

**BUDGETARY REVIEW AND RECOMMENDATION REPORT (BRRR) OF THE PORTFOLIO COMMITTEE ON DEFENCE AND MILITARY VETERANS ON THE DEPARTMENT OF DEFENCE (DOD) ANNUAL REPORT FY2019/20 DATED 02 DECEMBER 2020: QUARTER 4 OF FY2020/21**

S/No	BRRR Recommendations	Quarterly Progress
<b>Recommendations to the Minister of Defence and Military Veterans (MOD&amp;MV)</b>		
1	<i>The DOD should report on the spending progress of the R225 million for borderline technology.</i>	<p>The National Treasury allocated R225 million to the DOD over the Medium-Term Expenditure Framework period as follows:</p> <ul style="list-style-type: none"> <li>• R65 million was allocated for FY2020/21</li> <li>• R75 million for FY2021/22</li> <li>• R85 million for FY2022/23</li> </ul> <p>The R65 million allocation for FY2020/21 was spent on the upgrading of facilities and technology (utilised as force multipliers) in support of the 15 SANDF sub-units deployed to safeguard the RSA borders.</p>
2	<p><i>a. Given that Project Hoefyster is significantly behind schedule, the DOD, ARMSCOR and Denel should jointly re-evaluate the feasibility of Project Hoefyster and present the Committee with a way forward. Key to this outcome should be a focus on SANDF capability as well as fiscal stability.</i></p> <p><i>b. The Minister, through the Armaments Acquisition Council, should provide feedback to the committee on the outcome of engagements between the DOD, ARMSCOR and Denel on the future of Project Hoefyster.</i></p>	<p>Project HOEFYSTER made no progress during Quarter 4.</p> <p>Denel's financial situation and challenges with human capital, hampers the State Owned Entity's ability to perform on the contract with ARMSCOR.</p> <p>The future of Denel has not yet been decided upon by Cabinet. The contract between Denel and ARMSCOR is not feasible for any of the three parties (DOD, ARMSCOR and Denel) in its current form.</p> <p>The SA Army's required capability against Project HOEFYSTER remains valid.</p>
3	<i>DOD should ensure that it invoices government departments for services rendered by the DOD and the Department should indicate to the PCD&amp;MV if there are cases where such invoices were not paid.</i>	<p>Government Departments are being issued with invoices for services rendered by the DOD.</p> <p>The following Departments still owe the DOD for services rendered:</p> <ul style="list-style-type: none"> <li>• Department of Correctional Services – Veterinary Services</li> <li>• Department of Health (North West Province) – Medical assistance during strikes</li> <li>• Department of Health (Kalafong Hospital) – Transfer of patients</li> <li>• Department of Health (Steve Biko Academic Hospital) – Transfer of patients</li> <li>• Department of Military Veterans – Medical assistance</li> <li>• Department of Public Works and Infrastructure – Building of bridges</li> </ul>

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		<ul style="list-style-type: none"> <li>National Treasury – Medical treatment for military pension officers</li> <li>South African Police Services - Veterinary Services</li> <li>South African Revenue Services - Veterinary Services</li> </ul> <p>The DOD needs to institutionalise and optimise its processes on how to invoice other Government departments for services rendered.</p>
4	<p><i>The DOD should brief the Committee on a quarterly basis on the status of funding for Projects Biro and Hotel, including from which other capital acquisition projects funds are moved from to pay for these projects.</i></p>	<ul style="list-style-type: none"> <li>Progress was made against Project HOTEL with the allocated funding for FY2020/21. The FY2021/22 budget allocation is however insufficient to sustain Project HOTEL.</li> <li>Project BIRO is not sufficiently funded to honour its current contractual obligations. The Special Defence Account Reserves will have to be reallocated to the Project to honour its contractual obligations.</li> </ul>
5	<p><i>The DOD is encouraged to ensure that funds earmarked for Research and Development purposes are released.</i></p>	<p>The Defence Matériel Division funded and utilised the following Defence-Related Industries for Research and Development during FY2020/21:</p> <ul style="list-style-type: none"> <li>Institute for Maritime Technology.</li> <li>Protechnik Laboratories.</li> <li>Hazmat Protective Systems.</li> <li>Defence Decision Support Institute.</li> <li>Ergonomics Technologies.</li> <li>Fluid and Mechanical Engineering Group.</li> <li>Armour Development.</li> <li>Innovation.</li> </ul> <p>The DOD is in process to allocate earmarked funds to ARMSCOR for Research and Development purposes during FY2021/22. The Department will, in future, endeavour to continue to allocate funds on an annual basis to ARMSCOR for this purpose.</p>
6	<p><i>The DOD should realign its 2020/21 Annual Report to report on the following two targets that have been classified:</i></p> <ul style="list-style-type: none"> <li><i>Percentage medical stock availability.</i></li> <li><i>Reimbursements received from the United Nations for deployments.</i></li> </ul>	<ul style="list-style-type: none"> <li>Information regarding reimbursements received from the United Nations for deployments was de-classified for the FY2020/21 and will be disclosed in the DOD Annual Report for FY2020/21.</li> <li>During Quarter 4 of FY2020/21, 52% of the total projected reimbursement to the value of R181 211 511 was recognised. R256 510 781, due from previous financial years, was paid. The United Nations still owe reimbursements to the DOD for September 2020 to March 2021.</li> <li>The “percentage of medical stock availability” remains classified information and is disclosed to DOD management, reported in the SANDF classified reports as well as to the Auditor-General for audit purposes.</li> </ul>

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7	<p><i>a. The Committee recommends urgent interventions to ensure improved case finalisation in the Legal Services Division,</i></p> <p><i>b. specifically the finalisation of disciplinary cases in the Department, as it relates directly to Consequence Management.</i></p>	<p>During Quarter 4 of FY2020/21, 257 disciplinary cases were received, of which 155 (60,31%) cases were reviewed.</p> <p>Defence Legal Service Division (DLSD) does not have functional control over SANDF structures therefore disciplinary cases are being concluded at the various units within the different Services. DLSD issued guidelines internally to all Functional Entities under command to prioritise cases involving Senior Officers and other serious offence cases of all ranks in lieu of focusing on disciplinary cases that may also be tried by the Military Judges in order to remedy the current situation.</p> <p>The HR Division is currently in the process of filling all vacant posts (PSAP &amp; DAP) in order to capacitate the environment dealing with disciplinary/misconduct cases. Furthermore, there are planned empowerment programmes for members within the HR Division to be trained as Departmental Representatives and Chairpersons to deal with disciplinary cases.</p>
8	<p><i>The DOD should report to the Committee in writing the status of all outstanding DOD strategies as well as future developmental and implementation dates.</i></p>	<p>The development, approval and promulgation of strategies are not receiving the desired attention as higher order strategies have not been finalised to give direction to subordinate strategies. Matters related to Defence Strategies have now been placed as a Standing Item on the Agenda of the Defence Planning Board for purposes of direction and control of Strategies.</p> <p>For FY2021/22, Chief Defence Policy, Strategy and Planning, in consultation with the SANDF Chief of Staff, will initiate an engagement with the Secretary for Defence and the Minister of Defence and Military Veterans on the need for an adjusted level of ambition that will inform the development of the DOD Strategy. Subordinate Strategies will then be developed following the finalisation of the DOD Strategy.</p>
9	<p><i>Measures to return the DOD to a Level 5 Enterprise Risk Management maturity level rating in 2020/21 should be implemented. Progress in this regard should be presented to the Committee on a quarterly basis.</i></p>	<p>The Risk Maturity Level has improved from level 4 in FY2019/20 to level 4.8 in FY2020/21.</p> <p>The following actions have been instituted to improve the Maturity Level and will be monitored through the Strategic Risk Management Committee (SRMC) meetings:</p> <ul style="list-style-type: none"> <li>• The DOD Risk Management Policy has been revised and aligned to the National Treasury Public Sector Risk Management Framework and is currently in the consultation process for inputs.</li> <li>• The DOD has a Risk Management Framework which includes all the components of the Risk Management Strategy. The development of the Risk Appetite Framework and Risk Tolerance will commence during the FY2021/22 after the consultation process of the reviewed Risk Management Policy first draft has been completed.</li> <li>• The Fraud Prevention Plan has been reviewed and is currently in the approval process. The Plan is envisioned to be approved in FY2021/22.</li> <li>• Training was provided to the members of the SRMC on 19 November 2020. The appointment of the Independent Chairperson to the DOD SRMC is in progress.</li> </ul>

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10	<p><i>The Committee remains concerned about the fact that the SA Air Force is not able to meet its flying hour targets. The Committee will continue to monitor this on a quarterly basis and requests the DOD to provide it with these figures quarterly as well as reasons for non-achievement of the target.</i></p>	<p>During Quarter 4 of FY2020/21, the SA Air Force achieved 3 252.81 flying hours, comprising of:</p> <ul style="list-style-type: none"> <li>• 2 376.72 hours for Force Preparation</li> <li>• 760.19 hours for Force Employment</li> <li>• 115.90 hours for VVIP flights.</li> </ul> <p>The SA Air Fore flying hours are being curtailed by aircraft availability. Aircraft operational capability is negatively affected by several factors such as the availability of spares (inter alia: insufficient funding for on demand spares or long lead time orders). Aircraft obsolescence is another key factor affecting availability and this is being exacerbated by lack of funding to replace or upgrade affected aircrafts.</p> <p>The SA Air Force's planned Force Employment hours, including VVIP hours are dependent on taskings.</p>
11	<p><i>a. The Committee requests a broad outline from the DOD on its envisaged utilisation and maintenance of the vessels to be delivered to the SA Navy over the MTEF.</i></p> <p><i>b. Clarity should be provided on how this will be funded and the impact that it will have on the Navy's ability to achieve its target on sea hours.</i></p>	<p><u>Utilisation and Maintenance of Vessels.</u></p> <ul style="list-style-type: none"> <li>• The Hydrographic Survey Vessel (HSV) (pennant number A187), currently under construction in terms of Project HOTEL will, upon projected delivery to the SA Navy in June 2023, take over the hydrographic survey function currently executed by the ageing SAS PROTEA (49 years old). The SAS PROTEA will thereafter be retained for a training role only, subject to further investigation.</li> <li>• The three Multirole Inshore Patrols Vessels (MMIPVS) currently under construction in terms of Project BIRO will, upon projected delivery to the SA Navy in May 2021, September 2022 and June 2023 respectively, take over the maritime coastal patrol function currently executed by the obsolete Offshore Patrol Vessels (OPVs) SAS ISAAC DYOBHA and SAS MAKHANDA, as well as execute other Force Employment tasks that may be ordered. In terms of maintenance, the new vessels will be maintained by the SA Navy, in cooperation with the ARMSCOR Dockyard. No major maintenance and repair of the vessels are anticipated over the respective Medium-Term Expenditure Framework cycles, following their delivery, starting from FY2021/22. Routine maintenance and repair costs, as may be required, will be executed within the SA Navy's operating budget allocation.</li> </ul> <p><u>Funding and Impact on Achievement of Sea Hours Target.</u></p> <ul style="list-style-type: none"> <li>• The operating/running costs of the new vessels will be off-set through the phased decommissioning and placement in reserve of current obsolete platforms. The OPV SAS GALESHEWE has already been placed in reserve in October 2020. The OPV SAS ISAAC DYOBHA will be placed in reserve by September 2021 and the OPV SAS MAKHANDA by January 2023. It is projected that the SAS PROTEA will only retain a core crew, should she be utilised as a training platform, subject to an investigation, following the commissioning of the new HSV. In addition, there will be no additional Cost of Employer expenditure involved, as the post structure of the new vessels are being created based on the principle of financial discounting of the posts of the vessels being placed in reserve, as well as of other obsolete vessels that have</li> </ul>

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		<p>already been place in reserve. The crews currently serving on board the obsolete vessels will continue to be retrained for utilisation on board the new vessels, as they are being placed in reserve.</p> <ul style="list-style-type: none"> <li>Regarding the impact on the SA Navy's achievement of its annual target of 8 000 hours at sea per year over the 2021/22 MTEF, it is planned that the new vessels will be operationally available for Force Preparation and Force Employment from their commissioning dates and that the required operational tempo will be achieved. This is in sharp contrast to the frequent non-availability of the current obsolete vessels that will be replaced, which require extended maintenance and repair. The new vessels will therefore contribute significantly to capacitate the SA Navy to achieve its planned annual sea hour target.</li> </ul>
12	<p><i>The DOD should effectively capacitate Defence Intelligence to increase its capacity for vetting decisions.</i></p>	<p>The capacitating of the Directorate Vetting with skilled personnel remains a challenge that threatens the effective execution of its mandate. However, Defence Intelligence (DI) has managed to make progress by detaching skilled members to further capacitate the Vetting structure. DI has also prioritised the expansion of the structure to accommodate client demands and reduce the backlog which has led to an overachievement of the Vetting target for Quarter 4 of FY2020/21 – <b>1 990 Vetting decisions taken against a Q4 target of 1 125.</b></p> <p>The breakdown of progress and the appointments are as follows:</p> <ul style="list-style-type: none"> <li>The future intent is to decentralise the issuing of confidential clearances to Regional Offices.</li> <li>Interviews for the Session Worker posts have been placed on hold as a result of COVID-19. Interviews will commence in during 2021.</li> <li>The Vetting Course will be conducted during 2021.</li> <li>The additional members detached and transferred to Dir Vetting continues to have a positive impact on maintaining the set target and curbing the backlog of clearances as well as assisting with the receiving, capturing and opening of all files. The future intention is to have these members permanently staffed at the Directorate.</li> <li>The staffing of one Reserve Force member is in progress pending the successful completion of training requirements as set out by HR Policies.</li> </ul> <p>The services of the Psychology Section is aimed at augmenting the following functions:</p> <ul style="list-style-type: none"> <li>To conduct psychological evaluations for all Top Secret Clearances and referrals from the Vetting Panel.</li> <li>To conduct ongoing R&amp;D within the Vetting environment to support evidence-based psychological services and vetting processes.</li> <li>To provide behavioural dynamic training and development service.</li> <li>To provide Operational Psychology Services (Selection, Development, Teambuilding, Profiling and Debriefing) to the Department.</li> </ul>

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13	<i>Given that the Military Police managed to exceed its targets in 2019/20, the DOD should consider adjusting these targets upwards for the outlying years of the MTEF to ensure enhanced performance.</i>	<p>Due to the fact that the DOD Annual Performance Plan for 2021 has already been tabled, targets could not be reviewed and adjusted, as proposed by the Committee, for FY2021/22. The process to increase / adjust target setting will be undertaken during the Military Police Division Command Council's Annual Strategic Planning Work Session over the period 07 June 2021 – 10 June 2021.</p> <p>During Q4 of FY2020/21, <b>43 deliberate crime prevention operations were conducted against a target of 31.</b></p>
14	<i>The DOD should indicate to the Committee in writing the measures it will take to reduce the lengthy periods that SANDF members are suspended with pay and the subsequent cost to the DOD.</i>	<p>The DOD HR Division is responsible to obtain authority for suspensions of uniform members and to keep a database thereof. The duration/period of suspension with pay is dependent on the finalisation of Boards of Inquiries / disciplinary cases at Services and Divisions.</p> <p>SANDF members exonerated after Boards of Inquiries / investigations were finalised, are invited back to the DOD to resume their duties.</p>
15	<i>The DOD should furnish the Committee with a report on the reasons for under-collection of transfers from the UN due to the Memorandum of Understanding not being finalised.</i>	The under-collection of reimbursements from the United Nations is due to unserviceable equipment and the inability of Services and Divisions to provide serviceable equipment in order to satisfy the Status of Unit Requirements as per MOU.
16	<i>The DOD should urgently appoint new auctioneers to ensure that revenue can be generated from the sale of approved obsolete assets. While the Committee understands that Project Thusano is ongoing to realise the utilisation of old vehicles, the auctioning of equipment that were already found to be unserviceable should proceed without delay as the Committee was informed that some of these vehicles dated from the 1980's.</i>	<p><u>Non-military vehicles.</u></p> <ul style="list-style-type: none"> <li>The DOD is in process to advertise for an Auctioneer Contract through the National Treasury procurement process.</li> </ul> <p><u>Military vehicles.</u></p> <ul style="list-style-type: none"> <li>Auctions for the disposal of military vehicles are held and managed through ARMSCOR on the DOD's behalf.</li> </ul> <p>The Department will report on the number of vehicles disposed of through auctions during Q1 of FY2021/22.</p>
17	<i>The Committee encourages the Minister of Defence to relay to Cabinet the dire consequences of any potential collapse of Denel to Armscor, the broader defence industry and the SANDF's operational capability.</i>	<p>The Department attended to this matter as follows:</p> <ul style="list-style-type: none"> <li>The matter was raised at the Justice, Crime Prevention and Security Cluster</li> <li>The matter was taken to the National Security Council</li> <li>The MOD&amp;MV took the matter to Cabinet</li> </ul> <p>The status and future of the SA Defence Industry, specifically ARMSCOR and Denel will be taken back to Cabinet within the next few weeks.</p>

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18	<i>The Committee encourages the Minister of Defence to speed up plans to generate revenue for the DOD and quarterly updates on progress in this regard should be provided to the Committee.</i>	<ul style="list-style-type: none"> <li>During FY2021/22, the DOD will pursue viable alternate funding options of the defence function, to supplement the declining defence allocation, through, inter alia, the implementation / revision of the approved Defence Funding Model.</li> <li>The DOD will furthermore need to do an Environmental Scan to identify projects to enhance income generation in future.</li> </ul>
19	<i>The Committee urges the DOD to ensure that Supply-Chain Management functions are realigned to resort under the control of the CFO and the Risk Management under the accounting officer.</i>	<p>The Secretary for Defence Organisational Renewal and Design (SORD) Project currently underway, aims to address the issue of repositioning of the Defence Secretariat and revise the macro structure of the Defence Secretariat to align with the mandate of the Secretary for Defence, as the Head of the Department and Accounting Officer.</p> <p>The outcome of the SORD Project will direct the placement of the Supply Chain and Risk Management functions within the Secretariat.</p>