



defence
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24 October 2022

Mr V.C. Xaba, MP
Chairperson: Portfolio Committee of Defence and Military Veterans

Dear Chairperson

RESPONSE TO OUTSTANDING QUESTIONS TO THE PORTFOLIO COMMITTEE ON DEFENCE AND MILITARY VETERANS' MEETING OF 12 OCTOBER 2022

1. The Portfolio Committee on Defence and Military Veterans' (PCD&MV) meeting held on 12 October 2022 refers.
2. During the above-mentioned meeting, questions were posed to the Department and comments were also made which the Department was required to take note of.
3. Below, are the responses to the questions raised, which were not responded to orally.

Ser	PCD Questions	Departmental Response
1	R225 million Expenditure for Border Safeguarding Technology – R65 million allocation for FY2020/2021	<ul style="list-style-type: none">• The R225 million received was allocated over the 2020/21 to 2022/23 MTEF period. The outcome was that R65 million was allocated to the FY2020/21, R75 million was allocated to the FY2021/22, whilst R85 million was allocated to the FY2022/23.• The R65 million allocated in the FY2020/21 was reprioritised and utilised in the fight against the COVID-19 pandemic.• A member of the PCD expressed their concern regarding the reprioritising of the funds which was earmarked for Prime Mission Equipment (PME) for border safeguarding. According to the members, the DOD was not allowed to reprioritise the funds without the NT's permission.• The Department requested for a virement, dated 25 May 2020, to utilise the funds earmarked for Border Safeguarding for the fight against the COVID-19 pandemic during the 2020 Special Adjustments Budget, which was approved by the NT, via a letter dated 04 June

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Ser	PCD Questions	Departmental Response
		<p>2020.</p> <ul style="list-style-type: none"> • It regrettable that the feedback provided, for inclusion in the 4th quarter of FY2020/21 (BRRR), was incorrect.
2	<p>Status of Material Loss on the Asset Management Contract.</p>	<ul style="list-style-type: none"> • The AGSA raised an audit finding and a Material Irregularity on the Asset Management contract. The finding indicated a possible material loss of R250 million based on a contract awarded to the value of R922 million to two companies at R461 million each. • The Department paid a total of R617 million to the two companies, R461 million to one and approximately R156 million to the other. The contract has since ended and no additional funds have been paid. • The irregular expenditure of R617 million has been disclosed in the financial records of the Department due to the award not following the correct procurement processes. • The Department however does not agree that a financial loss has been incurred as alluded to by the AGSA, since less was paid than the initially contracted value.
3	<p>Status of Funding on Project HOEFYSTER and Project HOTEL</p>	<ul style="list-style-type: none"> • Due to the R15 billion budget reduction that was imposed by the National Treasury during the 2020 MTEF, the Department does not have sufficient funding to finalise Project HOEFYSTER. • There are discussions going on between Armscor, the DOD and Denel on the completion of phase 1, which are the data packs. • Armscor is also in the process to identify a supplier within the Defence Industry who will take over from Denel, should they not be in a position to continue with phase 2. • There is however, no funding to start and complete phase 2. • There is however sufficient funding available for the completion of Project HOTEL
3	<p>Given the response by the Minister regarding the Lease of St George Hotel where she acknowledged that the DOD did not follow the PFMA, which entity / department is responsible for all the</p>	<p>The Logistics Division is responsible for the management of leases of facilities in the Department.</p>

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	leases of the DoD facilities?	
4	From which allocation does the DoD fund the Reserve mandays?	Reserve Force mandays are paid out of the economic classification, Compensation of Employees.

4. Hoping you find the above responses in order.



(AMBASSADOR S.G. KUDJOE)
SECRETARY FOR DEFENCE: DIRECTOR-GENERAL

For Info

Minister of Defence and Military Veterans
Deputy Minister of Defence and Military Veterans