

## **Budgetary Review and Recommendation Report of the Portfolio Committee on Defence and Military Veterans on the 2020/21 Annual Report of the Department of Military Veterans (DMV), Dated 24 November 2021.**

The Portfolio Committee on Defence and Military Veterans (PCODMV), having considered the financial and service delivery performance of the Department of Military Veterans (DMV) for the 2020/21 financial year on 10 November 2021, reports as follows on the report considered and adopted on 24 November 2021:

### **1. INTRODUCTION**

#### **1.1. Description of core functions of the Department**

The DMV derives its mandate from the Military Veterans Act (No 18 of 2011), which requires it to provide national policy and standards for socio-economic support to military veterans and to their dependents, including benefits and entitlements to help realise a dignified, unified, empowered and self-sufficient military veterans' community.

#### **1.2 Mandate of Committee**

The Portfolio Committee on Defence and Military Veterans (PCODMV) is mandated to oversee the DMV to ensure that the Department fulfils its mandate through the monitoring of the implementation of legislation and adherence to policies, such as the Military Veterans Act and the Military Veterans Benefits Regulations and other related legislation. It must scrutinise legislation which supports the mission statement of Government; the budget and functioning of DMV.

#### **1.3 Purpose of the BRR Report**

Section 5 (2) of the Money Bills Procedures and Related Matters Amendment Act (Act 9 of 2009) allows for each Committee to compile a Budgetary Review and Recommendation Report (BRRR) which must be tabled in the National Assembly. Section 5(3) provides for a BRRR to contain the following:

- a) an assessment of the department's service delivery performance given available resources;
- b) an assessment on the effectiveness and efficiency of departments use and forward allocation of available resource; and
- c) recommendations on the forward use of resources.

In October of each year, parliamentary portfolio committees compile a BRRR that assess performance given available resources; evaluates the effective and efficient use and forward allocation of resources; and makes recommendations on the forward use of resources. In 2021, this process was shifted to November given the impact of the Municipal elections on the parliamentary programme. The BRRRs are also source documents for the Standing/Select Committees on Appropriations/Finance when they make recommendations to the Houses of Parliament on the Medium-Term Budget Policy Statement (MTBPS). The comprehensive review and analysis of the previous financial year's performance, as well as performance to date, form part of this process. The FY202021 saw the beginning of the Coronavirus (COVID-19) pandemic, with a hard lockdown declared on 26 March 2020 to contain the spread of the disease. The impact of the pandemic and the necessitated government response, were significant on the DMV, as evidenced by especially the reasons for it not achieving some of its annual performance goals

#### **1.4 Methodology in compiling the report**

The Report is compiled from the various activities of the Committee. It is inclusive of the Committee's meetings, reports on budget votes, strategic plans, annual performance plans and annual reports, as well as previously published Committee reports.

#### **1.5 Dates of oversight visits**

The PCODMV did not conduct an oversight visit to facilities of the DMV in 2020/21.

#### **1.6 Information used to compile the Report**

Besides information from oversight visits, other information used in the assessment of the service delivery and financial performance included the:

- The National Development Plan 2030;
- The 2020 Estimates of National Expenditure;
- The 2020 State of the Nation Address;
- Committee reports on the 2020/21 Budget Hearings, Strategic Plans and Annual Performance Plans reports; and
- The DMV Annual Report 2020/21.
- The Auditor-General of South Africa (AGSA) Report on the DMV.

## 1.7 Structure of the Report

This Report comprises the following sections:

- Section 1: An introduction which sets out the mandate of the Committee, the purpose of this report.
- Section 2: An overview of the key relevant policy focus areas.
- Section 3: An overview and summary of previous key financial and performance recommendations of Committee (2019/20).
- Section 4: A broad overview and assessment of financial performance of the Department for 2020/21.
- Section 5: Overview of service delivery and performance
- Section 6: Key Committee findings.
- Section 7: Key recommendations.

## 2. OVERVIEW OF THE KEY RELEVANT POLICY FOCUS AREAS

### 2.1 State of the Nation Address 2020

President Cyril Ramaphosa, during his SONA on 13 February 2020, made the following remarks that can be related to the mandate and activities of the DMV:

- “We resolved to cure our country of the corrosive effects of corruption and to restore the integrity of our institutions.” This can be related to the DMV’s stated intention to address any corruption and fraud in its midst.
- “Secondly, our history demands that we should improve the education system and develop the skills that we need now and into the future.” As two of the primary benefits, educational support and skills development are being prioritised by the Department.
- “We are duty bound to improve the conditions of life for all South Africans, especially the poor” It is especially the Social Relief of Distress (SRD), a Ministerial priority that is administered by the Department, assisting military veterans in distress with this benefit.
- “Given the key role that small businesses play in stimulating economic activity and employment – and in advancing broad-based empowerment – we are focusing this year on significantly expanding our small business incubation programme.” The businesses access to empowerment opportunities for military veterans as well as the annual target of paying invoices within 30 days are examples in this regard.
- “This year, we will take a significant step towards universal access to quality health care for all South Africans.” The health benefit for military veterans is underlined against the background of ageing military veterans and the assistance and support of the SA Military Health Services (SAMHS) in this regard is noted.

### 2.2. DMV contributions towards the National Development Plan (NDP) and Medium-Term Strategic Framework (MTSF) (Outcomes)

The Annual Report states, in contrast to previous years, that the Department does not directly contribute to the Medium Term Strategic Framework (MTSF) priorities 2019 - 2024 and the National Development Plan (NDP) 2030, but that it has its own priorities that are linked with the overall government priorities. It lists the following priorities:

- **PRIORITY 1: Strengthening governance and oversight protocols to give effect to the Act.**

This priority refers to its collaboration with the Internal Audit Function, the Audit Committee, the Auditor-general. It states that this has helped with audit skills transfer and continual improvement of the internal control environment.

- **PRIORITY 2: To provide comprehensive support services to military veterans and where applicable, to their dependents.**

The **Education, training and development benefit** saw 607 military veterans and their dependents approved for these interventions. 2 779 bursaries were provided but the planned target was reduced from 7 400 to 3 500 due to budget cuts and as a result of the Covid-19 pandemic.

**Access to health care:** Target was revised downwards from 19 000 to 18 5000 due to Covid-19. A total of 536 military veterans were authorised to access health care services, 493 military veterans and their dependents received counselling, but this target was also reduced from 1 000 to 400.

**Housing:** 192 houses were allocated in various provinces but target was reduced from 710 to 355, and it is also reported that 26 mortgage bonds in distress were rescued.

**Facilitation of employment placement:** 25 opportunities were facilitated and 45 military veterans' companies were provided with facilitation or advice on business opportunities.

**Public transport and pension benefits:** Planned targets were discontinued for both benefits due to Covid-19 pandemic budgets cuts, and the Department is in process of finalising the policies for these benefits.

**Compensation benefit:** Only 25 military veterans received this benefit due to Covid and the non-availability of a SAMHS medical panel to carry out compensation assessments.

**Burial support:** 379 military veterans' families were provided with this support and 99% of payments were paid within 90 days.

- **PRIORITY 3: Promote empowerment programmes for military veterans and dependants**

The DMV provided skills programmes and related activities in the period under review. **Communications initiatives** during the pandemic include:

- ✓ Payment of outstanding tuition and school fees and updates on developments in this regard
- ✓ Access of benefits during lockdown
- ✓ Information on unemployment grant top-up and Stakeholder engagement on empowerment of military veterans with Gauteng Province.

- **PRIORITY 4: Promotion of military veterans' heritage as well as memorialisation and honouring**

Two memorial lectures were coordinated in response to the necessity to recognise the restoration of dignity and appreciation of military veterans to the country's freedom and nation building.

- **PRIORITY 5: Maintain the credibility and security of the national military veteran database**

1 085 military veterans were verified and captured on the database. The implementation of an accurate, reliable, and secure Military Veterans' Integrated Database Benefits Management System (DBMS) remains a core objective of the Department. Covid-19 delayed progress to develop and implement the Integrated DBMS, while the Department is partnering with the State Information Technology Agency (SITA) in this regard.

## **2.3 DMV's outcomes, outputs, inputs and activities**

### **DMV Outcomes**

This is said to be embedded in the vision of the Department, and this vision is further denoted by "improved and sustainable livelihoods for military veterans' community."

### **DMV Output**

The Outputs are key drives and is listed as:

- Ministerial and Strategic Direction
- Socio-economic support services
- Empowerment and Stakeholder Management.

### **DMV Activities**

The above outputs will be achieved through the following activities:

- Provision of corporate support services for effective and efficient information management

- Provision of Executive and administrative support services to the Executive Authority priorities
- Provision of risk governance, legal frameworks and management services
- Accountable strategic budgeting systems, processes and services
- Audited DMV affairs.

## **2.4. Strategic Overview of DMV Strategic Plan and Annual Performance Plan**

### **2.4.1 Vision, Mission and Values**

The DMV's vision is "a dignified, unified, empowered and self-sufficient military veterans' community, while its mission is 'to facilitate delivery of benefits and coordinate all activities that recognise and entrench the restoration of dignity and appreciation of military veterans to our freedom and nation building."

The values are listed as:

- Integrity
- Compassion
- Honesty
- Professionalism
- Commitment and accountability

### **2.4.2 Strategic Plan 2020- 2025**

The Department's Strategic Plan (2020 - 2025) outlines its Vision namely "*A dignified, empowered and self-sufficient Military Veteran's community,*" while its Mission is "*to facilitate delivery and coordinate all activities that recognise and entrench the restoration of dignity and appreciation of the contribution of Military Veterans to our freedom and nation building.*" It further outlines the Service Charter that underpins the delivery of service to military veterans, which emphasises *inter alia* service standards, teamwork, discipline, excellence, ethics, openness and transparency. It lists the legislative and other mandates with the primary source being the Military Veterans Act (No. 18 of 2011). The various planned policy initiatives are also recorded which are in the process of being finalised and/or approved.

### **2.4.3. Annual Performance Plan (APP)**

Despite the Annual Report stating that the Department does not directly contribute to the MTSF and NDP, the 2020 APP did list the contributions that the DMV will make to the NDP. In brief, they contribute to Chapter 3: Economy and Employment through Education, training and skills development; Chapter 8: Transforming Human settlement through partnerships with Department of Human Settlement (DHS) through building houses; Chapter 9: Improving Education, Training and innovation by providing quality basic education through the provision of comprehensive support services to Military Veterans; Chapter 10: Promoting Health by providing comprehensive support services to Military Veterans and where applicable, to their dependants; Chapter 13: Building a Capable State through being an employer for both military veterans and their dependants; Chapter 14: Promoting Accountability and Fighting Corruption through providing an efficient, effective and development oriented public service; and Chapter 15: Transformative society and uniting the country through promoting social cohesion and righting the wrongs of the past; promoting decent employment through inclusive growth.

## **3. SUMMARY OF PREVIOUS RECOMMENDATIONS OF THE COMMITTEE**

### **3.1. BRRR Recommendations for DMV for FY 2019/20**

Based on its analysis and overview of the 2019/20 Annual Report, the Committee made the following preliminary recommendations:

- a. The Committee recommends that the Department should interrogate the setting of the target on training and skills development and align it with the current realities as well as enhancing its effort to increase the number of beneficiaries to assist with enabling military veterans to be less reliant on the Department.
- b. The Committee felt that the underperformance in Programme 2: Socio-economic Support Management goes to the heart of the challenges in the Department and recommends that the DMV should provide it with concrete plans on how it will unlock these challenges besetting the main service delivery programme. The Committee expects the Department to provide feedback on these action plans on a quarterly basis.

- c. Regarding the under-performance by the sub-programme Strategic Planning, Policy Development and Monitoring and Evaluation, the Committee stresses the importance of this sub-programme being fully functional and providing the policy guidance and monitoring as mandated to ensure the effective overall strategic direction of the Department.
- d. The Committee took notes of the strides made to finalise the capturing and verification of the Database. It recommended that the DMV should reinforce actions to finalise the Database as a matter of urgency given that a verified Database facilitate effective planning. The DMV should report on progress with the Database at scheduled meetings.
- e. The Committee recommends that the Department provide it with the measures it has taken to address the challenges in Programme 3, and to indicate whether these measures have been effective as it concerns core activities such burial support; the erection of memorial sites; and training and skills development.
- f. The Committee recommends that the leadership of the Department should pay particular attention to the issues raised by the Audit Committee and the Auditor-General, and provide it with a progress report in this regard since the start of the current financial year (2020/21).
- g. The Committee recommends it should be briefed by the Department on progress made to address the Leadership challenges, and especially how it is implementing Consequence Management since the advent of the new financial year (2020/21), given that the Committee itself raised its concerns about the latter.
- h. The Committee recommends that the Department should finalise and approve the pension and public transport policies expeditiously to deliver on these benefits and that it should brief it on progress made since the start of the new financial year.
- i. The Committee recommends that the Department should brief the actions taken and the progress made to review the organogram and fill the vacancies and especially the appointment of a permanent Director-General for the Department.
- j. The Committee recommends that the Department briefs it fully on the Skills Audit exercise given that close to half a million rand has been spent on this exercise.
- k. The Committee recommends that the issue of access to nearby private hospitals via sickbays and military hospitals should be enhanced, especially the speeding up of processes to authorise treatment for specialised services based on referrals by military health practitioners.
- l. The Committee recommended that the Department should, on a quarterly basis, inform it on the status of legal claims against the Department, including the fiscal implications of each claim.
- m. It was recommended that the DMV should keep the Committee abreast on their measures to speed up housing for military veterans against the background that there appear to be a lack of eagerness on the part of provincial housing departments, to request such funding from the DMV.
- n. Given the Committee's concern around the illegal occupation of houses earmarked for military veterans, it stressed the importance of addressing this situation and expect quarterly feedback in this regard.

#### 4. OVERVIEW AND ASSESSMENT OF THE 2020/21 FINANCIAL PERFORMANCE

##### 4.1 Budget Allocation and Expenditure for 2020/21

Vote 26: Military Veterans' allocation in the Estimates of National Expenditure (ENE) for the FY2020/21 received a total main appropriation of R683.1 million for the 2020/21 financial year. The allocation was adjusted downwards during the mid-year adjustment period and decreased to R480.3 million (R202.8 million less). The DMV managed to spend R429.2 million or 89.4% with an underspending of R51.0m or 10.6% of the total allocated budget. This against the previous overall spending of R476. 9 million or 73% of the total DMV allocation of R652.6 million

##### Overview of Budget Allocation and Expenditure for 2020/21

| <b>Programme R'000</b>                        | <b>Final Appropriation</b> | <b>Actual Expenditure</b> | <b>Variance</b> | <b>Percentage Spent</b> |
|---|----------------------------|---------------------------|-----------------|-------------------------|
| <b>Administration</b>                         | <b>142 051</b>             | <b>134 767</b>            | <b>7 284</b>    | <b>95%</b>              |
| <b>Socio-Economic Support</b>                 | <b>235 392</b>             | <b>224 425</b>            | <b>10 967</b>   | <b>95%</b>              |
| <b>Empowerment and Stakeholder Management</b> | <b>102 899</b>             | <b>70 070</b>             | <b>32 829</b>   | <b>68%</b>              |
| <b>Total</b>                                  | <b>480 342</b>             | <b>429 342</b>            | <b>51 079</b>   | <b>89%</b>              |

The Table above outlines that the Department spend more of its budget in the FY2020/21 (89%) than the 73% in the previous financial year. The main contributor to the underspending is Programme 3:

Empowerment and Stakeholder Management where only 68% or R70.070 million was spent against an allocation of R102. 899 million. National Treasury approved the following virements and shifts:

- \* R400 000 within Programme 1 (Administration) under Goods and services to accommodate a shortfall under Transfers and Subsidies (Households).
- \* R15 million within Programme 2 (Socioeconomic Support) under Households (Education support) to Goods and services (contractors).
- \* R3.3 million within Programme 3 (Empowerment and Stakeholder Management) under Goods and services to Transfers and subsidies (Households).

### Quarterly spending patterns

During the 2020/21 financial year, the spending patterns per quarter has been as follows:

- At the end of the **First Quarter** (June 2020), the DMV spent R44.6 million (6.5%) of its main appropriation, which was *significantly lower than projected expenditure*.
- At the end of the **Second Quarter** (September 2020), the DMV spent R123.0 million (22.5%) of its main appropriation, which was *lower than projected expenditure*.
- At the end of the **Third Quarter** (December 2020), the DMV spent R237.5 million (49.5%) of its adjusted appropriation, which was *12.9% lower than projected expenditure*.
- At the end of the **Fourth Quarter** (March 2021), the DMV spent R429.3 million, which represents underspending of R51.1 million (10.6%) against the available budget. This should be compared with an underspending of R175 348 000 or 26.9% in the previous financial year.

### Programmes: Budget Allocation and Expenditure for 2020/21

This section briefly highlights the budgetary overview of the three programmes of Vote 26, referring to the different sub-programmes, comparing its final appropriation to the actual expenditure and indicating whether there was an over or under expenditure.

#### Programme 1: Administration

| SUB PROGRAMME   | <i>Final Appropriation</i> | <i>Actual expenditure</i> | <i>(Over) /under expenditure</i> |
|---|----------------------------|---------------------------|----------------------------------|
| <i>Management</i>   | 14 879<br>(12 469)         | 14 261<br>(12 469)        | 618 (0)                          |
| <i>Corporate Service</i>                                  | 66 857<br>(72 027)         | 66 370<br>(71 419)        | 487 (608)                        |
| <i>Financial Administration</i>                           | 22 802<br>(22 211)         | 20 010<br>(22 211)        | 2 792 (-)                        |
| <i>Internal Audit</i>                                     | 11 069 (8 655)             | 9 404 (8 061)             | 1 665 (594)                      |
| <i>Strategic Planning, Policy development and M&amp;E</i> | 12 361<br>(11 660)         | 11 405<br>(10 349)        | 956 (1 311)                      |
| <i>Office Accommodation</i>                               | 14 083<br>(13 563)         | 13 317<br>(13 562)        | 766 (1)                          |
| <b>Total: Sub-programmes</b>                              | <b>142 051</b>             | <b>134 767</b>            | <b>7 284</b>                     |

The R2.292 million underspending in the Financial Administration sub-programme was noted against the background that in the previous financial year it succeeded to spend all funds allocated to the sub-programme. While the under-capacitation of the Internal Audit Function is the main reason for the underspending of R1.665 million, the Committee has on several occasions in the past impressed on the Department the importance of this function to the overall functioning of the Department, especially as it relates to audit-related issues. Also of note was the subprogramme Strategic Planning, Policy Development and Monitoring and Evaluation which underspent. This against the background that the Department has been struggling with issues of Monitoring and Evaluation and especially Policy Development regarding for instance the pension and public transport benefits. Importantly, the R7.3 million or 5% underspending in the programme was mainly attributable to the planned office move which did not materialise. As DMV faces several challenges with the current headquarters building, a progress report in this regard is required.

#### Programme 2: Socio- Economic Support

| SUB PROGRAMME | <i>Final Appropriation</i> | <i>Actual expenditure</i> | <i>Variance</i> |
|---------------|----------------------------|---------------------------|-----------------|
|---------------|----------------------------|---------------------------|-----------------|

|  |                   |                   |               |
|--|-------------------|-------------------|---------------|
| <b>Database and Benefits Management</b>  | 8 174 (8 678)     | 8 004 (6 361)     | 170 (2 317)   |
| <b>Health care and wellness support</b>  | 113 686 (124 705) | 112 432 (124 702) | 1 254 (3)     |
| <b>Socio economic support management</b> | 113 532 (203 389) | 103 989 (203 597) | 9 543 ((208)) |
| <b>Total For Subprogrammes</b>           | <b>2325 392</b>   | <b>224 425</b>    | <b>10 967</b> |

This is the main service delivery programme, and the fact that the socio-economic support management sub-programme underspent with almost R10 million is very concerning. This subprogramme is supporting the delivery of benefits such as education, public transport, pension and housing - but these annual targets have been missed, despite some being downward adjusted. It is explained that the underspending of R11 million in the programme was mainly attributable to the delayed implementation of the DMV Database Management system; and the saving on Compensation of Employees (CoE) due to vacant senior positions. The underspending of the healthcare and wellness support sub-programme similarly relates to benefits that are very much in demand by ageing military veterans.

### **Programme 3: Empowerment and Stakeholder Management**

| <b>SUB PROGRAMME</b>                               | <b>Final Appropriation</b> | <b>Actual expenditure</b> | <b>Variance</b> |
|--|----------------------------|---------------------------|-----------------|
| <i>Provincial Office and Stakeholders Relation</i> | 39 785 (55 968)            | 28 748 (36 002)           | 11 037 (19 966) |
| <i>Empowerment and Skills Development</i>          | 40 548 (73 2060)           | 27 488 (18 659)           | 13 060 (54 547) |
| <i>Heritage, Memorial, Burial and Honours</i>      | 22 566 (20 556)            | 13 834 (14 585)           | 8 732 (5 971)   |
| <b>Total:Subprogrammes</b>                         | <b>102 899</b>             | <b>70 070</b>             | <b>32 829</b>   |

This is one of the worst performing programme which underspent by R23.8 million (32%), which is mainly related to the inability to spend on planned conferences due to Covid-19. It is in particular the subprogramme Empowerment and Skills Development, with an underspending of R13 million, that is of concern, as it is responsible for the provision of skills development and related activities that can assist to make military veterans less reliant on the Department. It is also noted with concern that the Provincial Office and Stakeholders Relation subprogramme again underspent.

#### **4.2 Financial statements**

**Unauthorised expenditure:** Similar to FY2019/20, the Department did not incur unauthorised expenditure during the year under review.

**Fruitless and wasteful expenditure and the amounts:** This was mainly related to interest payable to the Government Employees Pension Fund (GEPF) with an amount of R1.3 million as well as R39 000 on “No shows and traffic fines” where an internal debt collection process was in progress. The DMV plans to have workshops and awareness campaigns to prevent re-occurrence in this regard.

**Irregular expenditure:** The first amount is R235 000 related to “the potential award of a bid to an incorrect supplier”, while the second amount of R228 000 related the remuneration of the audit committee members. Concern was expressed at the statement of an incorrect supplier and it was whether the bid has indeed been awarded, and whether consequence management followed in this case, if it was required, an issue raised by the AGSA. The Office stated that “it was unable to obtain sufficient evidence that disciplinary steps were taken against officials who incurred Irregular and Fruitless and Wasteful expenditure as a result of significant delays in performing investigations relating to these matters.”

**Contingent liabilities and contingent assets:** The Department has incurred Contingent Liabilities of R235 558 000 for the year under review against R236 606 000 in the previous financial year. The Contingent assets are listed as R1.438 million for the last two financial years and relates to R745 000 from Bakoena Entertainment and Events and R693 000 by Guatayatam: both for breach of contract. The AGSA has previously expressed its concern regarding the Contingent liabilities and it again expressed this opinion, as no provision has been made in the financial statements for these liabilities.

#### **4.3 Findings of the Auditor General of South Africa**

The Auditor-General of South Africa (AGSA) audited the financial statements of the Department for the FY2020/21, and the DMV received an unqualified audit outcome for 2020/21. This is the fourth consecutive unqualified audit outcome.

The following **Emphasis of Matters** were identified:

**Material uncertainty relating to the future outcome of exceptional litigation.** As indicated above the AGSA has concerns regarding these lawsuits and the impact thereof, should the litigants be successful, and this is a repeat finding for the last three years.

**Report on the audit of the annual performance report.** The AGSA evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, for the following selected programmes presented in the annual performance report for the year ended 31 March 2021:

- **Programme 2: Socio-Economic Support.**

*Number of military veterans approved and provided with compensation benefit.* The achievement was listed as 25 out of a target of 100, but some supporting evidence materially differed from the reported achievement. The AGSA was unable to confirm the achievement by alternative means due to a lack of relevant and sufficient evidence to confirm the eligibility of the reported number of military veterans.

*Number of bursaries provided to military veterans and their dependants per year.* The reported achievement was 2 779 out of a target of 3 500, but some supporting evidence materially differed from the reported achievement evidence. This was due to insufficient evidence and applicants who were reported in the incorrect financial year. The AGSA was unable to confirm the achievement by alternative means.

**Other matters:**

**Adjustment of material misstatements**

The AGSA identified material misstatements in the annual performance report submitted for auditing, and that these were in Programme 2: SES. As management subsequently corrected only some of the misstatements, the AGSA raised material findings on the reliability of the reported performance information.

**Compliance with legislation:**

*Expenditure management*

Effective steps were not taken to prevent **fruitless and wasteful expenditure** amounting to R1.332 million. The majority of the fruitless and wasteful expenditure was caused by payments for interest for delayed settlements. Some payments were not made within 30 days or an agreed period after receipt of an invoice, as required by Treasury regulations.

*Consequence management*

As in the previous financial year, the AGSA was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular as well as fruitless and wasteful expenditure, as required by the PFMA. This was as a result of significant delays in performing investigations relating to these matters.

*Leadership:*

Leadership did not exercise adequate oversight over performance reporting, compliance with applicable legislation and related internal controls. Action plans to address prior year findings were effective, resulting in repeat findings, as similar finding to the previous financial year.

The AGSA further found that management did not implement effective controls to ensure that information contained in the performance reports was supported by relevant evidence before submission for auditing. This was mainly due to a lack of proper performance and record management systems. Furthermore, management did not review and monitor compliance with legislation.

**5. OVERVIEW AND ASSESSMENT OF PROGRAMME PERFORMANCE**

**5.1 Annual Performance**

The Department initially planned 18 performance areas during the 2020/21 financial year, but this was revised downwards to 15 targets. Of the 15 targeted performance areas, only 6 targets were achieved which constitutes a 40% overall achievement for the year under review (compared to a 50% performance rate in 2019/20).

|                               | <b>FY 2019/20</b>                 | <b>FY 2020/21</b>             |
|-------------------------------|-----------------------------------|-------------------------------|
| Total targets set             | 16                                | 15                            |
| Targets achieved              | 8/16                              | 6                             |
| Targets not achieved          | 8/16                              | 9                             |
| Success rate                  | 50%                               | 40%                           |
| <b>Total Budget Spent (%)</b> | <b>73%<br/>R477 205/R652 553)</b> | <b>89% (R429 324/480 342)</b> |

The spending of 89% of the budget versus an achievement of 40% of the set targets for the year was noted as it means that 89% of the budget has been spent to achieve less than half of the set targets. While this can be measured against a spending of 73% and a success rate of 50% in the previous financial year, the low success rate of 40% was noticeable. This is indicative of how poor the Department is actually performing,

notwithstanding the reasons they provide, such as the impact of Covid, the senior management vacancies, and the decrease in the budgetary allocation from National Treasury.

## 5.2 Programme 1: Administration

|                         |     |
|-------------------------|-----|
| Total targets set:      | 4   |
| Targets achieved:       | 3/4 |
| Targets not achieved:   | 1/4 |
| Success rate:           | 75% |
| Total Budget Spent (%): | 95% |

As shown above, Administration had a total of 4 targets of which 3 have been achieved leading to a success rate of 75% and a spending of 95% of the allocated budget. The Table below shows the target that has not been met namely the 30-day payment for invoices.

### Selected Performance Indicators for Programme 1: Administration

| Performance Indicator  | Planned Target | Actual Achievement | Deviation | Comment   |
|--|----------------|--------------------|-----------|---|
| Percentage of legitimate invoices paid within 30 days of receipt | 90%            | 83 %               | -7%       | The backlog on clearing the travel account contributes negatively towards compliance with National Treasury Regulations |

As mitigation, the DMV has efforts in place to manually track all outstanding invoices, most of which are travel related, and pay them on time. Secondly, its plans to have stricter control and monitoring of items above 30 days and timely clearance of such. The Department was encouraged to improve on this performance given its impact on SMME's.

## 5.3 Programme 2: Socio-Economic Support

|                         |        |
|-------------------------|--------|
| Total targets set:      | 6      |
| Targets achieved:       | 2/6    |
| Targets not achieved:   | 4/6    |
| Success rate:           | 33.33% |
| Total Budget Spent (%): | 95%    |

The Socio-Economic Support Programme had a total of 6 targets of which only 2 has been achieved leading to a success rate of 33.33%. Given the poor performance of 33.33%, against a spending of 95%, attention should be paid to improve on reaching the set targets.

### Selected Performance Indicators for Programme 2: Socio-Economic Support

| Performance Indicator   | Planned Target | Actual Achievement                        | Deviation | Comment  |
|---|----------------|---|-----------|--|
| Number of military veterans who are verified and captured on the National Military Veterans' Database | 5 325          | 1 058                                     | - 4 267   | This could be attributed to the Covid-19 pandemic restrictions on movement of military veterans visiting the DMV and the relaxation came in very late towards the 4 <sup>th</sup> quarter. |
| Number of deserving military veterans provided with newly built houses per year                       | 710            | Target was reduced to 355<br>Achieved 192 | -163      | Covid 19 pandemic had a negative impact on the construction industry in the country as a whole   |
| Number of military veterans approved and provided with compensation benefit                           | 200            | Target was reduced to 100<br>Achieved 25  | -75       | Covid-19 pandemic related restrictions and availability of SAMHS medical panel, made it difficult for compensation assessments to be done as the programme is contact centered.            |
| Number of bursaries provided for military veterans and their dependants per year                      | 7 400          | Target reduced to 3 500<br>Achieved       | - 721     | Poor submission of required documents by applicants to finalise applications for the period under review   |

|  |  |       |  |   |
|--|--|-------|--|---|
|  |  | 2 779 |  | Drop outs probably due to impact of Covid-19 pandemic |
|--|--|-------|--|---|

This is **the** core programme regarding benefits, and 95% of the budget has been spent, with only two of the six targets having been achieved. Housing and the Database are two of the biggest challenges for the Department. The 'Number of military veterans provided with newly built houses per year' is an annual target that was also underachieved in the previous financial years. The DMV has always performed badly on this target since its inception, and it needs to come up with viable solutions to address this serious recurring under-performance. Only 1 058 out of 5 325 of military veterans have been captured and verified on the Database by end March 2021.

#### 5.4 Programme 3: Empowerment and Stakeholder Management Programme

|                         |     |
|-------------------------|-----|
| Total targets set:      | 5   |
| Targets achieved:       | 1/5 |
| Targets not achieved:   | 4/5 |
| Success rate:           | 20% |
| Total Budget Spent (%): | 68% |

The Empowerment and Stakeholder Management Programme had a total of 5 targets of which only 1 was achieved leading to a below average success rate of 20%. If this is compared with the spending of 68% of the programme's budget, it raised serious questions as to whether value for money was received.

##### Selected Performance Indicators for Programme 3: Empowerment and Stakeholder Management

| Performance Indicator  | Planned Target | Actual Achievement | Deviation | Comment  |
|--|----------------|--------------------|-----------|--|
| Number of memorial lectures coordinated for military veterans  | 9              | 2                  | -7        | Covid-19 pandemic lockdown as the nature of the roll-out of the benefits involves contact with clients in both walk-ins and outreach programmes in the provinces |
| Percentage of approved burial claims paid within 30 days of receipt  | 100%           | 99%                | -1        | Covid-19 pandemic restrictions disrupted operations including invoice processing   |
| Number of deserving Military Veterans and their dependants approved for skills development programmes year | 1 000          | 607                | -393      | Covid-19 pandemic resulted in poor delivery of the skills development programme due to country lockdown, thus inability to conduct provincial outreach           |
| Number of military veterans' businesses provided with access to business facilitation programmes           | 110            | 45                 | -65       | Covid-19 travel restrictions resulted in the programme not being able to operate at full capacity  |

This is the worst performing Programme given that its success rate is 20%, but it still expended 68% of its budget. As it is one of the two service delivery programmes, which is *inter alia* responsible for Skills Development and memorial lectures to honour military veterans, this was noted as a concern. This programme also manage provincial offices, an issue that has been a problematic area for the Department for years.

## 6. GOVERNANCE

### 6.1 Effectiveness of Internal Control

The Audit Committee reports that their review of the internal audit work revealed certain weaknesses which were then raised with the Department. They state that a lot more needs to be done to stabilise the control environment at DMV. There were instances of non-compliance and internal control deficiencies, such as the following:

- Underperformance on the delivery of benefits to military veterans as well as a lack of automated systems to improve the accuracy and completeness of the reported performance information;

- Inadequately designed asset management policy framework, incomplete asset register and other discrepancies identified in the management of assets.
- Continued use of expired contracts resulting in perpetual irregular expenditure.
- Demand and/or procurement plans not reviewed to cater for Covid-19 emergency procurement.

They further state that the Department needs to build a strong control environment by addressing all the control deficiencies. Although an improvement was noticed in the quarterly reporting to National Treasury, greater improvement of performance reports is still required especially in the service delivery branches. Given that the above is the precise wording in the Annual Report of FY2020/21, it raised questions on what the DMV has done to address all these instances of non-compliance and internal control deficiencies. It is especially the “Continued use of expired contracts resulting in perpetual irregular expenditure” and the “incomplete asset register” that were noted.

## **7. HUMAN RESOURCES**

### **7.1 Overview and vacancies**

The Department has filled a total of 124 (73%) of total funded posts as at 31 March 2021 against a staff establishment of 169 approved posts. It has 45 funded vacant posts which translates to 27% of the total funded posts. Vacancies included the Director-General, Deputy Director-General SES; Deputy Director-General Corporate Services; Director Legal Services and Director Human Resources. It further states that it has continuously heeded the National Government’s call for the development of young people to address the country’s skills shortages, youth unemployment. It is also providing bursaries to staff members who are interested in pursuing their studies, in order to equip them with skills and knowledge to perform better in their present and further duties.

| <b>Programme</b>                       | <b>No of posts approved</b> | <b>No of posts filled</b> | <b>Vacancy rate</b> | <b>No of additional employees to establishment</b> |
|--|-----------------------------|---------------------------|---------------------|--|
| Administration                         | 103                         | 77                        | 25%                 | 44   |
| Socio-economic Support                 | 20                          | 31                        | -55%                | 7  |
| Empowerment and Stakeholder management | 46                          | 16                        | 65%                 | 19   |
| <b>Total</b>                           | <b>169</b>                  | <b>124</b>                | <b>27%</b>          | <b>70</b>  |

The vacancy rate in the Department is concerning, especially since it has been consistently above 20% since the FY2015/16. The Department needs to indicate the progress with filling vacancies, especially the two deputy directors-general for the Department. With an additional 70 posts being filled on contract basis versus the establishment of 169 posts, it gives the Department a total workforce of 239 people. It should however be indicated how these employees are spread between provinces and the head office, given the emphasis the Committee has been placing on provincial offices. The Department is reviewing its Organisational structure to align it with the current realities it is facing and it is hoped that this will streamline the benefit delivery mechanisms.

### **7.2 Skills Audit**

The Department previously reported that due to the challenges it is experiencing in attracting and retaining critical and scarce skills, a programme for the implementation for Skills Audit is in place and will be conducted during the 2018/19 financial year. It has also appointed consultants to conduct the Skills Audit to the amount of R478 800. The Skills Audit is an issue that the Committee has continuously raised with the Department, given the challenges with capacity and the effectiveness with which benefits and services are being delivered. Progress with the implementation of the Skills Audit recommendations are thus important and the Committee requested a fully briefing in this regard.

### **7.3 Misconduct; disciplinary hearings; performance agreements and rewards and suspensions**

The Annual Report shows that there were no disciplinary actions taken against employees for the FY2020//21. It is questioned whether this is correct given that two people (2) exited the Department for misconduct. It should also be compared with the reported outcomes of disciplinary cases, where four cases are listed: assault (1), gross dishonesty (2) and sexual harassment (1). It also reported that there were 46 grievances of which 29 have been resolved with 17 unresolved. Nine senior managers did not conclude their performance agreements and reasons offered include that four have resigned, others were due to ill-health

and some opted for severance packages. It is reported that 42 employees received performance rewards to the amount of R752 350 at an average cost of R17 913. Three people were suspended at an average number of days of 394, at a cost of R2.48 million to the DMV. It should be clearly stated which SMS members did not sign their performance agreements as it is too vague to refer to "some" and "others."

#### **8. COMMITTEE OBSERVATIONS: DEPARTMENT OF MILITARY VETERANS**

During deliberations on the 2020/21 DMV Annual Report, the Committee makes the following observations:

- a. The Committee raised its concerns regarding the findings of the AGSA against the DMV, especially as it relates to Expenditure Management, Consequence Management and the responsibilities of the leadership at the institution.
- b. Members of the Committee stressed that, in terms of the Military Veterans Act (No. 18 of 2011), the Department has an obligation to all military veterans and their dependents, irrespective of who they and where they reside.
- c. Concern was expressed by the Committee over the Department's lacklustre implementation and monitoring Audit Action Plan.
- d. Members raised their serious concern on non-responsiveness to queries of military veterans regarding, *inter alia*, applications for the provision of services and benefits. It lamented the fact that even as Members of Parliament they find it hard to receive feedback to queries that they refer to the Department. Examples of poor responses and inhumane treatment were mentioned by Members. The DMV committed to follow up these cases and report back to the Committee.
- e. Concern was also expressed regarding the continued poor performance of the Department, despite targets being reduced and a permanent Director-General having been appointed.
- f. The Committee noted the reduction of annual performance targets as a result of the failure by the Department to achieve targets, and stated that this is not to the advantage of military veterans and their dependents.
- g. The Committee noticed the reduction in the annual target on housing from 710 to 355, and that only 192 were provided. It further stated that the Department has continuously underperform on this annual target and found it incredible that such a target can be decreased while the demand for houses is still very high.
- h. A concern was raised that military veterans are being sent to places far from their homes for dental and other medical services. Given that many of them are poor and may be in ill health, this put an extra financial and physical burden on them.
- i. The Committee is aware of military veterans staying in houses with asbestos roofs which put their health at risk and that the Department just turn such military veterans away.

#### **9. COMMITTEE RECOMMENDATIONS**

Based on its analysis and overview of the 2020/21 DMV Annual Report, the Committee makes the following recommendations:

- a. The Committee resolved to monitor and regularly follow up with the DMV on the implementation of its Audit Action Plans; the preventative controls and the implementation of consequence management in relation to irregular, fruitless and wasteful expenditure. With regards to the leadership issue raised by the AGSA, the Accounting Officer and senior leadership at the DMV, should ensure that they exercise adequate oversight over performance reporting, compliance with applicable legislation and related internal controls.
- b. The Department is required to review its Audit Action Plan and to present this to the Committee to allow it to be monitored on a quarterly basis.
- c. The Committee emphasised that the Department should serve all qualifying military veterans and their dependents with the necessary vigour and compassion, irrespective of who and where they are. The Committee will take exception if veterans are not treated in this manner, and in terms of the Military Veterans Act (No. 18 of 2011).
- d. The Committee stressed that it is unacceptable that officials in the Department do not treat and/or respond to queries by military veterans timeously and with compassion. The Department should give feedback on these cases, and should put measures in place to ensure that such conduct is being rooted out. The DMV should report to the Committee on these measures on a quarterly basis.
- e. The Committee stated that the Covid-19 pandemic, the reduced budget and the vacancies in senior positions might have contributed to the poor performance of the Department. The Department

should however still endeavour to improve on its delivery of services and benefits to military veterans and their dependents as many of their clients are in dire need of these services and benefits.

- f. The reduction of annual performance targets as a result of the failure by the Department to achieve targets should be addressed as a matter of urgency, along with the above mentioned recommendations. Such reductions are detrimental to military veterans and their dependents and create the impression that the Department is content with such under-performance.
- g. The Committee recommended that the Department should prioritised the delivery of housing and clear obstacles in this regard at especially provincial and local government level, as the demand for this benefit is still high.
- h. The Department was encouraged to ensure that military veterans are routed to medical facilities near their homes to prevent them spending extra money on traveling. The Committee also stressed that this challenge is exacerbated by the fact that the subsidised public transport benefit has not materialised and lamented that it is still in the policy phase.
- i. The Committee recommends that the Department should explore avenues to assist military veterans staying in asbestos roof houses and give the Committee feedback at its quarterly meetings on this issue.

**Report to be considered.**