



© DPM&E

2020/21

DEPARTMENT OF DEFENCE

Annual Report

Presentation to the Portfolio Committee on Defence and Military Veterans – 10 Nov 2021

Aim

Information brief
to the

Portfolio Committee on Defence and Military Veterans

on the

DOD Annual Report for FY2020/21



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

Presentation Structure

1. Background

- Regulatory Framework, subsequent to COVID-19

2. DOD Annual Report Structure and Content

- Part A: General Information
- Part B: Performance Information
- Part C: Governance
- Part D: Human Resource Management
- Part E: Financial Information



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

3. AGSA Audit Outcomes for the year ended 31 March 2021

- Report on the Audit of the Annual Performance Report
- Report on the Audit of the Financial Statements
 - Basis for Qualified Opinion
 - Material Irregularities



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

1. Background

Background

This Annual Report seeks to provide the civil oversight committees of Parliament and the people of SA an overview of the performance of the Department during the financial year under review.

The **DOD Annual Report Instruction No. 0001/2021** dated 29 Jan 2021 gave effect to the legislative framework applicable on Annual Reports, and provided **DOD unique guidelines** for the compilation of respective Annual Report Inputs.

Subsequent to the issuing of this DOD Instruction, National Treasury issued an **updated Annual Report Guide** for National and Provincial Departments during Mar 2021 including amendments wrt:

- Reporting against two sets of SPs and APPs [DOD AR p49]
- Additional COVID-19 reporting requirements [DOD AR p51]
- Reporting aligned with the Revised Framework for SPs and APPs [DOD AR p54]

AGSA Correspondence

- 1) AGSA **Audit Strategy** dated **31 Mar 2021** stating that the 2020-21 audit commenced two months late due to delays in finalising the 2019-20 audit, and that due to challenges caused by the pandemic and the late start of the audit, AGSA anticipated the audit to be delayed by two months.
- 2) Letter **06611REG20/2** dated **09 Jun 2021** to the Secretary for Defence regarding “*Delays in the submission of audit report*”; explaining that AGSA will conclude the audit by no later than 30 Sep 2021 due to challenges experienced during the audit process.
- 3) “*Special Report of the auditor-general to the Accounting Officer of the Department of Defence on the Delay in the Submission of the Audit Report on the Financial Statements of the Department of Defence for the Financial Year Ended 31 March 2021*”, dated **22 July 2021**



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

AGSA Correspondence (2)

- 4) Letter **10115REG20/2** dated **26 Jul 2021** to the MOD&MV: *“Special report of the auditor-general on the delay in submitting the audit reports on the financial statements of entities in the Defence and Military Veterans portfolio for the financial year ended 31 March 2021”*
- 5) Letter **06611REG 2020/21** to the Secretary for Defence dated **17 Aug 2021**, acknowledging the Department’s letter (dated 05 Aug 2021) to NT and the EA on the delay in finalisation of the audit report due to challenges linked to the COVID-19 pandemic and AGSA’s commitment to finalise and issue the audit report by latest 15 Sep 2021.



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

Legislative Target Dates

31 May 2021

In accordance with Section 40(1)(c) of the PFMA, the AO for the Department “*must submit the financial statements within two months after the end of the financial year to the Auditor-General for auditing*” (inclusive of the Department’s non-financial performance information).

This implies that the draft Annual Report must be submitted to the AGSA by **end May** each year. The AGSA will review the contents of the Annual Report to ensure that it is consistent with the information provided in the AFS, planning documents and any other relevant material. The AGSA will then complete the audit and provide their Audit Report to Parliament for the relevant financial year, usually by **end July September. (17 September 2021)**



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

Legislative Target Dates

31 August 2021

Section 40(1)(d) of the PMFA stipulates that the AO for the Department “*must submit **within five months of the end of a financial year** to treasury:*

- *an annual report on the activities of the department;*
- *the financial statements for the financial year after those statements have been audited; and*
- *the Auditor-General’s report on those statements”.*

This implies that the **final, audited DOD Annual Report** must be presented by the AO to the EA and NT by **end August September. (28 September 2021)**

Legislative Target Dates

30 September 2021

In terms of Section 65(1)(a) of the PFMA, *“the executive authority responsible for a department must table in the National Assembly or provincial legislature, the annual report and financial statements referred to in Section 40(1)(d) and the audit report on those statements, within one month after the accounting officer for the department received the audit report”*.

Tabling of the Annual Report to the Speaker of the National Assembly and the Chairperson of the National Council of Provinces usually takes place by the **end of September**.

(30 September 2021)

2. DOD Annual Report Structure and Content

Part A:

General Information

DOD Annual Report Structure

Part A: General Information

- Foreword by the Executive Authority [DOD AR p9]
- Strategic Statement by the Head of Department [DOD AR p12]
- Introduction by the C SANDF [DOD AR p15]
- Strategic Overview [DOD AR p17]
- Organisational and Legislative Mandates [DOD AR p18]
- Organisational Structure [DOD AR p20]
- Information on the Ministry [DOD AR p21]
- Defence Diplomacy [DOD AR p23]

Strategic Overview

- The DOD Annual Report for FY2020/21 reflects on the contribution Defence made over the 2019 to 2024 MTSF to the sovereignty of SA and the authority of the State.
- The year under review was unprecedented – the pandemic defined the Department's entire year.
- Whilst the fiscal circumstances that SA is facing are well understood, it must also be appreciated that the dramatic reductions to the defence allocation over time have severely impacted the ability of the DOD to meet its mandate. This impacted negatively on the SANDF's ability to defend and protect SA and its people, but also for the Defence Secretariat to maintain sufficient departmental governance capacity.

[DOD AR p9-14 & 44]

Strategic Overview

- The Compensation of Employee allocation has skewed the budget balance in the Department. Consequently, the budget allocation to operations and to capital or equipment renewal has also been significantly reduced over time.
- The baseline reduction imposed on the DOD poses serious financial constraints on the Department and its ability to defend and protect the country, and to rapidly intervene during crises on the continent.
- The baseline reduction also impacts on the contribution to the SDA, which in turn impacts on arresting the decline, by replacing and maintaining the ageing DOD assets.

[DOD AR p9-14]



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

Strategic Overview

- This underfunding, amongst defence industry-related challenges, led to Naval vessels being alongside and therefore not available for the deployment of anti-piracy operations and maritime coastal patrols along the RSA's maritime borders.
- The mismatch between the expectation placed on the Department and its funding, have forced the DOD from its strategic long-term focus to a short-term view in the quest to manage the defence allocation.

[DOD AR p44]



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

Strategic Overview

- The administration of the Department is negatively impacted by legacy ICT systems. The DOD have not had the resources to modernise and align the ICT framework to the demands of sound administration of government business pertaining to Defence. The FMS is disconnected from the supply chain and logistic systems and will have to be rectified if the DOD is to reduce the current audit findings.
- The Defence and Defence Related Industry in SA is a force multiplier in growing our economy. The Public-Private Growth Initiative placed the Industry within the top ten economic sectors that could catalyse growth to the SA economy. The Secretary for Defence, as the chairperson of the NDIC, have been able to engage on matters that should lead to a more sustainable future for the sector.

[DOD AR p44]



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

Strategic Overview

- Although the COVID-19 pandemic did not have a major impact on planned DOD MTSF interventions, the spread of the Coronavirus impacted negatively on the full time availability of personnel due to the adherence to lockdown regulations, absence for medical examinations, positive cases registered, cases under investigation and decontamination of office accommodations on regular intervals.

[DOD AR p44]



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

Key Policy Developments

The following progress regarding the Constitutional and legislative mandates are reported:

- **Draft Military Discipline Bill** [DOD AR p19]

The drafting of this Bill commenced during FY2000/01 with the aim to regulate the Administration of Military Discipline; to align it with current SANDF requirements in order to improve the Military Discipline System and to enhance the effective functioning of a disciplined military force of the SANDF.

The draft Bill was withdrawn from Parliament during FY2020/21 for further consultation within the Department and with the public. The DOD is in the process of reviewing all the submissions received during the consultation process and it is envisaged that the draft Bill will be resubmitted to Parliament during FY2021/22.



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

SANDF Defence Attaché Representation

- During FY2020/21, the DOD were represented by residential Defence Attachés in **42 countries**, the African Union and the United Nations.
- The DOD was also represented by non-residential Defence Attachés in the following **20 countries** and the European Union.

Military Attaché and Advisor Corps Representation

- During FY2020/21, resident MAAC representation in SA were from **59 countries**.
- Non-resident Military Attaché and Advisor Corps representation in SA were from **three countries**.

[DOD AR p23-24]



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

Part B:

Performance Information

Part B: Performance Information

- Financial Performance Information
 - The Defence Vote 23
 - Capital Investment, Maintenance and Asset Management Plan
- Non-Financial Performance Information
 - Auditor-General's Report: Predetermined Objectives
 - Overview of Departmental Performance
 - Progress Towards Achievement of Institutional Impacts and Outcomes
 - Institutional Programme Performance Information
- Performance Information by Programme

Financial Performance Information



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

Defence Vote 23

During FY2020/21, the DOD received an appropriation of R54,201 billion, an 6.51% increase on the FY2019/20 appropriation (including R3 billion for the DOD's COVID-19 response, as per Special AENE).

Summary of Actual Expenditure versus Adjusted Appropriation for Current and Prior Years

	FY2018/19	FY2019/20	FY2020/21
	R'000	R'000	R'000
Adjusted Appropriation	48 496 235	50 888 132	54 201 287
Expenditure	48 492 073	50 882 257	54 086 190
Over expenditure	0	0	0
Amount overspent as percentage of Adjusted Appropriation	0	0	0
Amount surrendered	4 162	5 875	115 097
Amount surrendered as percentage of Adjusted Appropriation	0.009%	0.012%	0.212%

[DOD AR p29]



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

Non-Financial Performance Information



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

MTSF 2019 – 2024 Priorities

During the year under review, in pursuance of its constitutional and legislative mandate, the DOD continued to provide support to the NDP “Vision 2030” priorities relevant to the Defence Mandate within the parameters of the DOD Results-Based Model, for implementation through subsequent departmental planning instruments:

- **Priority 6: “Social Cohesion and Safer Communities”**

MTSF Indicators:

- *Number of landward subunits deployed on border safeguarding per year*
- *Number of maritime coastal patrols conducted*

- **Priority 7: “A Better Africa and a Better World”**

MTSF Indicator:

Percentage compliance with external peace missions, rescue operations and humanitarian assistance operations.



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

MTSF Priority 6

- The DOD continued executing Border Safeguarding operations in terms of Section 18(1)(d) of the Defence Act by deploying 15 sub-units to execute resourced **border safeguarding (Op CORONA)** in Limpopo, Mpumalanga, KwaZulu-Natal, Free State, Eastern Cape, Northern Cape and North West Provinces to safeguard and maintain the integrity of the country's borderline.
- The DOD was not able to conduct the required number of **maritime coastal patrols** as planned, due to underfunding, the turnaround time to get spares from industry and the resultant serviceability of Naval vessels. Naval vessels were alongside and therefore not available for the deployment of anti-piracy operations and could only conduct three out of the four planned coastal patrols along the RSA's maritime border.

[DOD AR p47]

MTSF Priority 6

- Landward, air and maritime capabilities were committed for the purposes of *Supporting the People* of SA internally by means of **safeguarding our borders, disaster relief, search and rescue, bridge building** in communities isolated from essential services as well as **conducting coastal patrols**.
- Amid the escalation of the COVID-19 pandemic, the SANDF was deployed in support of the SAPS and other Government departments to **preserve life, health or property** in emergency situations and in **prevention of crime** and **maintenance of law and order**, with specific reference to the **enforcement of lockdown regulations**.

[DOD AR p47-48]

MTSF Priority 7

The DOD continued to support the UN Peace Support Operation in the DRC (MONUSCO) as part of the Force Intervention Brigade with an average force size of 1 107 soldiers.

[DOD AR p48]



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

MTSF Priority 2

The DOD furthermore indirectly contributed towards the MTSF Priority 2: “Economic Transformation and Job Creation” by means of the following initiatives, amongst others:

- Reduction in Youth Unemployment (MSDS)
- Project KOBA-TLALA
- University Reserve Training Programme

[DOD AR p48]



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

DOD Output Indicators for FY2020/21



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

Analysis of DOD Output Indicators for FY2020/21

- During Q1 of FY2020/21, the DOD implemented and reported on the DOD APP for 2020 which was tabled on **12 Mar 2020**. The impact of the COVID-19 national state of disaster, the nationwide lockdown and the resultant Special Adjustment Budget (including stimulus / relief packages) of **24 Jun 2020**, necessitated the alignment of Government's planning, budgeting and performance reporting processes.
- This led to the re-tabling of the DOD Adjusted APP for 2020 on **20 Jul 2020**, in order for the Department to incorporate the Adjusted Budget and COVID-19 interventions to respond to the pandemic.

[DOD AR p49]

Institutional Response to the COVID-19 Pandemic



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

Institutional Response to COVID-19

- The President directed the SANDF to deploy, in cooperation with the SAPS, and in support of other Government departments, to ensure that the measures as announced were implemented throughout the country. The SANDF deployed under Op NOTLELA in various parts of the country from 26 Mar 2020.
- The SANDF deployed up to 8 429 personnel (Aug 2020), constituting members from the regular force, reserve force and auxiliary services. The deployed force levels varied according to the levels of the State of National Disaster, within available force level of 20 000.
- Capabilities deployed included lockdown enforcement elements, health care practitioners, engineers, air and maritime capabilities, with multiple taskings to assist frontline departments

[DOD AR p52]

Institutional Response to COVID-19

- The DOD participated in various national structures: NATJOINTS, PROVJOINTS, JCPS and ICTS Clusters on matters related to the COVID-19 pandemic and related security matters.
- Tasks executed by deployed soldiers included roadblocks, vehicle check points, foot patrols in cooperation with the SAPS, including operations against criminal elements which undermined the lockdown regulations.
- Other coordinated operations included the deployment of soldiers for humanitarian assistance, primary healthcare, water purification and water provision, bridge building, mass education about COVID-19, screening, testing, scanning and quarantining, amongst others.

[DOD AR p52]

Departmental Performance



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

DOD Results-Based Model

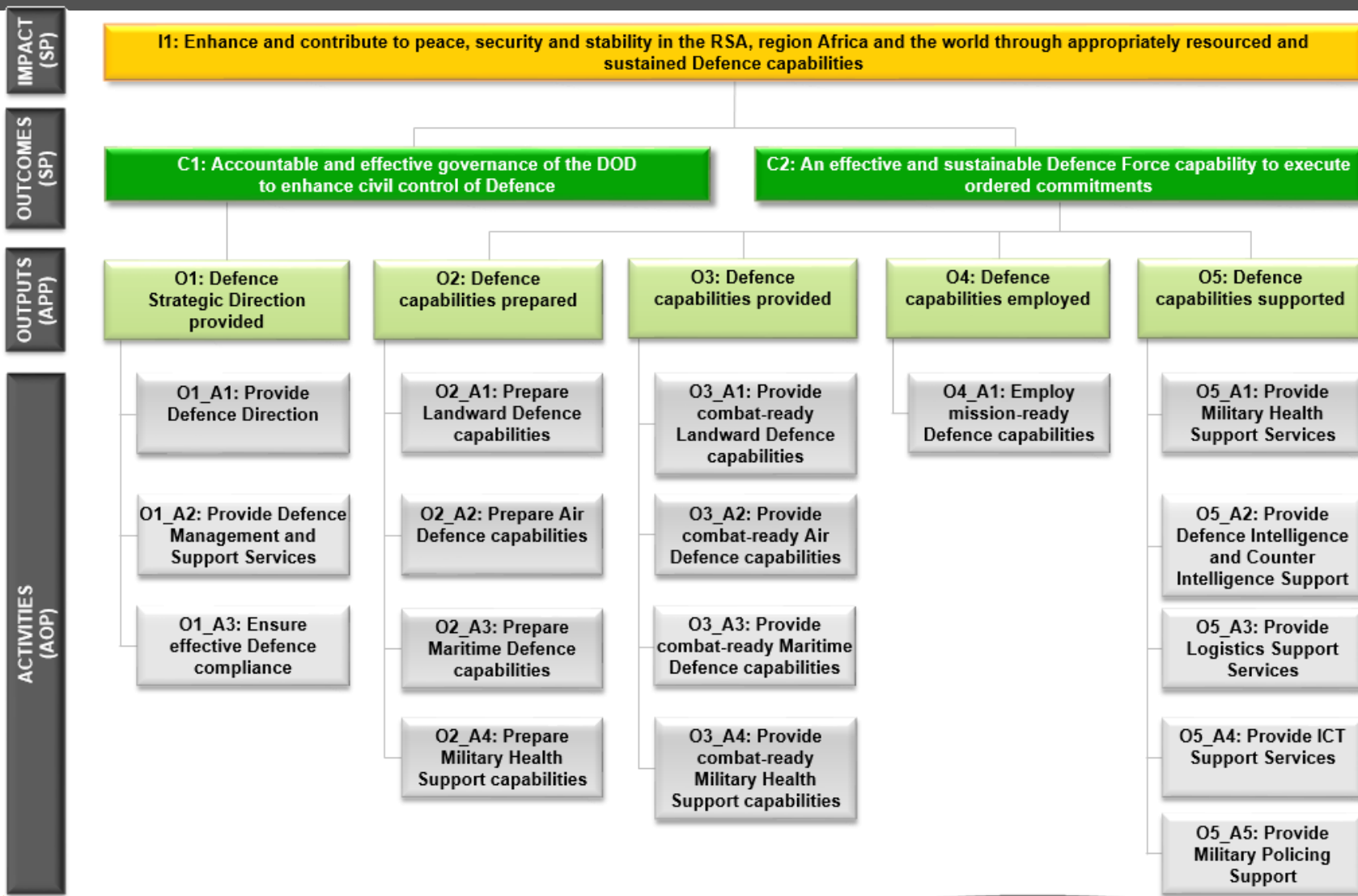
The DOD institutionalised the **Results-Based Management Framework** as prescribed in the DPME Revised Framework with effect from FY2020/21 as a tool to ensure that the Department fulfils its Constitutional mandate as expressed in terms of the intended impact, outcomes and outputs. [DOD AR p45]



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

DOD Results-Based Model



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

DOD Results-Based Management Dashboard

Outcomes

Accountable and governance of the DOD to enhance civil control of Defence
1 out of 1 achieved

Reduction in the number of Balances Qualified in the Financial Statements

An effective and sustainable Defence Force capacitated to execute ordered commitments
1 out of 1 achieved

Percentage compliance with ordered Defence commitments as resourced

Outputs

Defence Strategic Direction Provided
2 out of 6 achieved

Defence capabilities prepared
5 out of 8 achieved

Defence capabilities provided
6 out of 9 achieved

Defence capabilities employed
4 out of 6 achieved

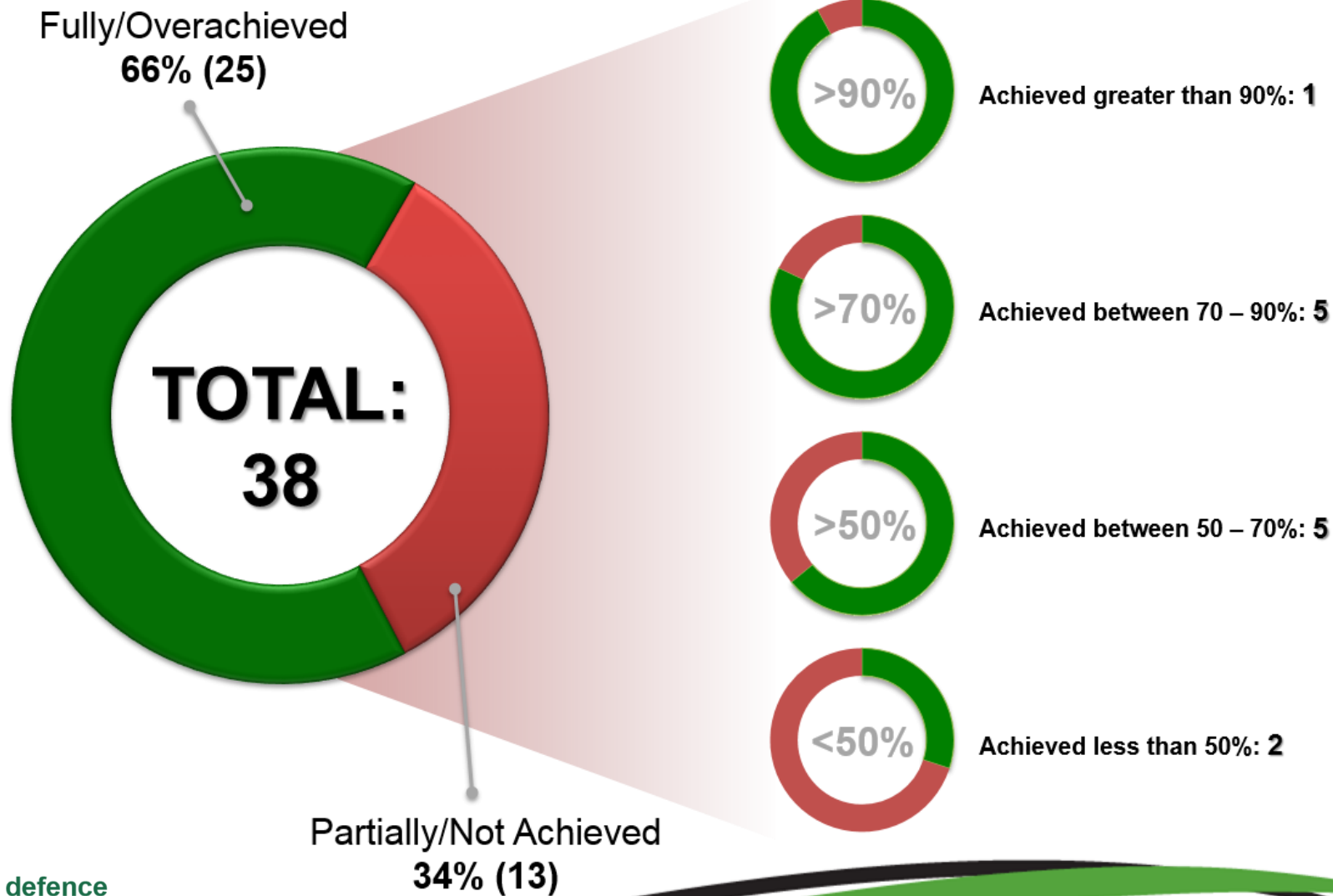
Defence capabilities supported
8 out of 9 achieved



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

DOD Degree of Non-Achievement



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

DOD Annual Performance Targets NOT Achieved

Programme	Output Indicator	Annual Target	Degree of Achievement
General Support	Number of deliberate crime prevention operations conducted	124	91.9%
Force Employment	Percentage compliance with the Southern African Development Community Standby Force Pledge	100%	87.5%
Administration	Percentage adherence to the DOD Master Record Index for Plans	90%	84.2%
Administration	Percentage of audits completed in terms of the approved Internal Audit Plan	100%	83.3%
Air Defence	Number of hours flown per year	17 200	80.3%
Maritime Defence	Number of Maritime coastal patrols conducted per year	4	75%
Landward Defence	Percentage compliance with Landward Defence training targets	80% (2 813)	69.85%
Maritime Defence	Number of hours at sea per year	10 000	68.2%
Administration	Percentage adherence to the DOD Master Record Index for Policies	≥80%	66.2%
Air Defence	Percentage compliance with Air Defence training targets	80% (687)	63.35%
Force Employment	Percentage of the value of reimbursement by the UN/AU recognised	70%	52%
Military Health Support	Percentage compliance with Military Health Service training targets	80% (648)	29.14%
Administration	Percentage adherence to the DOD Master Record Index for Strategies	50%	0%

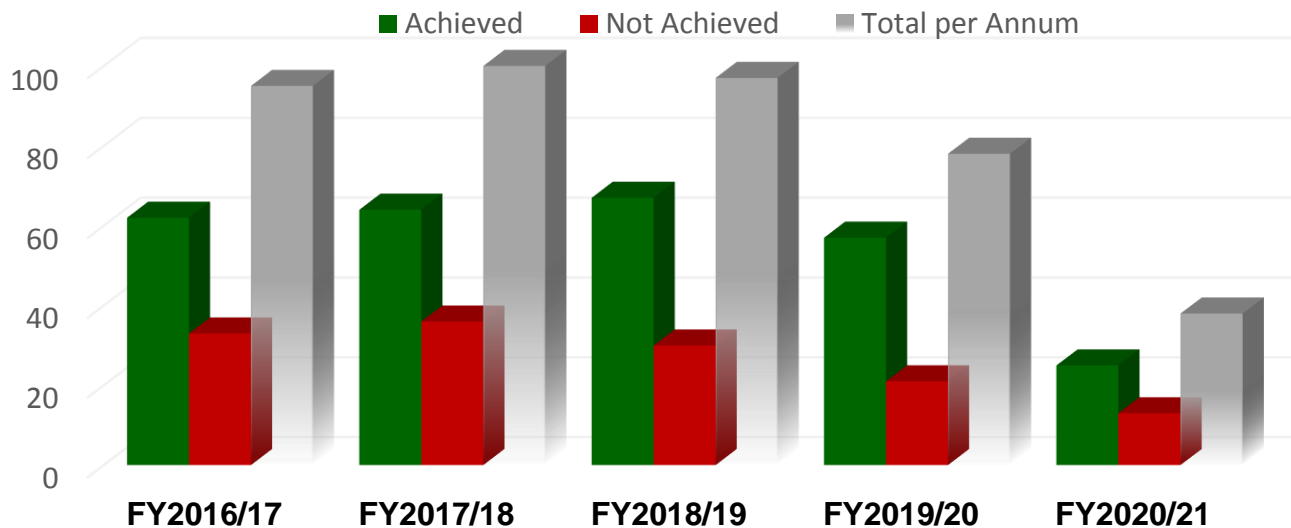


defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

Year-on-Year Performance Comparison

	FY2016/17	FY2017/18	FY2018/19	FY2019/20	FY2020/21
Achieved	62 (65%)	64 (64%)	67 (69%)	57 (73%)	25 (66%)
Not Achieved	33 (35%)	36 (36%)	30 (31%)	21 (27%)	13 (34%)
Total	95	100	97	78	38



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

DOD Selected Performance Indicators



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

DOD Selected Performance Indicator Summary

The following **10 selected performance indicators** were published in the 2020 Estimates of National Expenditure for Vote 23.

Performance Indicator	Target	Actual
Total number of Defence Attaché Offices	44	44
Total number of military skills development members in the system	3 604	1 956
Number of Reserve Force mandays	2 695 963	3 355 353
Percentage compliance with the Southern African Development Community Standby Force Pledge per year	100%	87.50%
Percentage compliance with number of ordered commitments (external operations) per year	100%	100%
Percentage compliance with number of ordered commitments (internal operations) per year	100%	100%
Number of Joint, Interdepartmental, Interagency and Multinational military exercises conducted per year	0	0
Number of landward subunits deployed on border safeguarding per year	15	15
Number of hours flown per year	17 100	13 726.40
Number of hours at sea per year	10 000	6 818.43



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

Part C:

Governance

Part C: Governance

- Governance and Accountability [DOD AR p111]
- Risk Management [DOD AR p111]
- Fraud and Corruption [DOD AR p114]
- Minimising Conflict of Interest [DOD AR p115]
- Code of Conduct [DOD AR p115]
- Health Safety and Environmental Issues [DOD AR p116]
- Parliamentary Oversight Committees [DOD AR p116]
- SCOPA Resolutions [DOD AR p117]
- Prior Modifications to Audit Reports [DOD AR p117]
- Internal Control Unit [DOD AR p118]
- Internal Audit and Audit Committees [DOD AR p118]



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

DOD Governance

Accountability for performance was upheld by the Accounting Officer, whom further delegated execution of specific responsibilities to Service and Divisional Heads. Respective Quarterly and Annual Reports were discussed and tabled at the Secretariat Council and the Military Command Council, mandated as DOD oversight structures. Organisational performance was continuously monitored against approved Plans and reporting was appropriately aligned for the development of corrective measures.

During the FY2019/20 statutory audit, the improvement of internal controls effected by the Department conceded a reduction in matters affecting the audit opinion of the AGSA. Improvement regarding disclosure of assets, project related work-in-progress, limitations relating to intangible assets were some of the areas where operational control was exercised.

[DOD AR p111]



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

DOD Enterprise Risks

The DOD conducts both enterprise and strategic risk assessments to identify and analyse risks which have the potential to hamper the Departmental strategic objectives. New and emerging risks are regularly identified and monitored through appropriate Departmental reporting channels.

The DOD Audit Committee provides assurance regarding the Departmental Risk Management System.

During the year under review, dedicated efforts and commitment by management were made towards an improved and effective Departmental risk management approach.

[DOD AR p111-114]

Part D:

HR Management

Part D: Human Resource Management

- Human Resource Overview [DOD AR p129]
- Human Resource Oversight Statistics [DOD AR p130-161]
(+/- 59 DPSA prescribed and DOD specific tables)
- Utilisation of Consultants [DOD AR p160-161]

DOD HR Overview

The Department planned an average HR capacity of 75 000, aimed at replacing personnel losses according to attrition and maintaining Reserve Force mandays at 2 695 963 for the year under review.

As at 31 March 2021, the **average HR capacity was 72 322**.

During the course of FY2020/21, the CoE allocation was adjusted downwards to R30,985 billion. This downward adjustment contributed to a CoE **deficit of R1,775 billion**.

With concurrence by NT, the DOD was able to internally reprioritise, mainly operating budgets, in order to fund the deficit of the CoE allocation for FY2020/21.

[DOD AR p129]



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

DOD HR Overview

Human resources were employed in military operations, missions and ordered commitments. The SANDF was employed to support other Government departments, i.e. the SAPS and the NDoH during Op NOTLELA and Op LICGOLO, as part of Government's efforts to curtail the spread of the COVID-19 pandemic.

The Department endeavoured to find a funding solution and continued engagements with all role-players. These engagements have propelled consideration to reduce the cost of human resource as the Department shares the concern of the fiscal position of Government.

The DOD will continue its engagement with primary stakeholders in order to reach consensus on the defence mandate and function for SA.

[DOD AR p129]

Part E:

Financial Information

Part E: Financial Information

- Accounting Officer Report [DOD AR p165]
- Report of the Auditor-General to Parliament [DOD AR p179]
- Audited Consolidated Annual Financial Statements [DOD AR p191]



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

3. AGSA Audit Outcomes

Audit Outcomes for the year ended 31 March 2021



A U D I T O R - G E N E R A L
S O U T H A F R I C A

Auditing to build public confidence



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

Report on the Audit of the Annual Performance Report

*The usefulness and reliability of the reported **performance information** was evaluated in accordance with the criteria developed from the performance management and reporting framework.*

***Material findings** were raised on the **usefulness and reliability** of the reported performance information for the following programme:*

- Programme 2 – *Force Employment*

Output Indicator: “Percentage compliance with capabilities required to support national efforts in mitigating & combating the spread of COVID-19”

[DOD AR p182-183]

Report on the Audit of the Financial Statements

Basis for Qualified Opinion

1. Goods and services and Investments within the SDA [DOD AR p179]

The department accounts for non-sensitive and sensitive projects expenditure in connection with special defence activities as per section 2(2)(a) of the Defence Special Account Act of South Africa, 1974 (Act No. 6 of 1974), as amended. This qualification is based on the limitations placed on full access to the sensitive projects expenditure and related investments. This is mainly due to the sensitivity of the environment and the circumstances under which the related transactions were incurred and recorded.



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

Report on the Audit of the Financial Statements

Basis for Qualified Opinion (2)

2. Completeness of Irregular Expenditure [DOD AR p179]

The Department has 73 procurement units across the country. There are inadequate systems to detect, record and appropriately disclose all irregular expenditure in the financial records of the Department, which results in not all non-compliances with SCM regulations being identified and recorded.

The control weaknesses with regard to this qualification has also resulted in numerous non-compliances with supply chain management legislation and policies.



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

Report on the Audit of the Financial Statements

Basis for Qualified Opinion (3)

3. Movable Tangible Capital Assets [DOD AR p180]

The auditors could not verify the existence of some machinery and equipment. The qualification is based on samples audited which have been projected to the entire population of class of assets, resulting in the misstatement being material.

4. Employee Leave Benefits [DOD AR p180]

The department did not establish adequate internal controls to monitor leave processing. As a result, not all leave transactions were captured, which resulted in the leave balance and the provision being overstated.



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

Report on the Audit of the Financial Statements

Material Irregularities

1. Personal protective equipment (PPE) not procured in cost-effective manner [DOD AR p186]

The department procured 1 000 infra-red thermometers in April 2000 which was above the prescribed NT pricing. The Department disagreed with the finding and indicated that it was an emergency at the point of acquisition and there was lack of supply. The AGSA is evaluating the response provided by the Department.

2. Inventory and asset management contract was not awarded to only the bidder that scored highest points in the evaluation process [DOD AR p186]

This pertains to a contract which was awarded irregularly to two companies instead of one for a value of Rm922. The AGSA raised a possible financial loss of Rm250. One of the companies pulled out of the contract mid-way and at the end of the financial year under review, Rm557 has been paid so far.



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

Report on the Audit of the Financial Statements

Material Irregularities (2)

3. Lease payments made for unoccupied office buildings [DOD AR p188]

The department made lease payments from FY2015/16 to FY2019/20 for unoccupied office buildings. A financial loss of Rm108 has been identified.

4. Unfair award for the supply of fuel [DOD AR p188]

In July 2019 the department awarded a contract worth Rm13,9 for the supply and delivery of fuel to a supplier using evaluation criteria that differed from those stipulated in the original request for quotations. The original request for quotations stipulated that the award will be made to a bidder with a lower price, but the department used the rotation of suppliers as the criterion to award this contract. The mode of transport was also changed after the award, which resulted in a further price increase. The non-compliance caused a material financial loss of Rm2,57 due to a higher price being paid for the fuel. The Department does not regard this as a financial loss and provided evidence as to why it awarded the contract to the winning bidder.

Thank you...

© DPM&E

Questions / Comments