

BUDGETARY REVIEW AND RECOMMENDATION REPORT OF THE PORTFOLIO COMMITTEE ON DEFENCE AND MILITARY VETERANS ON THE 2021/22 ANNUAL REPORT OF THE DEPARTMENT OF MILITARY VETERANS (DMV), DATED 27 OCTOBER 2022.

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 2021/22 financial year on 19 October 2022, reports as follows:

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 (PCDMV) 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. 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.

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 conducted an oversight visit to the DMV Headquarters in Irene on 22 April 2022.

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 2021 Estimates of National Expenditure;
- The 2021 State of the Nation Address (SONA);

- Committee reports on the 2021/22 Budget Hearings, Strategic Plans and Annual Performance Plans reports; and
- The DMV Annual Report for 2021/22.
- 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 (2020/21).
- Section 4: A broad overview and assessment of financial performance of the Department for 2021/22 and Overview of service delivery and performance
- Section 5: Key Committee findings.
- Section 6: Key recommendations.

2. OVERVIEW OF THE KEY RELEVANT POLICY FOCUS AREAS

2.1 State of the Nation Address 2021

President Cyril Ramaphosa, during his SONA on 11 February 2021, presented his SONA against the background that the world was in the grip of the Corona virus for almost a year. He stated that its devastating impact has left very few untouched by its reach and depth. Although the DMV was not specifically referred to the following are of relevance to the Department:

- The President stressed that the success of vaccination programmes will rely on active collaboration between all sectors of society. He encouraged the active involvement of business, labour, the health industry and medical schemes in particular in preparing for this mass vaccination drive. The DMV through executing its mandate effectively, will assist in addressing the related challenges through, for instance, health support.
- It was pointed out that the pandemic has led to a sharp decline in economic growth and a significant increase in unemployment, that poverty was on the rise and that inequality was deepening. The DMV was thus indirectly requested to assist with filling vacancies, boost skills training en employment programmes and ensure military veterans receive their benefits due to them.
- The President referred to the social and economic relief package that was introduced in April last year which, by all accounts, was the largest intervention of its kind in our history. The DMV has also, through its activities, assisted military veterans to address loss of income.
- The President stated that “Our third priority intervention is an employment stimulus to create jobs and support livelihoods. The largest numbers of jobs, obviously, will be created by the private sector in a number of industries as the economy.” The DMV, through its skills development programmes, is assisting military veterans to become more self-sufficient and less reliant on government support.
- The President stated that “The public service is at the coalface of government, and lack of professionalism doesn’t just impact service delivery; it also dents public confidence. Advancing honesty, ethics and integrity in the public service is critical if we are to build a capable state.” This is an important issue in the context of the DMV, given the complaints received and especially the lack of or lengthy period when responses are received.

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, and the AGSA. It states that this has helped with audit skills transfer and continual improvement of the internal control environment. It refers to the three organs of state namely the Advisory Council, the Appeal Board and the

South African National Military Veterans Association (SANMVA). During the period under review, the Department's oversight protocols were limping due to delays in electing the new members or leadership in those organs of state. Plans are underway to ensure that the members of these organs of state are elected to ensure the functionality of these bodies.

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

Education, training and skills development: During the period under review, the DMV provided a total of 3 711 bursaries (2 920 for Basic Education and 791 for Tertiary Education) to Military Veterans and their dependants. Furthermore, 1 753 Military Veterans and dependants were approved for training and skills development programmes on digitalisation after a new agreement was signed with SITA during the period under review.

Access to health care: During the period under review a total number of 555 Military Veterans were authorised to access healthcare services through South African Military Health Services (SAMHS) facilities and/or SAMHS outsourced services. This resulted in a cumulative total of Military Veterans authorised to access healthcare of 19 100. Furthermore, 488 military veterans and or their dependants received Counselling services during the period under review.

Facilitation of employment placement: The DMV facilitated the registration of 19 unemployed Military Veterans on the Department of Employment and Labour database for employment opportunities in George and Ladysmith District areas.

Facilitation of or advice on business opportunities: During period under review, 117 Military Veterans companies were provided with facilitation or advice on business opportunities.

Subsidisation or provision of Public Transport: The policy is in draft however due to the complex public transport system in the country. The Department will be developing a strategy to better inform policy development for the benefit. In view of the current status, the target on the subsidised public transport benefit was not be achieved during 2021/22 financial year.

Housing: During the period under review, only 71 newly built houses (192 previous year) that were handed over to Military Veterans. This was due to roll over of some projects from the previous financial year by the Department of Human Settlements (DHS) in all Provinces. Delays in Supply Chain Management processes and appointment of contractors are some of the bottlenecks leading to poor delivery of houses for Military Veterans.

Compensation benefit: 120 (25 in the previous year) Military Veterans received the compensation benefit during period under review. This was due to assessments that were done to more than the planned target due to high demand on the benefits, as well as the proactive approach to avoid non-performance.

Burial support: The Department assisted 467 Military Veterans families with the burial support programme with 100% of claims paid within 30 days. In the previous year (2020/21), 379 military veterans' families were provided with this support and 99% of payments were paid within 90 days.

Pension: The policy in respect of this benefit has been drafted after extensive consultation with relevant stakeholders for input. An actuarial study has been undertaken by a service provider with financial modelling and recommendations for consideration and the Department is awaiting the final report. The target was not achieved during the period under review, however the process towards approving this policy are at an advanced stage such that the DMV is expecting to have the policy approved and implemented during 2022/23 financial year.

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

During the period under review, 5 (2 previous year) memorial lectures were coordinated for Military Veterans in appreciation of military veterans' contribution to the country's freedom and nation building.

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

During the period under review, 3 005 applications (1 085 were verified and captured in previous financial year) of Non-Statutory Forces (NSF) members were processed by the National Military Veterans Verification Panel. A total of 1 436 applicants were physically interviewed by the panel and 637 did not appear before panel. Only 151 applicants were successfully recommended and 748 were not recommended for inclusion on the DMV National Database.

- **PRIORITY 6: Implementation of the high impact communication and marketing strategy and plan**
In partnership with Government Communication and Information System (GCIS) it raised the profile of Military Veterans as well as keeping the interest alive and momentum going. Several communication platforms were employed that targeted various segments and these were informed by the draft

communication strategy and marketing plan. Several public participation engagements were conducted during the period under review.

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 2021/22 Annual Report stating that the Department does not directly contribute to the MTSF and NDP, the 2020/21 APP, on page 24, 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 2020/21

Based on its analysis and overview of the 2020/21 DMV Annual Report, the Committee made 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.

4. OVERVIEW AND ASSESSMENT OF THE 2021/22 DMV FINANCIAL PERFORMANCE

4.1 Budget Allocation and Expenditure for 2021/22

During the 2021/22 financial year, the allocation for Vote 26: Military Veterans in the Estimates of National Expenditure was R654.4 million, which was adjusted downwards to R607.4 million. The Department managed to spend R515.5 million, which is 78.9% of their main appropriation or 84.9% against the adjusted allocation. It reflects an underspending of R91.7 million or 15.1% of the adjusted budget. The previous financial year it received a total main appropriation of R683.1 million which was adjusted downwards during the mid-year adjustment period and decreased to R480.3 million (R202.8 million less), of which they managed to spend R429.2 million or 89.4%.

Overview of Budget Allocation and Expenditure for 2020/21

Programme R'000	2020/2021 R'000			2021/2022 R'000		
	Final Appropriation	Actual Expenditure	Variance	Final Appropriation	Actual Expenditure	Variance
Administration	142 051	134 767	7 284	145 892	134 151	11 741
Socio-Economic Support	235 392	224 425	10 967	305 254	233 880	71 374

Empowerment & Stakeholder Management	102 899	70 070	32 829	156 242	147 564	8 678
Total	480 342	429 342	51 079	607 388	515 595	91 793

Table 1: Overview of Budget Allocation and Expenditure for 2021/22

Table 1 outlines that the Department spend less of its budget in the FY2021/22 (85%) than the 89% in the previous financial year. The main contributor to the underspending is Programme 2, which spent only 77% of its allocated budget. Some notable shifting and virements of funds included:

- In terms of economic classifications, R5.5 million was shifted from Goods and services to Compensation of employees.
- A virement of R13 million of the Adjusted appropriation was made away from Programme 1. This appears to be more than the 8% stipulated by National Treasury, in which case the approval of Parliament is required. This against the background that they state that the shifting and virements of funds was accounted for in line with Section 43 of PFMA and Treasury Regulations 6.3.1. It appears to be above the threshold of 8%, with a virement of 9.78%.

Quarterly spending patterns

During the 2021/22 financial year, the spending patterns from the second quarter has been as follows:

- The DMV received a total main appropriation of R654.4 million for the 2021/22 financial year. By the end of the **Second Quarter**, the Department had spent R168.5 million (25.8%) of its main appropriation. This was significantly lower than the projected R347 million expenditure that should have totalled 51.4% of the main appropriation at the end of the Second Quarter
- During the mid-year adjustment period, the DMV allocation was decreased from its main appropriation of R654.4 million to an adjusted appropriation of R607.4 million. Despite the decrease, spending by the DMV during the **3rd Quarter** remained much slower than planned
- By the end of the financial year (**Fourth Quarter** ending on 31 March 2022), the DMV managed to spend R515.6 million, or 84.9%, of its adjusted budget. This resulted in underspending of 15.1% for the 2021/22 financial year.

4.2 DMV Annual Performance

For the 2021/22 financial year, the Department planned to achieve 19 performance targets. Of the 19 targeted performance areas, nine (9) targets were achieved which constituted 47% overall achievement.

	FY 2019/20	FY 2020/21	FY 2021/22
Total targets set	16	15(18)	19
Targets achieved	8/16	6	9
Targets not achieved	8/16	9	10
Success rate	50%	40%	47%
Total Budget Spent (%)	73% (R477 205/R652 553)	89% (R429 324/480 342)	85% (R515 595/R607 388)

Table 2: Programme performance from 2019/20 to 2021/22

The spending of 85% of the budget versus an achievement of 47% of the set targets for the year is concerning 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 the success rate of 40% and an 89% spending in the previous financial year, the question arises whether value for money is being received.

4.3 Programmes: Budget Allocation and Expenditure and Performance for 2021/22

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.

4.3.1 Programme 1: Administration- Budget Allocation and Expenditure

Budget Allocation and Expenditure

	2020/21			2021/22		
	Final Appropriation	Actual expenditure	Variance	Final Appropriation	Actual expenditure	Variance

Management	14 879 (12 469)	14 261 (12 469)	618 (0)	11 769	9 785	1 984
Corporate Service	66 857 (72 027)	66 370 (71 419)	487 (608)	67 237	61 183	6 054
Financial Administration	22 802 (22 211)	20 010 (22 211)	2 792 (-)	22 556	19 708	2 848
Internal Audit	11 069 (8 655)	9 404 (8 061)	1 665 (594)	11 107	10 858	249
Strategic Planning, Policy development and M&E	12 361 (11 660)	11 405 (10 349)	956 (1 311)	14 743	14 214	529
Office Accommodation	14 083 (13 563)	13 317 (13 562)	766 (1)	18 480	18 403	77
Total: Sub-programmes	142 051	134 767	7 284	145 892	134 152	11 741

Table 3: Budget allocation Programme 1 from 2019/20 to 2021/22

The R1.984 million underspending in the Corporate Services subprogramme should be explained against the background that, in the previous financial year, it underspent with only R618 000. Given the under-capacitation of the Internal Audit Function and that this subprogramme underspent with R1.665 million in the previous year, which decreased to R249 000 in the year under review, this development can be welcomed.

Programme 1: Administration - Programme performance

	FY2020/21	FY2021/22
Total targets set	4	5
Targets achieved	3	4
Targets not achieved	1	1
Success rate	75%	80%
Budget Spent	95% (R134 767/142 051)	90% (R134 152 /148 892)

Table 4: Programme 1 performance from 2019/200 to 2021/222

As shown above, the Administration programme had a total of 5 targets of which 4 have been achieved, leading to a success rate of 80% and this should be viewed against a spending rate of 90%. This performance reflects a marginal decline compared to the previous year when three of the four set targets were met with a spending rate of 95%.

Performance Indicator	Planned Target	Actual Achievement	Deviation	Comment
PPI 103: Approved ICT Strategy implemented (Phase 1 to 3)	Approved ICT Strategy (Phase 1 to 3).	Various explanations such as "Continued with User Acceptance testing and training of the Registration module"	Approval of the proposal took long and SITA could not allocate resources to FastTrack the IDMS project	The project charter approved. Other modules are also scheduled for analysis

Table 5: Target not met Programme 1: Administration

Various reasons are provided for the deviation from the target, but the essence is that an approved ICT system can assist to address many of the challenges the DMV is experiencing.

4.3.2. Programme 2: Socio- Economic Support

Budget Allocation and Expenditure

This is the main service delivery programme, and is supporting the delivery of benefits such as education, public transport, pension and housing.

Socio- Economic Support SUB PROGRAMMES	2020/21			2021/22		
	Final Appropriation	Actual expenditure	Variance	Final Appropriation	Actual expenditure	Variance
Database and Benefits Management	8 174 (8 678)	8 004 (6 361)	170 (2 317)	15 978	8 918	7 060
Health care and wellness support	113 686 (124 705)	112 432 (124 702)	1 254 (3)	106 114	104 065	2 049
Socio economic support management	113 532 (203 389)	103 989 (203 597)	9 543 ((208))	183 162	120 897	62 265

Total For Subprogrammes	2325 392	224 425	10 967	305 254	233 880	71 374
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Table 6: Budget allocation Programme 2 from 2021/20 to 2021/22

In contrast to the previous year, this is the worst performing programme of the DMV in both financial and performance measures. Given that this is the main service delivery programme, the fact that the socio-economic support management sub-programme underspent with more than R62 million, it is very concerning. This subprogramme is dedicated to support benefits such as education, public transport, pension and housing - but these annual targets have been missed, despite some being adjusted downward. The underspending of R7 million in the Database subprogramme against the background of the slow progress to capture and verify military veterans, even with the assistance of the Verification Panel, should be raised. 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 performance

	FY2020/21	FY2021/22
Total targets set	6	8
Targets achieved	2	2
Targets not achieved	4	6
Success rate	33.33%	25%
Budget Spent	95% (R134 767/142 051)	77% (R 233 880/R305 254)

Table 7: Programme 2 performance from 2019/200 to 2021/222

During the period under review, the Department targeted eight (8) performance indicators to deliver the socio-economic benefits to Military Veterans and their dependants. Of the eight (8) targeted indicators, two (2), or 25%, performance indicators were achieved.

Performance Indicator	Planned Target	Actual Achievement	Deviation	Comment
PPI 201: Number of Approved Non-Statutory Forces (NSF) received from the verification panel for inclusion in the Database	3 000	151	-2 849	3 005 files were assessed by the verification panel but only 151 applicants could be recommended for inclusion into the National Military Veterans Database.
Number of deserving military veterans provided with newly built houses per year	355	71	-284	Poor delivery of houses by DHS due to a variety of challenges
Number of Military Veterans participating in the pension benefit pilot project	200	Policy in draft and awaiting final Actuarial report	- 200	Policy in draft pending final actuarial report from appointed service provider and engagement the stakeholders.
Number of Military Veterans participating in Subsidized public Transport benefit pilot project	200	0	- 200	Policy is in draft and due to complexity of the public transport sector in the country, extensive data and information collection with stakeholder engagement is still required to assist in policy development and implementation thereof.
Number of Military Veterans with access to health care services	19 100	19 100	0	The target was achieved because this is a demand driven indicator.
Number of Military Veterans and dependents provided with Dedicated counselling services and treatment	500	488	- 22	Dedicated Counselling is demand driven as such 97% of the targets has been achieved.

Table 8: Targets not met Programme 2: Socio-economic Support

While the DMV indicates that only 2 of the 8 targets were met in this Programme, pages 42- 47 of the Annual Report indicates that three targets were met, bringing their success rate to 37.5% up from the 20%, and the overall performance 47% from to 53%. The explanation that poor delivery of houses by DHS due to a variety of challenges, is noted. However, the underperformance in this regard is a continuing matter

4.3.3 Programme 3: Empowerment and Stakeholder Management Budget Allocation and Expenditure

Empowerment & Stakeholder Management Subprogrammes	2020/21			2021/22		
	Final Appropriation	Actual expenditure	Variance	Final Appropriation	Actual expenditure	Variance
Provincial Office and Stakeholders Relation	39 785 (55 968)	28 748 (36 002)	11 037 (19 966)	37 801	32 399	5 402
Empowerment and Skills Development	40 548 (73 2060)	27 488 (18 659)	13 060 (54 547)	95 520	95 251	269
Heritage, Memorial, Burial and Honours	22 566 (20 556)	13 834 (14 585)	8 732 (5 971)	22 921	19 914	3 007
Total: Subprogrammes	102 899	70 070	32 829	156 242	147 564	8 678

Table 9: Budget allocation Programme 3 from 2021/20 to 2021/22

This programme improved significantly on its underspending as it managed to increase spending from 68% in the previous financial year to 94% for the year under review, and the DMV should be commended in this regard. This should however be read against the background of the significant underspending in subprogrammes 1 and 3. The Heritage, Memorial, Burial and Honours subprogramme underspent with more than R3 million and it should be enquired what is being done to address this underspending. It is also noted with concern the underspending of R5.4 million in the Provincial Office and Stakeholders Relation subprogramme, especially given that it is responsible for provincial offices and that the Department does not have a footprint in all provinces to assist with access to DMV officials.

Programme performance

	FY2020/21	FY2021/22
Total targets set	5	6
Targets achieved	1	3
Targets not achieved	4	3
Success rate	20%	50%
Budget Spent	68% (R70 070/102 899)	94% (R 147 564/R156 242)

Table 10: Programme 3 performance from 2019/200 to 2021/222

During the period under review, the Department targeted six (6) performance indicators to deliver the socioeconomic benefits to Military Veterans and their dependants. Of the six (6) targeted indicators, three (3) or 50% performance indicators were achieved against spending of 94% of the allocated budget.

Performance Indicator	Planned Target	Actual Achievement	Deviation	Comment
Number of memorial lectures coordinated for military veterans	10	5	-5	The nature of the roll-out of the benefit involves contact with clients in both walk-ins and outreach programs in the provinces and there were delays in coordinating. Lectures during 2021/22 financial year.
Number of Military Veterans provided with access to employment placement opportunities	30	0	-30	Currently the Unit has challenges of person power to execute the tasks
Number of Military Veterans memorial sites facilitated per year	3	0	-3	The Department depend on DPWI to make the implementation a success

Table 11: Targets not met Programme 3: Empowerment and Stakeholder Management

The underperformance on the memorial lectures coordinated for military veterans is of concern as the reasons for the delays are not explicitly provided in the Annual Report. The fact that there were no employment placement opportunities against the target of 30 is unclear as the reason provided namely "Currently the Unit has challenges of person power to execute the tasks" does not appear to be sufficient. The fact that the Department indicates that it is dependent on the DPWI to facilitate the number of memorial

sites facilitated per year, should be questioned given the importance to adequately memorialise and maintain such sites in honour of our military veterans. This poor performing programme is responsible for, among other things, the management of provincial offices, which have been a problematic area for the Department for years. This need to be addressed as these offices are crucial to improve the national foot print of the DMV and access for military veterans.

4.2 Financial statements

Unauthorised expenditure: Similar to 2020/21, the Department did not incur unauthorised expenditure during the year under review. The Department should be commended in this regard.

Fruitless; wasteful and Irregular expenditure the amounts

The Department did incur Fruitless and Wasteful expenditure of R91 000 for the 2021/22 financial year. The Auditor General of South Africa (AGSA) states that it was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure, as required by section 38 (1)(h)(iii) of the PFMA. This was because investigations into fruitless and wasteful expenditure were not performed.

Concern is expressed about the Irregular, Fruitless and wasteful expenditure and it must be enquired what measures are being taken to prevent these expenditures and especially whether Consequence Management has been implemented in these cases. This against the AGSA's finding that investigations into fruitless and wasteful expenditure were not performed.

Contingent liabilities and contingent assets: The Department has incurred Contingent Liabilities of 345 505 000 for the year under review against R235 558 000 in the previous financial year. The Contingent assets are listed as R1 899 000 an increase due to the addition of the SITA ICT Training to the value of R461 000, from the previous year's R1.438 million which related to the Bakoena Entertainment and Events breach of contract for R745 000 and R693 000 by Guatayatam also 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 AGSA audited the financial statements of the Department for 2021/22, and the DMV received an unqualified audit outcome. This is the fifth consecutive unqualified audit outcome.

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

Material uncertainty relating to the future outcome of exceptional litigation. Similar to the previous year and 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 four years.

Payables exceeding voted funds to be surrendered

The financial statements refer to payables of R117 million that exceeded the payment term of 30 days, as required by Treasury Regulation 8.2.3. This amount, in turn, exceeded the R92 million of voted funds to be surrendered by R25 million as per the statement of financial performance. The amount of R25 million would therefore have constituted unauthorised expenditure had the amounts due been paid in time.

Report on the audit of the annual performance report.

The AGSA evaluated the usefulness and reliability of the reported performance information, for the following selected programme for the year ended 31 March 2022. The material findings on the usefulness and reliability of the performance information of the selected programmes are as follows:

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

The AGSA was unable to further confirm the reported achievement by alternative means. Consequently, the AGSA was unable to determine whether any further adjustments were required to the following reported achievements:

PPI 201: Number of approved non-statutory forces (NSF) received from the verification panel for inclusion in the database.

The reported achievement of 151 was reported against a planned target of 3 000 in the annual performance report. However, the supporting evidence provided materially differed from the reported achievement, while in other instances the AGSA was unable to obtain sufficient appropriate audit evidence. This was due to lack of relevant evidence to confirm the eligibility of the reported number of military veterans.

PPI 202: Number of military veterans provided with newly built houses per year

The reported achievement of 71 was reported against a planned target of 355 in the annual performance report; however, the supporting documents materially differed from the reported achievement.

PPI 206: Number of bursaries provided to military veterans and their dependants per year

The achievement of 3 711 was reported against a target of 3 500 in the annual performance report. However, the supporting evidence provided materially differed from the reported achievement, while in other instances the AGSA was unable to obtain sufficient appropriate audit evidence. This was due to insufficient evidence and the beneficiaries who were reported in the incorrect financial year.

These findings are similar to those of the previous years and it speak to the performance information provided not being reliable. There appears to be basic mistakes that cannot be blamed on a lack of personnel or capacity, but rather poor oversight and a lack of effective leadership. The continuing challenge to capture and verify military veterans for inclusion on the database is concerning given that even the Verification Panel did not provide relevant evidence to confirm the eligibility of the reported number of military veterans. The AGSA also disputed the accuracy of the number of bursaries provided as the supporting evidence provided materially differed from the reported achievement. The lack of a properly staffed Internal Audit Division and the fact that its head is the acting CFO, are matters that the DMV need to address speedily. This should assist in an increased focus on the Audit Action Plan to address these matters.

Other matters identified by the AGSA:

- **Achievement of planned targets**

This should be considered in the above context of the material findings on the usefulness and reliability of the reported performance information

- **Adjustment of material misstatements**

The AGSA identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the Programme 2: Socio-economic support. Those that were not corrected are reported above.

- **Consequence management**

The AGSA was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against some officials who had incurred and/or permitted irregular, fruitless and wasteful expenditure in prior years, as required by the PFMA. This was because investigations into fruitless and wasteful expenditure were not performed.

- **Internal control deficiencies**

Similar to previous years, the AGSA reported that leadership did not exercise adequate oversight of financial reporting, performance reporting, compliance with applicable legislation and related internal controls. Action plans to address prior year findings were not effective, resulting in repeat findings in the audit of predetermined objectives. Management did not implement effective controls to ensure that information contained in performance reports was supported by relevant evidence before submission for audit. This was mainly as a result of a lack of proper performance and record management systems.

- **Other reports**

The Directorate for Priority Crime Investigation (the Hawks) and the Special Investigations Unit (SIU) are conducting investigations into allegations of non-compliance with procurement and contract management regulations within the department. The investigations are still in progress.

5. GOVERNANCE

5.1 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 2020/21, 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.

6. HUMAN RESOURCES

6.1 Overview and vacancies

Overview and vacancies

The number of posts on the establishment of the DMV is 169. The total number of posts filled as at 31st March 2022 was 128. A total number of 48 posts were additional to the fixed establishment as at the 31 March 2022. The Department has maintained a vacancy rate of 24% by the end of the reporting period. Finalisation in realignment of the organisational structure is underway. The Department has appointed a permanent Director General (DG) with effect from June 2021; two directors and two deputy directors were also appointed in January 2022. The Department indicates that one of the reason for not filling vacancies within six months was because of the change of Ministers in the Department, and the new Ministry advised for the re-advertisement of posts.

Programme	No of posts approved	No of posts filled	Vacancy rate	No of additional employees to establishment
Administration	103	76	13%	25
Socio-economic Support	20	14	30%	18
Empowerment and Stakeholder management	46	38	14%	5
Total	169	128	24%	48

Table 12 – Number posts and vacancies

The overall vacancy rate of 24% is an improvement of the previous year's 27%. However, the 30% vacancy in the main service delivery programme, remains a concern as in previous years. It is especially the 30% vacancy rate in Programme 2 the main delivery programme, that is concerning. Given that one of the reason for not filling post within 6 months was the appointment of a new Minister, it is hoped that this has been cleared to address the vacancies with the urgency it requires. This issue is also aligned to the process to change the Organisational Structure of the Department and it is hoped that this will receive further impetus in the current financial year.

6.2 Misconduct; disciplinary hearings; performance agreements and rewards and suspensions

The Annual Report shows that there were 3 misconduct cases, which led to a correctional counselling; a verbal warning and a written warning. There were 29 grievances of which 8 were resolved and 21 remained unresolved. Only one disciplinary action was taken against an employee which resulted in a written warning. It is also reported that 20 out of 21 SMS members concluded their performance agreements, while the one senior managers did not it as he had challenges with his supervisor for not affording him the opportunity to meet and discuss his performance agreement and ultimately its signing. It is reported that 53 employees received performance rewards to the amount of R 457 972 at an average cost of R 8 641 per employee. It is further reported that four members have been suspended for a 165 average days at a cost of R3 778 958. The fact that there were 29 grievances of which only 8 were resolved and 21 remained unresolved is problematic. While it is good policy to reward employees for excellent work, this should be viewed against the Department's poor performance where they only achieved a success rate of 47% with an underspending of 15% of the allocated budget. The suspension of 4 members at a cost of R3 778 958. 91 is an issue that needs to be addressed urgently, given the Department's vacancy rate and especially its poor performance and underspending.

7. COMMITTEE OBSERVATIONS: DEPARTMENT OF MILITARY VETERANS

During deliberations on the 2021/22 DMV Annual Report, the Committee made the following observations:

- a. One of the main observations of the Committee, is its serious concern about the continuing poor performance and underspending of the Department. The Department spend 78.9% of their main appropriation, or 84.9%, against the adjusted allocation and only achieved 47%, or 9 out the 19, performance targets for the year. Against this background it can be questioned whether Department

delivers value for money and whether the persistent poor performance and underspending will not bring existential questions to the fore.

- b. The Committee was again critical on the slow process to fill vacancies, especially senior posts, which was further exacerbated by the suspension of four senior officials, given the interrelatedness between the number of vacancies and the kind of service delivery.
- c. Committee Members commented on the lack of progress to pay pensions to military veterans, against the background that an undertaking was given that it would started to roll out this benefit from 1 April 2022.
- d. The absence of an Audit Committee Report in the Annual Report due to resignations and the subsequent inactivity of this Committee, was lamented by the PCODMV who stressed the importance of this entity as an early warning system.
- e. Similarly, the Committee expressed its concern that members of the Appeal Board have not been appointed, even though the Committee has previously implored the Department to expedite these appointments, given its important role to serve as an arbiter in cases concerning military veterans.
- f. While welcoming the Court's decision in favour of the Department on the Zeal case, which relates to a claim of R198 million, the Committee enquired why it took eight years to conclude this contingent liability case. The Committee however remained concerned about the contingent liabilities and contingent assets.
- g. The Department indicated that 19 military veterans were registered on the Department of Employment and Labour's database for employment opportunities, but Members wanted to know whether this has actually translated into employment.
- h. The Committee enquired whether municipalities could not be approached for assistance in the case where the Verification Panel could not locate military veterans. This against the background of the Intergovernmental Framework and because ward councillors can also assist in this regard.
- i. It was requested that the Department provide the Committee with the number of applications by military veterans which were not responded to within the legislated 30 days. This was based on the numerous complaints received by Members of Parliament from military veterans about the lack of responses from the Department.
- j. The Committee noted with concern the difference in opinion between the Deputy Minister and the Director-General.
- k. The Committee asked for information about the investigations by the Directorate for Priority Crime Investigation (Hawks) and the Special Investigations Unit into allegations of non-compliance with procurement and contract management. It noted with concern that the DMV did not know why these investigations were instituted and who requested it.

8. COMMITTEE RECOMMENDATIONS

Based on its analysis and overview of the 2021/22 DMV Annual Report, the Committee makes the following recommendations:

- a. The Committee recommends that the DMV should urgently address the following issues to assist the Department to address its perennial underspending and poor performance:
 - The high rate of vacancies, especially at senior management level.
 - The Internal Audit capacitation and functioning.
 - The appointment of the Audit Committee.
 - The suspension of especially four senior officials.
 - Finalising the DMV database.
- b. The Committee emphasises that the budget is linked to performance targets and thus, if there is poor performance, it has a direct bearing on how effective the Department is. Therefore, the DMV should prioritise addressing the continued poor delivery of benefits.
- c. The Committee recommends quarterly feedback on the progress of the payment of pensions to military veterans, as very clear legitimate expectations were created by the Department in conjunction with the Presidential Task Team on Military Veterans.
- d. It is recommended that the Audit Committee be appointed as a matter of urgency, and the Department should report on progress in this regard at the next meeting of the DMV with the PCODMV.
- e. The Committee recommends that a progress report on the appointment of the Appeal Board and its members be provided at the next meeting, given the importance of this entity to address complaints by military veterans.

- f. The Committee recommends that the Department should seriously engage with its contingent liabilities and assets and the risks that it poses, and not just view it something that are unlikely to come to pass.
- g. The Department should go one step further than just registering military veterans on the Department of Employment and Labour's database, and should actively try and assist them to source employment.
- h. The Committee recommends that municipalities should be approached for assistance in cases where the Verification Panel cannot not locate military veterans, as it is not enough to simply say that they cannot be located when all avenues have not been explored.
- i. The Committee recommends that the Department should provide it with the number of applications by military veterans who were not responded to within the legislated 30 days, at its next meeting.
- j. The Committee recommends that the difference in opinion between the Deputy Minister and the Director-General be resolved as soon as possible to ensure seamless cooperation between the two offices, as well as to enhance the Department's delivery capabilities. The Minister and Deputy Minister are requested to report back the Committee in this regard before the end of 2022.
- k. The Committee wants the Department to present it with more information about the investigations by the Directorate for Priority Crime Investigation (Hawks) and the Special Investigations Unit into allegations of non-compliance with procurement and contract management. This information should be provided in writing no later than 15 December 2022.

Report to be considered.