence to execute its approved defence acquisition projects, is nearing its demise. This means that major acquisition projects for the landward forces and maritime forces are under serious threat from non-completion."³

Potential BRRR discussion points:

- Based on the concerns around the implementation of previous Ministerial priorities during the year under review, it may be of value to the Committee to consider the current (2020-2025) Ministerial priorities when debating BRRR input. These include:
 - Strategic Direction. Implementation of the SA Defence Review 2015 "DOD Plan to Arrest the Decline".
 - Strategic Resourcing. Revenue generation to supplement the insufficient defence fiscal allocation.
 - Human Resources. Maintaining the SANDF Establishment Force Levels.
 - Organisational Renewal. Ensuring appropriate organisational form and structure.

² DOD. (2020). p. B18.

³ DOD. (2020). p. A6.



- Capability Sustainment. Maintenance of defence capabilities.
- Ordered Defence Commitments. Increased contribution by Defence to the National Developmental Agenda.
- Two key ministerial priorities may be addressed based on the Committee's recent engagements. First, the Committee can consider recommendations on the future human resourcing priority. Second, the Committee may consider recommendations on organisational renewal. *The Committee may consider merely referring to the urgent need to implement aspects to be identified during the October Lekgotla. As in the previous BRRR, the Committee may consider a joint recommendation to the DOD and National Treasury on the way forward in terms of organisational renewal.*
- The Minister of Defence again noted the need for 22 sub-units for border safeguarding. Previously the Committee recommended in its 2019 BRRR that current deployments be increased from 15 to 22 sub units. The National Treasury responded that it allocated more than R200 million to the DOD over the MTEF for the deployment of technological and surveillance assets on the borderlines. Recent media reports of increased cross-border crime on the South African-Lesotho border demonstrates the ongoing concern around the SANDF's border safeguarding capacity. *The Committee may consider recommendations that the roll-out of technology on the borders be implemented without delay. The Committee may further wish to engage the DOD to determine if there are areas where the deployment of soldiers may actually be more beneficial than technological means.*
- The Committee has engaged on matters related to the finalisation of Projects Biro and Hotel for the SA Navy. These represent crucial capabilities that are currently under development, but are under threat due to budgetary constraints. The finalisation of these projects are crucial not only in terms of capabilities, but also in terms of avoiding financial penalties due to non-completion of the projects. *The Committee may consider a recommendation on the need for securing of funds for the finalisation of these projects.*
- Project Hoefyster, the renewal of the SA Army's Infantry Fighting Vehicles is currently delayed by more than five years. Previous briefings to the Committee highlighted key concerns around the ability of Denel to deliver on the project. *The Committee may consider a recommendation urging the DOD, Armscor and Denel to jointly re-evaluate the feasibility of the project and present the Committee with a way forward. Key to this outcome should be a focus on SANDF capability as well as fiscal stability.*



3. PROGRAMME AND SUB-PROGRAMME PERFORMANCE EVALUATION VERSUS EXPENDITURE

Summary of all planned targets

Total targets set:	133
Targets classified:	14
Targets not revealed in draft report:	52
Targets achieved:	45
Targets under achieved:	22

The DOD set itself a total of 133 targets over its eight programmes for 2019/20. The majority of the targets (82) relate to Programme 1 (Administration). Of the total targets, 14 were deemed to contain classified information and were not made available for public scrutiny. In the draft 2019/20 Annual Report, the DOD excluded performance against 52 targets. This information will only be included in the final audited Annual Report and therefore inhibits the analysis to cover all target areas. This document will therefore look at key targets that were not achieved in the programme specific sections to follow.

A key matter that should be brought to the attention of the PCDMV again relates to **the number of classified targets in the DOD's Annual Reports**. The number of classified targets increased from 12 in 2015/16 to 14 in 2016/17 and remained at this level since. The following classified targets are of special concern:

- *Percentage available of medical stock*: In the 2016 BRRR, Members of the PCDMV expressed concern that medical stock levels are below 50 per cent as per the 2015/16 Annual Report.⁴ Since 2016/17, annual reports of the DOD deemed the target for medical stock levels a classified target.⁵ There is thus no means for the PCDMV to track previously raised concerns.
- *Reimbursements to the DOD for SANDF deployments to the UN*: In the 2016 BRRR, Members urged National Treasury to increase the reimbursement of the DOD for its participation in peacekeeping missions. There is thus a clear need to track such reimbursement levels. However, in the 2018/19 Annual Report (and in the 2019/20 draft 2019/20 Annual Report), information regarding reimbursement levels as a percentage of the value of reimbursements is deemed classified.⁶

Potential BRRR discussion point:

The Committee may consider the inclusion of recommendations in the BRRR for the DOD to reinstate annual unclassified reporting on 1) percentage medical stock availability, and 2), reimbursements received from the United Nations for deployments. This will allow for an elevated level of oversight by the Committee.

⁴ DOD. (2016). p. 87.

⁵ DOD. (2017). p. 78.

⁶ DOD. (2019). p. 68.



3.1 Programme 1: Defence Administration

The following sections will firstly highlight the financial expenditure of the Administration Programme, followed by targets in sub-programmes that may be followed up on by the PCDMV. *Members may note that financial expenditure in the draft Annual Report for 2019/20 does not include a breakdown per economic classification, but only a breakdown per subprogramme.* Furthermore, although not all targets were identified in the draft Annual Report, specific focus is placed on targets that were not achieved.

3.1.1 Defence Administration financial shifts and expenditure⁷

Programme	Adjusted Appropriation	Virement R'000	Final Appropriation	Actual Expenditure	Variance	
					R'000	%
Administration	6 177 144	-	5 999 035	5 993 160	5 875	0.1%

The Administration programme's total expenditure for 2019/20 came to R5.993 billion, which included expenditure of R652 million of the Department of Military Veterans. The following subprogrammes recorded underexpenditure:

- Legal Services underspent by R1.423 million.
- Defence Foreign Relations underspent by R4.452 million

3.1.2 Defence Administration performance⁸

The Administration programme set 82 targets for 2019/20. Of these, a total of 36 are not reported on in the draft Annual Report. Of the remaining 46 targets, two are considered classified, 28 were achieved and 16 not achieved. The table below highlights selected targets in the various subprogrammes that were not achieved. Targets related to the Military Ombud and Defence Force Service Commission are excluded in this analysis as they will be addressed separately by the Committee.

Administration programme: Selected non-performance on set targets

Subprogramme	Target description	2019/20 Target	2018/19 Achievement	Comments
<i>Reserve Force Council</i>	% Compliance with submission dates of DOD accountability documents .	2	1	1 Report on RFC Activities submitted to the Executive Authority)
<i>Departmental direction</i>	Percentage adherence to DOD governance schedule (Defence Enterprise Architecture Capability Established and Integrated)	20%	10%	

⁷ DOD (2020). P. B36.

⁸ DOD. (2020). Appendix D.



<i>Policy and planning</i>	Percentage adherence to DOD governance schedule (Strategy)	50%	0%	
	DOD Enterprise Risk Management maturity level achieved	Level 5	Level 4	This indicates a regression as the DOD maintained a Level 5 rating for the past three financial years
<i>Human Resources Support</i>	Percentage of disciplinary cases in the DOD finalised within 90 days Public Sector Act Personnel Disciplinary Cases)	100%	10%	
	Percentage collective grievances and disputes resolved	85%	59%	
<i>Legal Services</i>	Percentage of disciplinary cases in the DOD finalised within 90 days (Military Disciplinary Cases)	100%	76%	
<i>Inspection and audit services</i>	Measure the level of DOD Morale	Positive	Neutral	This target is only measured every two years and represents a crucial aspect of force stability. Monitoring Force Morale is also a legislative oversight function of the Joint Standing Committee on Defence.
<i>Defence Reserve Direction</i>	Number of marketing activities	30	25	

Potential BRRR discussion points:

- The Legal Services subprogramme underspent its budget by R1.423 million. The percentage of military disciplinary cases finalised within 90 days was 76% and that of Public Service Act Personnel (PSAP) only 10%. There is thus a clear need for increased performance in the Legal Services division as it impacts directly on the legislative requirement for the SANDF to be managed as a disciplined military force. *The Committee may recommend an urgent intervention to ensure improved case finalisation in the Legal Services division.*
- In terms of Policy and Planning, the draft Annual Report indicates a 0% achievement in terms of DOD Strategies completed. This is of significant concern as it is essential to the strategic direction of the Department. Strategic Direction is also a Ministerial Priority for 2020-2015. *The Committee should urge the DOD to increase the finalisation and implementation of outstanding strategies.*
- The regression in the DOD Enterprise Risk Management maturity level from Level 5 to Level 4 is concerning. *The Committee may recommend that urgent measures be put in place to return to a Level 5 rating in 2020/21.*



- Recent engagements by Parliament's Defence Committees have revealed concerns around the ageing SANDF and similar observations have been forthcoming around the Reserve Force. There is thus a need to rejuvenate the Reserve Force and the fact that it did not achieve on its marketing activities is problematic. *Measures to adequately market the Reserve Force and attract fit for purpose and especially young South Africans to serve should be enhanced.*

3.2 Programme 2: Force Employment⁹

Programme	Adjusted Appropriation	Virement	Final Appropriation	Actual Expenditure	Variance	
					R'000	%
Force Employment	3 620 718	-	3 491 508	3 491 508	0	0%

The purpose of this programme is to provide and employ defence capabilities. In terms of financial expenditure, *a trend of virements away from the programme* has emerged in recent years with regular shifts away from the Regional Security subprogramme. However, given the limited information in the draft Annual report, it is unclear whether this trend continued in 2019/20. During the year under review, Programme 2 spent 100% of its final appropriation of R3.492 billion.

A total of 15 targets were set for the programme of which five were classified. Of the 10 remaining targets, five were achieved while performance on the remaining targets do not reflect in the draft Annual Report. Achieved targets include the following:

- 100% compliance with number of ordered commitments (external operations).
- 15 sub-units deployed for border safeguarding
- 100% compliance with number of ordered commitments (internal operations).
- 100% compliance with Southern African Development Community standby force.
- Completion of 1 interdepartmental, interagency and multinational military exercise.

Potential BRRR discussion points:

- The Committee may consider recommendations around provisions for border safeguarding (see p. 7 of this document).*
- The reduction in the number of interdepartmental, interagency and multinational military exercises to only one in 2019/20 raises concern about continuous training and maintaining operational capacity. This trend is likely to continue in 2020/21 due to the Covid-19 pandemic. *The Committee may recommend that funds allocated for such purposes are earmarked for reprioritisation of such exercises in the outlying financial years of the MTEF.*

⁹ DOD. (2020). p. B41; D17.



3.3 Programme 3: Landward defence¹⁰

Programme	Adjusted Appropriation	Virement	Final Appropriation	Actual Expenditure	Variance	
					R'000	% (Per Programme)
Landward Defence	16 527 002	-	16 763 706	16 763 706	0	0.0%

The purpose of this programme is to provide prepared and supported landward defence capabilities for the defence and protection of South Africa. In terms of spending, all subprogrammes spent 100% of their final appropriation.

Four targets were set for this programme. One target, related to compliance with Joint Force Employment requirements, was deemed classified. The target related to compliance with DOD training targets was overachieved, with 3 454 training opportunities against an annual target of 2 485. Furthermore, the SA Army achieved both of its planned force training exercises. The draft Annual Report does not clarify achievement around compliance with ordered commitments by the SA Army.

The draft Annual Report further make note of some successes of the SA Army during the period under review including, among others:

- Humanitarian Aid and Disaster Relief through Op CHARIOT, assisted the Department of Public Works with the construction of nine bridges and five foot bridges around the country.
- The SA Army Engineering Formation deployed one Engineering Construction Squadron in Emfuleni Municipality, Gauteng, to repair and safeguard the operational infrastructure at the Vaal River.
- Sewage clean-up operation in Mahikeng, North West.
- Support to the Department of Agriculture, Rural Development and Land Reform's National Rural Youth Service Corps accredited leadership programmes.
- The SANDF supported an accredited leadership programme, presented at 6 SA Infantry Battalion in Grahamstown by an external training provider, contracted by the Office of the Premier over the period 26 August to 29 November 2019. The subjects, as agreed upon between the DOD and the Office of the Premier, were presented by the DOD, and 360 participants completed the programme.

Potential BRRR discussion points:

- *The Committee may consider recommendations that ensure that the DOD is fully reimbursed for all services to other government departments.*

¹⁰ DOD. (2020). p. B40-46.



3.4 Programme 4: Air defence¹¹

Programme	Adjusted Appropriation	Virement	Final Appropriation	Actual Expenditure	Variance	
					R'000	% (Per Programme)
Air Defence	6 979 575	-	6 701 148	6 701 148	0	0%

The purpose of the Air Defence programme is to provide prepared and supported air defence capabilities for the defence and protection of South Africa. In terms of spending, all subprogrammes spent 100% of their final appropriation by the end of the financial year.

Five targets were set of which one is deemed classified (compliance with Joint Force Employment requirements) and another remains unreported on in the draft Annual Report. While the Programme did well in terms of training targets and training exercises by exceeding its target, *force employment* flying hours remain a concern:

- **Total target:** 17 200 flying hours planned with 16 232 achieved. This consists of the following breakdown:
 - 12 749.5 hours for force preparation
 - 2 576 hours for force employment
 - 907.1 VVIP hours

Crucially, in terms of flying hours, it should be noted that the target for the Performance Indicator “number of hours flown per year” was reduced from 25 000 to 17 200 hours per year in 2019/20 due to the reduction in the budget allocation to the Air Defence Programme.

Potential BRRR discussion points:

- The continued non-achievement of flying hours is a concern. Not only does this impact on the ability of pilots to stay current in terms of flying hours required, but it also impacts on operational experience and general staff morale in the SA Air Force. The reduction of the total target for flying hours in 2019/20 is of further concern. *Members may recommend that the DOD explore means of ensuring that the annual target for flying hours is achieved, especially when such a target has been reduced compared to previous years.*

3.5 Programme 4: Maritime defence¹²

Programme	Adjusted Appropriation	Virement	Final Appropriation	Actual Expenditure	Variance	
					R'000	% (Per Programme)
Maritime Defence	4 838 487	-	4 709 411	4 709 411	0	0%

¹¹ DOD. (2020). p. B48.

¹² DOD. (2020). p. B50.



The purpose of the programme is to provide prepared and supported maritime defence capabilities for the defence and protection of South Africa. The Maritime Defence programme spent 100% of its final allocation of R4.709 billion by the end of 2019/20.

For the period under review, the Maritime Defence Programme had four targets of which one was deemed classified (compliance with Joint Force Employment requirements). The SA Navy managed to achieve the target of one unique training exercise, but failed to meet the target related to training (389 learning opportunities achieved against a target of 438 for 2019/20). Of specific operational concern is that the target related to sea hours was not achieved:

- **Sea hours:** 6 612.55 Sea hours were achieved against a set target of 10 000. Reasons provided include refits and maintenance and repair. This led to operational defects and the non-availability of platforms to conduct all scheduled Force Preparation and Force Employment activities. Similar concerns have emerged in annual reports since 2016/17. Sea hours for 2019/20 included the following:
 - Force Employment: 2 745.85 hours
 - Force Preparation: 3 866.70 hours

Members may recall that similar concerns emerged during the Parliamentary oversight visits to Simons Town in 2019 where the SA Navy's lamented the decreasing budget and noted that it impacts on the ability to perform vessel maintenance. Currently a number of primary vessels are in dire need of a mid-life refit which has been delayed due to budget cuts.

Potential BRRR discussion points:

- The continued non-achievement of sea hours is a concern and it is unlikely to be resolved without funds emerging for the midlife upgrade of naval platforms. *Members may recommend renewed engagement between the DOD and National Treasury for the specific (ringfenced) funding to ensure the midlife upgrade of the SA Navy vessels.*
- The inability of the SA Navy to meet sea hour targets and to maintain vessels raises concerns around the long-term sustainability of Projects Biro and Hotel. Between these two projects, at least four new vessels will be introduced to the SA Navy in the coming years. As such, careful planning for utilisation and maintenance will be required to ensure the optimal utilisation of these vessels. *The Committee may request from the Department a detailed plan on the utilisation and maintenance of the vessels to be delivered under Projects Biro and Hotel. This should include utilisation under current financial conditions as well as future maintenance demands, the potential cost and how this will be budgeted for.*



3.6 Programme 6: Military Health Support¹³

Programme	Adjusted Appropriation	Virement	Final Appropriation	Actual Expenditure	Variance	
					R'000	% (Per Programme)
Military Health Support	5 375 266	-	5 362 908	5 362 908	0	0%

The purpose of the Military Health Support Programme is to provide prepared and supported health capabilities and services for the defence and protection of South Africa. The programme spent 100% of its final appropriation of R5.363 billion by the end of 2019/20.

The programme had six targets of which four were deemed classified. The programme achieved 2 089 102 healthcare activities in 2019/20, falling short of the target of 2 140 550 activities. The training target was also not achieved with less learners (640) than planned (648) successfully completing training programmes. The target was reduced from 790 members trained in 2017/18 to the current 648.

Potential BRRR discussion points:

- The SA Military Health Services has a history of achieving the number of healthcare activities annually. As such, the non-achievement of this target is cause for concern.
- *The Committee may further consider a recommendation on the status of 1 Military Hospital, as ongoing concerns around the non-completion of refurbishments at the hospital have been raised at the Committee.*

3.7 Programme 7: Defence Intelligence¹⁴

Programme	Adjusted Appropriation	Virement	Final Appropriation	Actual Expenditure	Variance	
					R'000	% (Per Programme)
Defence Intelligence	1 020 469	-	1 002 362	1 002 362	0	0%

The purpose of Defence Intelligence programme is to provide a defence intelligence and counter-intelligence capability. For 2019/20, the programme spent 100% of its final allocation.

The programme had six targets of which only two are reported on in the draft annual Report. First, Defence Intelligence did not achieve the number of planned vetting decisions to be taken (7 500) and managed to achieve 7 167 during 2019/20. Second, it well exceeded the number of Defence Intelligence Products (908) against a target of 448.

Although performance is not contained in the draft Annual Report, the Committee should seek follow-up on the progress with the following two Defence Intelligence strategies

¹³ DOD. (2020) p. B53

¹⁴ DOD. (2020) p. B56.



- Developing a Cyber Warfare Strategy: The Strategy is within the departmental approval process. (No finalisation since 2015/16)
- Development of a Sensor Strategy: Only a draft sensor strategy was completed in 2016/17 and the strategy remains within the departmental approval process.

Potential BRRR discussion points:

- *The Committee may consider a recommendation related to the need to finalise the Cyber Warfare Strategy as well as the Sensor Strategy.*
- The non-achievement of the target related to vetting decisions is an ongoing concern. The Department should be lauded for increasing the number of vetting decisions taken compared to previous years. However, it still fell short of the set target. *Members may consider recommendations around the capacitation of Defence Intelligence to increase its capacity for vetting decisions.*

3.8 Programme 8: General Support

Programme	Adjusted Appropriation	Virement	Final Appropriation	Actual Expenditure	Variance	
					R'000	% (Per Programme)
General Support	6 349 471	-	6 858 045	6 858 045	0	0%

The purpose of the General Support programme is to provide support capabilities and services to the Department. The programme spent 100% of its final appropriation of R6.858 billion by the end of the financial year.

In terms of performance, a total of 11 targets were set for 2019/20, that includes targets related to Logistics capabilities, Information Management Systems and the Military Police Capacity. Only six targets were reported on in the draft Annual Report, all of which were achieved. These targets include:

- Procurement requests fully completed within 90 days (99%)
- Utilisation of endowment property in the DOD (93%)
- Modernised, sustainable DOD ICT Integrated Prime Systems Capabilities (112%)
- Deliberate crime prevention operations (174)
- Criminal cases investigated (backlog) (56%)
- Criminal cases investigated (in-year) (47%)

Potential BRRR discussion points:

- The higher than planned achievements of the Military Police should be lauded as a positive development. However, room for further improvement exist. *Members may consider recommendations around increasing the set targets for Military Police achievements in the outlying years of the MTSF, specifically in dealing with backlog cases.*



4. ORGANISATIONAL STRUCTURE AND HUMAN RESOURCE SUPPORT

The Human Resources (HR) Management chapter of the draft 2019/20 Annual Report¹⁵ deals with various issues related to personnel. The following key aspects should be considered by the PCDMV:

- **Personnel spending:** The Department planned an average HR capacity of 74 901 for 2019/20. As at 31 March 2020, the average HR capacity was 74 096 with a compensation of employees allocation of R29.193 billion for the year under review. Given the compensation of employees ceiling instituted by National Treasury in recent years, the required HR budget was R32.094 billion. As such a budget shortfall of R2.6 billion emerged. *In total, the DOD spent R31.947 billion on compensation of employees, constituting 63% of its total budget allocation of R50.882 billion for 2019/20.*
- **Reduction in Navy Personnel:** The SA Navy, the smallest component of the SANDF, has seen its personnel figures continue to decrease in recent years. It decreased further from 7 076 members by the end of 2016/17 to 6 992 by the end of 2017/18. It further reduced to 6 816 in 2018/19 and 6 647 in 2019/20.
- **Critical occupation vacancy rates:** In terms of critical occupations, several areas with high vacancy rates should be noted. These vacancy rates are against the approved established structure of the DOD (with a total of 89 000 personnel). However, the vacancy rate does provide a sense of requirement in the SANDF for specialists:
 - Airspace Control has a vacancy rate of 15%.
 - Aircrew has a vacancy rate of 18%.
 - Engineers has a vacancy rate of 47%.
 - Nursing has a vacancy rate of 12%.
 - Technical has a vacancy rate of 22%.
- **Non-signing of performance agreements by Senior Management:** Of the total of 268 Senior Management Members, only 255 signed their performance agreements in time. This is particularly evident on Salary Level 15, where only 46% of performance agreements were signed. This has been a recurring area of underperformance for the DOD.
- **Performance rewards:** The total cost of performance rewards paid out increased from R197.045 million in 2018/19 to R219.591 million in 2019/20.
- **Sick leave cost:** The total cost of sick leave has fluctuated significantly in recent years. In 2016/17, the estimated cost for sick leave utilisation was R330.731 million. For 2017/18, this decreased slightly to R320.405 million, with a further reduction to R296.754 million in 2018/19. However, in 2019/20, the total cost of sick leave increase drastically to R400.189 million. The average number of days' sick leave per employee increased from 7 in 2018/19 to 8 in 2019/20. Of specific concern is the fact that lower-

¹⁵ DOD. (2020). Addendum D.



skilled workers' average sick leave utilisation increased from an average of 8 days in 2018/19 to 11 days in 2019/20

- **Rejuvenation and exit mechanism.** The draft Annual Report contains the following statement: "the DOD appreciated the rejuvenation of its regular force HR composition. In addition, it has also appreciated the realignment of an exit mechanism as directed by the Minister of Defence and Military Veterans. The remaining HR funding impasse is grounded on the fact that the DOD is required to maintain a HR capacity, not commensurate with the funding allocation."
- **Cost of suspension with pay:** During the recent JSCD mini-symposium, it was pointed out to the Committee that the cost of SANDF members being suspended on full pay for lengthy periods poses a financial constraint to the Department. In 2018/19, at least 30 members were suspended with full pay for an average of 338 days, costing the Department R10.728 million. In 2019/20, at least 56 people are suspended for an average of 251 days at a cost of R14.116 million to the Department. These figures do not include suspension of Public Service Act Personnel.

Potential BRRR discussion points:

- *As noted, the above HR concerns relate directly to the matters to be discussed during the upcoming JSCD/PCDMV Lekgotla. As such, the Committee may consider a generic preliminary BRRR recommendation that resolutions of the Lekgotla be implemented.*
- *The increasing cost of lengthy suspensions with full pay of SANDF members is a concern and may warrant a recommendation. The Committee may consider requesting the Department to report on efforts to curb such lengthy suspensions and report back to Parliament.*

5. BROAD FINANCIAL CONCERNS AND THE AUDITOR-GENERAL'S REPORT

Members may note that the Auditor-General is yet to complete its audit of the DOD. As such, the information below reflects figures presented by the DOD in its draft Annual Report for 2019/20.

5.1 Revenue generation

The Department under collected on the following items:

- Transfers received due to a decrease in the United Nation's reimbursements for Operations. Claims could not be submitted as the Memorandum of Understanding is under consideration.
- Sale of capital assets due to no equipment sold on auctions as auctioneers have not yet been appointed. *Members may note that the same reason was provided in the 2018/19 Annual Report even though the 2018/19 Annual Report indicated that a new auctioneer has been appointed to the DOD.*

**Potential BRRR discussion points:**

- The under-collection on transfers from the UN is of critical concern given the financial constraints under which the SANDF functions. *The Committee may recommend that the DOD furnish it with a report on the reasons the Memorandum of Understanding has not been finalised and the implications thereof.*
- Both the 2018/19 Annual Report and the 2019/20 draft Annual Report indicate that no capital assets were sold due to an auctioneer not being appointed. Given the financial constraints in the Department, it should be questioned why such a means of revenue generation is not being prioritised and auctioneers appointed as a matter of urgency. *The Committee may recommend that the DOD urgently appoints new auctioneers and that maximum benefit for the Department be gained from the sale of obsolete equipment and other approved assets.*

5.2 Unauthorised, fruitless and wasteful, and irregular expenditure

Irregular expenditure¹⁶, according to the DOD, amounted to R2.832 billion for 2019/20, which is lower than the R3.587 billion irregular expenditure incurred in 2018/19. According to the DOD, major contributors to irregular expenditure include:

- R2.609 billion was for expenditure above the Compensation of Employees allocation; this was due to a reduction imposed by National Treasury through budget reduction on actual employees in the services of the DOD.
- R143 million was paid for the asset verification project contract which was awarded through an unfair bidding process. This contract will only be concluded in 2021/22.
- R34 million was paid for three contracts that were awarded by means of an unfair bidding process.
- R28 million was paid for an Information and Communication Technology contract, not concluded through the State Information Technology Agency.

Fruitless and wasteful expenditure decreased from R37 million in 2018/19 to R20 million in 2019/20. Fruitless and wasteful expenditure in 2018/19 related mostly to the non-utilisation of leased properties and interest and foreign currency fluctuation losses for late payments due to operational challenges. The matter of the non-utilisation of a leased property was also the cause of R35 million in fruitless expenditure in 2018/19.

Remark: *The Committee may consider only making BRRR recommendations on financial matters following the finalisation of the Auditor-General's input.*

6. CONCLUSION

The DOD continued to function under increasing financial strain in 2019/20. The financial constraints, along with apparent planning concerns such as the lack of organisational renewal and slow implementation of strategies impact on the broader functioning of the Department. This raises concern around the performance in coming years as the DOD will likely remain under financial pressure, irregular expenditure is set to continue amid the compensation of

¹⁶ DOD. (2020). p. E6-7.



employees ceiling, and a lack capital acquisition and maintenance will detract from the SANDFs operational capabilities.

REFERENCES

Department of Defence. (2016) *2015/16 Department of Defence Annual Report*.

Department of Defence. (2017) *2016/17 Department of Defence Annual Report*.

Department of Defence. (2018) *2017/18 Department of Defence Annual Report*.

Department of Defence. (2019) *2018/19 Department of Defence Annual Report*.

Department of Defence. (2020) *2019/20 Department of Defence Draft Annual Report*.