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ANALYSIS: FIRST QUARTER EXPENDITURE ANALYSIS FOR THE DEPARTMENT OF MILITARY VETERANS FOR 2020/21

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1. INTRODUCTION

The following analysis of the First Quarter Expenditure Report of the Department of Military Veterans (DMV) for 2020/21 provides a broad overview of aspects that may require further examination by the Portfolio Committee on Defence and Military Veterans (PCDMV).¹ Members may note that the First Quarter overlapped with the initial lockdown phase as a response to the global Covid-19 pandemic, which impacted significantly on the expenditure of all government departments. Prior to examining the quarterly expenditure of the DMV, previous PCDMV recommendations and observations that have relevance to the quarterly progress report of the Department are highlighted.

2. PREVIOUS OBSERVATIONS BY THE PCDMV

The PCDMV have made several recommendations and observations in recent months that have bearing on the DMV's First Quarter report for 2020/21. The observations and recommendations should form part of the Committee's continuous in-year oversight of DMV expenditure and performance:

Recommendations from the 2019 Budgetary Review and Recommendations Report (BRRR):

- The DMV should prioritise the filling of vacancies, especially at top management level to address the leadership instability.
- Enhanced focus on skills development to facilitate military veterans being less reliant on the Department.
- Although taking cognisance of the efforts of the Department to facilitate a new structure, the Committee stressed the importance of this process and recommended that the Committee be kept abreast of developments in this regard on a continuous basis.

¹ All information obtained from the National Treasury report to the Standing Committee on Appropriations.



- The Department indicated that the virements and shifts of funds were to cost pressure areas, such as education. The Committee recommended that these should be limited in future and attention should rather be concentrated on improving the under-performing programmes, as these continuing movement of funds may attest to poor planning.
- The Committee recommended that the Financial Mismanagement Committee should enhance its efforts to deal with financial transgressions and that in future it should give the Committee the assurances that it is indeed serving its intended purpose to address the lack of consequence management.
- The Committee recommended that the Department continues with its undertaking to finalise the database by the end of 2019 and to keep the Committee informed in this regard.
- While the Department explained the developments around the Social Relief of Distress (SRD), the development of a SRD policy and the migration of certain of these activities to the DMV from the Department of Social Development, the Committee recommended that this should be sped up, given the relief it is providing to destitute military veterans. The Committee also committed to follow up on this issue on a regular basis.
- The Committee recommended that the DMV should explore means to ensure that payments to educational institutions are made timeously or that the Department reassure these institutions of these payments.
- The Committee recommends that the Department should enhance its efforts to implement a transport benefit and give feedback to the Committee on this benefit on a regular basis.

Relevant discussions arising from the PCDMV-DMV engagement on the Special Adjustments Budget:

- The DMV indicated that currently there were six provincial offices, but they were using only three. Issues such as connectivity and supplies, such as computer desktops and budget cuts, undermined the work of provincial offices.
- The DMV seeks to prevent the illegal occupation of houses built for military veterans by allocating houses to specific veterans prior to starting with the building process.

3. DMV: FIRST QUARTER 2020/21 OVERALL EXPENDITURE TRENDS

The DMV received a total main appropriation of R683.1 million for the 2020/21 financial year. By the end of the First Quarter, ending in June 2020, it had spent R44.6 million (6.5%) of the allocated budget. This is significantly lower than the projected expenditure of R167.7 million for the First Quarter (underspending by R123.1 million).

At programme level, major variances can be noted in terms of actual expenditure against projected expenditure. The largest variances can be noted in Programme 2 (Socio-economic support) and Programme 3 (Empowerment and Stakeholder Management). This is a significant observation given that these programmes include the core business of the Department and this is where the actual support to deserving military veterans takes place.

In terms of economic classification, spending on compensation of employees stayed within the planned expenditure framework. The Department spent R31.3 million on compensation of employees against a projected expenditure of R35.1 million. However, in terms of Goods and



Services, the DMV spent only R6.7 million against the planned spending of R69.4 million. Similarly, in terms of transfers and subsidies, the DMV spent R6.5 million against the planned spending of R57.9 million.

4. KEY EXPENDITURE TRENDS PER PROGRAMME

Key issues for the PCDMV to note related to spending at the end of the First Quarter of 2020/21 on the various programmes and subprogrammes are presented below:

Programme 1: Administration	<ul style="list-style-type: none"> The main appropriation was R138.5 million of which R21.9 million (15.8%) was spent in the First Quarter. Spending was R10.4 million (32.2%) lower than projected. Reason for slow spending: Lower spending on property payments as a result of delays in the receipt of invoices from the Department of Public Works and Infrastructure as well as lower spending on computer services as a result of delays in the receipt invoices from SITA.
Programme 2: Socio-economic support	<ul style="list-style-type: none"> The main appropriation was R401.4 million of which R13.1 million (3.3%) was spent in the First Quarter. Spending was R79.7 million (85.9%) lower than projected. Reason for slow spending: Delays in the receipt of invoices from the South African Military Health Services regarding the healthcare support to military veterans and the delays in the delivery of houses to military veterans. Delays in planned activities due to Covid-19 lockdown.
Programme 3: Empowerment and stakeholder management	<ul style="list-style-type: none"> The main appropriation was R143.1 million of which R9.6 million (6.7%) was spent in the First Quarter. Spending was R33.1 million (77.5%) lower than projected. Reason for slow spending: Skills development and business support activities which did not occur as a result of the nation-wide lockdown. The lower spending was also due to the vacancies for provincial coordinator positions as well as provincial offices which are not yet operational.

5. ADDITIONAL INFORMATION

In addition to the spending trends noted above, Members should take note of the following aspects related to personnel and spending by the DMV by the end of the First Quarter:

- Covid-19 spending.** At the end of June 2020, the department has spent R622 000 towards Covid-19 related interventions mainly for the procurement of personal protective equipment (PPE).
- Specifically appropriated items.** The DMV projected to spend R57.9 million on Military Veterans' Benefits in the First Quarter. However, no funds were spent.



6. QUESTIONS ON EXPENDITURE TRENDS FOR THE FIRST QUARTER

Questions on expenditure trends by the end of the First Quarter:

While the slow spending by the DMV during the First Quarter in the context of Covid-19 and the lockdown is understandable, there are matters that require explanation from the Department:

- The fact that there was significant slow spending on the support programmes, which is at the core of support to vulnerable military veterans, is of real concern and Members may request an explanation on which specific programmes were halted during this period.
- In terms of education support, were any payments made during the First Quarter? (It can be assumed that students were still actively studying during this period and tuition fees were required to be paid).
- In terms of specifically appropriated funds, the DMV projected to spend R57.9 million on Military Veterans' Benefits in the First Quarter. However, no funds were spent. Members may request an explanation as to this failure to spend specifically allocated funds.
- Have receipts for services rendered by the SA Military Health Services, SITA and the Department of Public Works been received since the end of the First Quarter? When will such payments be made by the DMV?
- Slow spending in Programme 3 was also incurred as a result of provincial offices which are not yet operational. This concern predates the Covid-19 pandemic. What measures have been put in place to speed up the opening of DMV provincial offices? How many offices can the Committee expect to be opened by the end of the financial year?
- The DMV spent R622 000 towards Covid-19 related interventions mainly for the procurement of personal protective equipment (PPE). For what purpose was such PPE acquired? Was it purely for the DMV headquarters or was some of the PPE distributed to veterans?