

Budgetary Review and Recommendations Report of the Portfolio Committee on Defence and Military Veterans on the 2022/23 Annual Report of the Department of Defence (DOD), Dated 25 October 2023.

The Portfolio Committee on Defence and Military Veterans (PCDMV), having considered the financial and service delivery performance of the Department of Defence (DOD) for the 2022/23 financial year, on 11 October 2023, reports as follows:

1. INTRODUCTION

1.1. Description of core functions of the Department

Section 200 of the 1996 Constitution sets out the mandate of the South African National Defence Force (SANDF), while Section 204 establishes a civilian secretariat for the Department. The mandate of the SANDF is to “*defend and protect the Republic, its territorial integrity and its people in accordance with the Constitution and the principles of international law regulating the use of force*”. In pursuance of this mandate, the Department of Defence (DOD) provides, manages, prepares and employs defence capabilities commensurate with the needs of South Africa, guided by the Constitution, relevant legislation and Executive direction.

1.2 Mandate of the Committee

The Portfolio Committee on Defence and Military Veterans (PCDMV) is mandated to oversee the Department of Defence and Military Veterans to ensure that the Department fulfils its mandate through the monitoring of the implementation of legislation and adherence to policies, such as the Defence Act (No. 42 of 2002), the White Paper on Defence (1996) and the 1998 Defence Review and the 2015 Defence Review. These policy guidelines assist the Committee in its oversight activities. The Committee scrutinises legislation that supports the mission statement of Government, the budget and functioning of the Department, and the employment of the SANDF.

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 comprehensive review and analysis of the previous financial year’s performance, as well as performance to date, form part of this process. 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 throughout the financial year. It is inclusive of the Committee’s meetings, oversight visits, reports on budget votes, strategic plans, annual performance plans (APP), quarterly reports and the relevant annual report, as well as previously published Committee reports.

1.5 Information used to compile the Report

Other information used in the assessment of the service delivery and financial performance include:

- Committee reports on the 2022/23 and 2023/24 budget hearings, strategic plans and annual performance plans;
- The National Development Plan 2030 (NDP);
- The 2023 Estimates of National Expenditure (ENE);
- The 2023 State of the Nation Address (SONA); and
- The Auditor-General of South Africa (AGSA) Report on the DOD.

1.6 Structure of the Report

This report comprises seven sections:

- An introduction which sets out the mandate of the Committee, the purpose of this report (BRRR).
- An overview of the key relevant policy focus areas.
- An overview and summary of previous key financial and performance recommendations of Committee
- A broad overview and assessment of financial performance of the DOD for 2022/23.
- An overview of service delivery and performance of the DOD for 2022/23.
- Key Committee observations.
- Key Committee recommendations.

2. OVERVIEW OF THE KEY RELEVANT POLICY FOCUS AREAS

2.1 State of the Nation Address

President Ramaphosa delivered his State of the Nation Address (SONA) on 9 February 2023. The SONA focused mainly on the devastating impact of the ongoing electricity crisis on the economy and the Government's plan to end persistent load shedding. The SONA did not present new plans but concentrated on the most pressing issues affecting South Africa, namely load shedding, unemployment, poverty, the rising cost of living, and crime and corruption. Similar to previous years, with these focal points dominating the Address, there was little emphasis on matters pertaining to the DOD. However, some aspects noted by the President have an impact on the broader defence sector.

- *Safety and security at Eskom power plants:* While the SONA noted the important work of the Police in this regard, the South African National Defence Force (SANDF) also plays a role in ensuring safety at power plants. Up to 2,700 SANDF members were activated for deployment by the President on 23 December 2022, with some already in place at selected power plants. The deployment period expired on 16 March 2023.
- *The Welisizwe rural bridges programme:* In the 2022 SONA, it was announced that the programme aims to build 95 bridges in rural areas. The SANDF is a primary implementing agent due to its demonstrated engineering capability to carry out the function. In the 2023 SONA, the President announced that 24 bridges in KwaZulu-Natal are currently under construction, and site preparations are being made for a further 24 bridges.
- *Regional security:* The President noted South Africa's commitment "to achieving a better Africa and a better world." The SANDF remains a key contributor to ensuring safety and stability in the region. The SANDF currently contributes forces to the UN mission in the Democratic Republic of the Congo (DRC) and the Southern African Development Community (SADC) mission in Mozambique.
- *Domestic security:* The SONA also included reference to the impact of the July 2021 public violence in KwaZulu-Natal and Gauteng, as well as the impact of flooding on several provinces in 2022. The SANDF was crucial in intervening in both these instances and assisting citizens and other government departments.

2.2 The National Development Plan 2030

The National Development Plan (NDP) presents a number of recommendations, actions and indicators that relate to the DOD. The following represent some of the key aspects with relevance to the DOD:

- Chapter 7: Positioning South Africa in the World. The NDP proposes the convening of a high-level, high-impact task team to investigate South Africa's foreign relations. The study should outline an implementation programme to reach these objectives, focusing on, *inter alia*, national defence. The DOD contributes to this focus point of the NDP through peacekeeping operations and the presence of defence *attaches* around the world. Chapter 7 of the NDP also recommends that South Africa should extend the current agreement that allows the South African Navy to undertake anti-piracy operations in Mozambican and Tanzanian waters, to include Kenya. South Africa's anti-piracy operation, which

involves the South African Air Force, Special Forces and South African Military Health Services as well as the South African Navy, must be strengthened in order for operations to be sustained.

- Chapter 7 of the NDP also recommends the strengthening of border-enforcement to curb cross-border smuggling of counterfeit goods.
- Chapter 9: Promoting health. The NDP notes the aim of Universal Health Care coverage and that everyone must have access to an equal standard of care, regardless of their income. The DOD provides health services to all members of the SANDF through the SA Military Health Services (SAMHS), as well as assisting mil veterans with medical care.
- Chapter 14: Fighting corruption. The NDP aims for corruption-free society, a high adherence to ethics throughout society and a government that is accountable to its people. The DOD furthers this goal through a number of initiatives, including the national anti-corruption hotline, Corruption and Fraud awareness campaigns as well as implementing and monitoring the DOD Procurement Policy.

The envisaged contributions are further expanded on in the Medium-Term Strategic Framework (MTSF).

2.3 The Medium Term Strategic Framework (2019 - 2024)

The 2019-2024 Medium Term Strategic Framework (MTSF) of Government identifies a number of priorities that are based on the electoral mandate. The 2022/23 Annual Reporting period falls under the mentioned MTSF. The MTSF identifies 7 priorities of Government and the DOD plays an important role in Priority 6 (Social cohesion and safer communities) and Priority 7 (A better Africa and world). Contributions to these outcomes are summarised in the table below.

DOD contributions to strategic outputs

MTSF Priority	Performance indicator	Target 2022/23	Achievement 2022/23
Priority 7	Total number of Defence Attaché Offices	44 Offices	44 Offices
Priority 6	Number of Reserve Force man days	1 985 307	2 818 497 (142%)
Priority 7	Percentage compliance with the Southern African Development Community Standby Force Pledge	100%	88%
Priority 7	Percentage compliance with number of ordered commitments (external operations)	100%	67%
Priority 6	Percentage compliance with number of ordered commitments (internal operations)	100%	100%
Priority 6	Number of Joint, Interdepartmental, Interagency and Multinational military exercises conducted	4	4
Priority 6	Number of landward subunits deployed on border safeguarding	15	15
Priority 6	Number of hours flown per year (includes an estimated 4 000 hours for Force Employment, approximately 12 100 hours for Force Preparation and 1 000 VVIP hours.)	12 000	12 059 <i>The target for flying hours was decreased from 15 000 in the previous year to 12 000 in 2022/23.</i>
Priority 6	Number of hours at sea per Year (Target reduced from 10 000 hours in 2020/21 to 8 000 in 2021/22)	8 000	2 770
Priority 6	Number of coastal patrols	4	2

3. SUMMARY OF PREVIOUS (2021/22) KEY FINANCIAL AND PERFORMANCE RECOMMENDATIONS OF THE COMMITTEE

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

Recommendations to the Minister of Finance and subsequent responses:

- The Committee expresses its disappointment with the DOD not correctly spending the allocation of R225 million over the MTEF on border safeguarding technology. The Committee recommends that the DOD reprioritises R140 million from its allocation for 2023/24 for the purpose of border safeguarding technology as force multipliers. Subject to this reprioritisation being carried out and spent successfully, the Committee then recommends further ring-fenced allocations for border safeguarding technology by National Treasury for the outer-years of the 2023 MTEF.
 - *National Treasury response: The National Treasury agrees with this recommendation. The Department of Defence is allocated additional funding of R500 million in 2024/25 and R200 million in 2025/26 to procure equipment and technology to aid the safeguarding of borders. These earmarked funds may not be used for any other purposes. Any changes to these amounts will require the National Treasury's approval.*
- As in the PCDMV's BRRR recommendations to National Treasury in 2019, 2020 and 2021, the Committee again recommends a ring-fenced allocation for the midlife upgrades of the SA Navy frigates and submarines. The Committee is suggesting a staggered approach in this regard to limit the fiscal impact, but one that would ensure the midlife upgrades of all frigates and submarines over, for example, the next 7 to 10 years, starting in 2023/24. This will allow the SA Navy to appropriately plan vessel availability, adjust its sea-hour targets accordingly and report more accurately to Parliament. It would also add significant capacity in terms of maritime security which is currently characterised by very limited naval patrols.
 - *National Treasury response: Consistent with the committee's recommendation, the Department of Defence is allocated additional funding of R500 million in 2023/24, R441 million in 2024/25 and R480 million in 2025/26 for the midlife upgrades of the South African Navy's frigates and submarines. These earmarked funds may not be used for any other purposes. Any changes to these amounts will require the National Treasury's approval.*
- The Committee is concerned about the ability of the SA Air Force to effectively provide logistical and reinforcement support to SANDF members deployed outside South Africa due to limited strategic airlift capacity. The Committee therefore recommends an urgent ring-fenced allocation to address the strategic airlift shortcomings in the SA Air Force.
 - *National Treasury response: Consistent with the committee's recommendation, the Department of Defence is allocated additional funding of R1 billion in 2023/24 to strengthen the country's airlift transport capability. This earmarked allocation may not be used for any other purposes. Any changes to the allocated amount will require the National Treasury's approval.*
- The Committee is concerned about the stagnation and lack of investment in the SANDF landward defence capability, notably the SA Army's Infantry capability. This factor has been worsened by the non-finalisation of Project Hoefyster. The Committee therefore recommends engagement between National Treasury, the DOD and Armscor to consider further funding for Phase 2 of Project Hoefyster or, should this not be feasible, the upgrading of the current Ratel fleet to extend its serviceability. National Treasury, the DOD and Armscor should jointly report back to this Committee on the envisaged plan to address the Infantry capability constraints. These plans should be included in the DOD and Armscor Annual Performance Plans for 2023/24 and National Treasury should consider a statement to this effect in the 2023/24 Estimates of National Expenditure.
 - *National Treasury response: The National Treasury notes the committee's concerns. To date, government has invested R7.4 billion in Project Hoefyster. This project was supposed to acquire 264 infantry fighting vehicles to partially replace the old Ratel fleet, but these vehicles have yet to be delivered. The National Treasury is open to engagement with the Department of Defence and Armscor on the feasibility of the project.*
- The Committee wishes to note to National Treasury that the SANDF's Mobility Packages being utilised for border safeguarding have been in use since 2017 and may soon reach the end of their lifespan. Given the ongoing role of the SANDF in border safeguarding, the Committee highlights the need for the DOD and National Treasury to jointly plan for upcoming expenses in this regard towards the end of the 2023 MTEF and beyond. The Committee also wishes to reiterate that the current Mobility Packages were considered an interim solution and any future joint planning by the DOD and Treasury

should consider a more permanent long-term solution that can effectively aid in ensuring improved border safeguarding.

- *National Treasury response: The National Treasury notes the committee's recommendation. Over the 2023 MTEF period, the National Treasury has allocated R700 million to procure helicopters, vehicles and technology for border safeguarding. The Department of Defence is responsible for the procurement of vehicles or mobility packages that will improve border safeguarding over the long term.*

Recommendations to the Minister of Defence:

- As noted in the recommendations to the Minister of Finance, the Committee recommends that the DOD reprioritises R140 million from its allocation for 2023/24 for the purpose of border safeguarding technology as force multipliers.
- The Committee urges the Minister to prioritise Consequence Management in the DOD through instructions to both the Secretary for Defence and the Chief of the SANDF. The Committee recommends that Consequence Management should be implemented on the most recent cases of irregular, unauthorised, and fruitless and wasteful expenditure and then they should work backwards to older cases. This will ensure that members are held to account before leaving the Department and serve as a deterrent against further such cases.
- With most aircraft maintenance programmes now in place, the Committee urges the SA Air Force to improve its achievement against planned flying hours going forward.
- The Minister is encouraged to engage National Treasury and ensure that sufficient ring-fenced funding is in place for the newly negotiated aircraft maintenance programmes over the MTEF.
- The DOD and DPWI should jointly, as a matter of urgency, address the air conditioning at the SA Air Force headquarters. It is further recommended that the environmentally controlled SA Army warehouses be reactivated.
- It is recommended that the Minister should address matters related to procurement processes in the DOD, with much of the procurement aspects currently located in the ambit of the SANDF's Chief of Logistics and not with the Chief Financial Officer. A workable long-term solution to ensure stability in the procurement environment should be prioritised.
- The DOD is encouraged to fully staff and prioritise its Internal Audit Division to ensure that audit action plans are implemented.
- The DOD should ensure timely cooperation with the Office of the AGSA whenever audit requests are submitted.

4. OVERVIEW AND ASSESSMENT OF FINANCIAL PERFORMANCE FOR 2022/23

The DOD has eight programmes through which it executes its various tasks. The financial performance and performance against set targets of the various programmes and subprogrammes for 2022/23 are contained in the sections to follow.

4.1 Programme 1: Defence Administration

4.1.1 Defence Administration financial shifts and expenditure

Programme	Adjusted Appropriation	Virement R'000	Final Appropriation	Actual Expenditure	Variance	
					R'000	%
Administration	5 828 629	213 944	6 042 623	6 071 295	(28 627)	0.5%

The purpose of this programme is to provide strategic leadership, management and support services to the DOD. The Administration programme's total expenditure for 2022/23 came to R6.071 billion, following virements of R214 million (3.7%) to the programme. While most subprogrammes saw its adjusted appropriation diminished through virements, the following two programmes saw its allocation increase significantly through virements:

- SANDF Command and Control (an increase of R18.378 million [9.8%])
- Office accommodation (an increase of R363.178 million [13%]).

The subprogrammes most negatively affected by virements include the following:

- Ministry (a reduction of R68.102 million [46%])
- Financial services (a reduction of R42.276 million [9.6%])
- Communication Services (a reduction of R75.989 million [61.5%])
- Defence Reserve Direction (a reduction of R10.361 million [27.4%])

In terms of expenditure per economic classifications, the following may also be noted:

- *Catering*: The Administration Programme spent R5.322 million for catering activities during 2022/23. Although this is slightly lower than budgeted it is significantly higher than the R2.891 million spent in the previous financial year.
- *Consultants*: The DOD spent R9.7 million on consultants during the year under review, which is similar to that spent in the previous financial year.
- *Operating leases*: A virement of R271.170 million was made to increase payments to operating leases in Programme 1 to a total of R1.945 billion for 2022/23. This is significantly higher than the R1.327 billion spent in the previous financial year.
- *Property payments*: Spending on property payments totalled R1.278 billion in 2022/23, which was lower than the R1.457 billion spent in the preceding financial year.
- *Rental and hiring*: While the DOD planned to spend only R50 000 on rental and hiring in Programme 1 in 2022/23, a virement of R2.212 million increased the final expenditure to R2.262 million for the year under review. A similar virement was made in the previous financial year.
- *Capital Assets*: An additional virement of R75.8 million was made to capital assets to increase final spending to R103.319 million.

4.1.2 Defence Administration performance

The Administration programme set seven (7) targets for 2022/23 of which one is considered classified information. While this is the same number of targets as in 2021/22, there are 2 targets fewer compared to 2020/21 (which had 9 targets), of which one of the previously included targets related to the reduction in number of audit qualifications.

Administration programme: Selected performance against set targets

Subprogramme	Target description	2022/23 Target	2022/23 Achievement	Comments
<i>Defence strategic direction</i>	% adherence to DOD index for policies	>60% (Target lowered from 80% in 2020/21)	67%	Five DOD Policies promulgated <ul style="list-style-type: none"> • Policy on the Management of Plain/Civilian Clothing Allowance for SANDF Members • Policy on State Housing in the DOD • Interim Policy on the Management of Sexual Harassment in the DOD • Policy on Rates for Reserve Force Aircraft • Policy on the Management of Foreign Exchange Transactions in the DOD. Achieved
	% Payments in 30 days	75%	81.5%	The lack of integrated departmental information systems adversely contributes to the ability of the Department to verify all (100%) legitimate invoices received for payment within the prescribed 30-day period

Subprogramme	Target description	2022/23 Target	2022/23 Achievement	Comments
				Achieved
	% adherence to DOD index for plans	100% (41)	85.4% (35)	35 of 41 Planning Instruments finalised Not achieved
	Number of Reserve Force man days	1 985 307	2 818 497	Increased utilisation of Reserve Forces to augment HR capacity Over-Achieved
	Audits completed in terms of the approved Internal Audit Plan	80%	91.9%	34 of 47 internal audits completed (compared to 33 in the previous year) Achieved
<i>Defence Capabilities provided</i>	Number of Defence Attaché Offices	44	44	Achieved

4.2 Programme 2: Force Employment

Programme	Adjusted Appropriation	Virement	Final Appropriation	Actual Expenditure	Variance	
					R'000	%
Force Employment	5 045 826	(91 118)	4 954 708	5 012 398	(57 690)	1.2%

The purpose of this programme is to provide and employ defence capabilities. In 2022/23, following the adjusted appropriation, a virement of R91.118 million was made away from the programme. The Subprogramme 5 (Support to the people) was most affected as it saw its allocation decreased by 7.4% from an adjusted allocation of R1.426 billion to actual expenditure of R1.309 billion. Subprogramme 4 (Regional Security) also saw its allocation reduced through a virement of R69.7 million, resulting in final spending of R1.957 billion. The allocations of the Operational Direction and Special Operations subprogrammes saw their allocations marginally increase through virements.

In terms of economic classifications, the following can be noted:

- The adjusted allocation for Administrative fees was R32 000 while R1.124 million was spent on this item by the end of the year.
- Spending on Catering in Programme 2 was R3.124 million at the end of the financial year and although less than the adjusted appropriation, it is higher than the R1.891 million spent in 2021/22.
- While R177.334 million was budgeted for Contractors in the adjusted appropriation, a virement of R80 million was made away from the line item and year-end spending came to R96.615 million. While savings on Contractors should be commended, limited spending on this item in Programme 2 (Force Employment) may have operational consequences as civilian contractors are often responsible for various aspects to ensure operations continue optimally.
- The adjusted allocation for Fleet Services was reduced through a virement of R101.917 million, resulting in year-end spending of only R19.513 million.
- The allocation for fuel, oil and gas was decreased from its adjusted allocation of R133.686 million to final expenditure of R104.854 million.
- The allocation for Property Payments was decreased from its adjusted allocation of R29.333 million to final expenditure of only R5.452 million.
- Travel and subsistence saw an additional virement to increase the adjusted budget of R259.541 million to final expenditure of R301.985 million.

A total of 10 targets were set for the programme of which three were classified. Of the seven (7) remaining targets, three (3) were achieved. Of specific concern is the ongoing inability of the DOD to achieve its target in terms of the level of UN reimbursement in recent years. This has significant financial implications for the Department as it results in less funds returned to the DOD. Furthermore, much of the regression in the Force Employment programme's achievements is due to the unavailability of SA Navy equipment.

Administration programme: Selected performance against set targets

Target description	2022/23 Target	2022/23 Achievement	Comments
Number of planned joint, interdepartmental and multinational military exercises	4	4	Ex SHARED ACCORD. Ex IBSAMAR. Ex OXIDE. Ex MOSI Achieved
Number of landward sub-units deployed for border safeguarding	15	15	Achieved
Percentage compliance with number of external operations	100%	67%	No Op COPPER Long-Range Patrols were conducted during FY2022/23 due to SA Navy prime mission equipment not being operationally available as required. Not achieved
Reimbursement from the UN for SANDF deployments	70%	57%	<i>There was a slight increased achievement from 47% in 2021/22 to 57% in 2022/23.</i> Not achieved
Compliance with SADC Standby Force	100%	88%	The SA Navy could not provide the required capabilities as pledged. Not achieved
Compliance with internal operations	100%	100%	Support to SAPS (Ops Prosper), Humanitarian assistance (Ops Chariot), Search and Rescue (Ops Arabella) and Border safeguarding (Ops Corona) Achieved
Number of Maritime Coastal Patrols conducted per year	4	2	The SA Navy could not provide the required capabilities. Not achieved

4.3 Programme 3: Landward defence

Programme	Adjusted Appropriation	Virement	Final Appropriation	Actual Expenditure	Variance	
					R'000	% (Per Programme)
Landward Defence	15 971 557	(99 796)	15 871 761	17 732 035	(1 860)	15 971 557

The purpose of this programme is to provide prepared and supported landward defence capabilities for the defence and protection of South Africa. In terms of spending, all subprogrammes spent 100% of their final appropriation. Following the adjusted appropriation, further virements to the value of R99.796 million was made away from the programme. The subprogrammes most affected by the virement away the programme include the following:

- Strategic Direction (allocation *decreased* by R319.765 million)
- Support capability (allocation *decreased* by R49.692 million)
- Infantry Capability (allocation *increased* by R171.498 million)

In terms of economic classifications, the following can be noted:

- The SA Army is the largest component of the SANDF and therefore the most significant in terms of CoE expenditure. In 2022/23, the programme over-spent on CoE by R1.862 billion (14.2%).
- Contractors (a decrease of R555.417 million), with only R44.567 million was spent by year-end.
- Scientific and technological services (an increase of R145.953 million), against an adjusted allocation of only R190 000.
- Fleet services (an increase of R28.671 million), with a final spending of R52.703 million by year-end.
- Travel and subsistence (a significant increase of R331.109 million), resulting in final spending of R602.044 million by year-end (compared to R498.720 million in the previous year, signifying a 20.7% increase in spending).
- Machinery and equipment (an increase of R71.761 million), with a final spending of R87.632 million by year-end.

Four (4) targets were set for this programme of which two are considered classified. The DOD managed to achieve both non-classified targets. The over-achievement on its training target is specifically noteworthy.

4.4 Programme 4: Air defence

Programme	Adjusted Appropriation	Virement	Final Appropriation	Actual Expenditure	Variance	
					R'000	% (Per Programme)
Air Defence	6 637 134	(258 291)	6 378 843	6 763 529	(384 686)	6.0%

The purpose of the Air Defence programme is to provide prepared and supported air defence capabilities for the defence and protection of South Africa. In terms of spending, as with other programmes, overspending relates to higher than planned CoE expenditure. Virements of R258.291 million was made away from the programme, mostly affecting the following programmes:

- Transport and maritime capability (allocation *reduced* by R532.354 million [50.5%])
- Air Combat capability (allocation *increased* by R86.466 million [28.2%])
- Base support capability (allocation *increased* by R129.184 million [6.0%])
- Command and Control Capability (allocation *increased* by R53.6 million [15.4%])

In terms of economic classifications, there was an over-expenditure on CoE to the value of R333.1 million. Other noteworthy economic classifications included the following:

- Computer Services (allocation increased by R24.6 million with final expenditure of R52.4 million)
- Contractors (allocation was decreased by R186.9 million with final expenditure of R921.4 million)
- Clothing and material (the allocation was increased significantly by R13.6 million with final expenditure of R16.3 million)
- Food and food supplies (allocation increased significantly by R112.6 million with final expenditure of R112.9 million)
- Fuel, oil and gas (allocation reduced by R75.9 million with final expenditure of R182.3 million)
- Materials and supplies (allocation reduced by R12.9 million with final expenditure of R10.1 million).
- Property payments (allocation reduced by R12.1 million with final expenditure of R19.5 million)
- Operating payments (allocation decreased by R96.1 million with final expenditure of R73.7 million)

Five (5) targets were set of which two are deemed classified (compliance with Joint Force Employment requirements and combat-ready capabilities available). In contrast to previous years, Programme 4 achieved its flying hours target, although the target for SA Air Force training was not met. However, the target for flying hours was reduced from 17 000 in 2021/22 to 12 000 in 2022/23. Actual achievement of flying hours decreased from 15 215 hours in 2021/22 to 12 059 hours in 2022/23.

Air Defence programme: Selected performance against targets

Target description	2022/23 Target	2022/23 Achievement	Comments
Air Defence Training targets	80% (637)	76.5% (609)	28 fewer learners (than planned) successfully completed training programmes. Not achieved
Number of Air Defence unique force training exercises conducted	1	1	Ex Winter Solstice Achieved
Number of flying hours per year	12 000	12 059	8900 hours for force preparation 2 483 hours for force employment 675 VVIP hours Achieved (but with a significant reduction from the previous year)

4.5 Programme 5: Maritime defence

Programme	Adjusted Appropriation	Virement	Final Appropriation	Actual Expenditure	Variance	
					R'000	% (Per Programme)
Maritime Defence	4 726 660	(273 936)	4 452 724	4 662 636	(209 912)	104.7%

The purpose of the programme is to provide prepared and supported maritime defence capabilities for the defence and protection of South Africa. Following the mid-year adjustments, the allocation for the programme was further reduced through a virement of R273.9 million. The Maritime Defence programme overspent on its final budget by R209.9 million, largely due to overspending on CoE, as is the case in other programmes.

The Maritime Combat capability subprogramme's allocation was reduced by R166.9 million (9.9%) through a virement, while the Maritime Logistics Support Capability was the subprogramme most affected by the virement with its allocation being reduced by R333.6 million (28%).

In terms of economic classifications, the Programme over-spent on CoE by R146.9 million. Other noteworthy economic classifications included the following:

- Contractors (allocation reduced by R181 million with final expenditure of R195.6 million).
- Clothing and material (allocation reduced by R17 million with final expenditure of R8.2 million).
- Fuel, oil and gas (allocation reduced significantly by R171 million with final expenditure of only R39.4 million).
- Materials and supplies (allocation reduced by R31.3 million with final expenditure of R55.8 million).
- Property payments (allocation reduced by R29.4 million with final expenditure of only R2.1 million).
- Buildings (no funds allocated in the adjusted appropriation and an additional virement of R98.7 million made which was spent by year-end).

For the period under review, the Maritime Defence Programme had five (5) targets of which two were deemed classified (compliance with Joint Force Employment requirements and combat-ready capabilities). The only target not achieved relates to the total number of sea hours. The target for "number of maritime coastal patrols per year" were not included in details of Programme 5 in the Annual Report as per previous years (the SA Navy only achieved 2 of the planned four patrols).

Maritime Defence programme: Selected performance against targets

Target description	2022/23 Target	2022/23 Achievement	Comments
Maritime Defence Training targets	80% (398)	98% (515)	Achieved Target achieved and an increased number of training opportunities compared to previous years.
Number of Maritime unique force training exercises conducted	1	1	Ex Red Lion Achieved
Number of sea hours per year	8 000	2 770	1 356 for force preparation 1 414 hours for force employment Not achieved Most SA Navy vessels in commission were undergoing maintenance and repair.

4.6 Programme 6: Military Health Support

Programme	Adjusted Appropriation	Virement	Final Appropriation	Actual Expenditure	Variance	
					R'000	%
Military Health Support	5 632 165	102 327	5 734 492	5 979 581	(245 089)	4.3%

The purpose of the Military Health Support Programme is to provide prepared and supported health capabilities and services for the defence and protection of South Africa. The programme overspent its budget by R245.1 million in 2022/23, largely as a result on overspending on CoE.

In terms of subprogramme expenditure, virements can be noted in all subprogrammes, most notably in the following:

- Strategic Direction (a reduction of R57.7 million [17.8%])
- Specialist/Tertiary Health Services (an increase of R108.4 million [4.8%])
- Military Health Product Support Capability (a reduction of R34.7 million [8.8%]).

In terms of economic classifications, Programme 6 overspent by R246.1 million on CoE. Of further interest in terms of the Military Health Support programme's economic classifications are the following:

- Communication (allocation reduced by R25.3 million with final expenditure of R9.4 million).
- Laboratory Services (allocation increased by R37.1 million with final expenditure of R78.3 million).
- Contractors (allocation reduced by R28.9 million with final expenditure of R32.3 million).
- Outsourced services (allocation increase by R98.9 million with final expenditure of R723.5 million).
- Medical supplies (allocation reduced by R68.6 million with final expenditure of R58.6 million).
- Travel and subsistence (allocation increased by R36.7 million with final expenditure of R86.4 million).
- Machinery and equipment [Transport equipment] (no allocation made for this item in the adjusted appropriation with a late virement of R103.4 million of which 100% was spent).

The programme had four targets of which three were classified. The programme did not achieve the one declassified target around Military Health Training, falling well short, as was the case in the previous financial year.

4.7 Programme 7: Defence Intelligence

Programme	Adjusted Appropriation	Virement	Final Appropriation	Actual Expenditure	Variance	
					R'000	% (Per Programme)
Defence Intelligence	1 166 297	(68 202)	1 098 095	1 114 001	(15 909)	1.4%

The purpose of Defence Intelligence programme is to provide a defence intelligence and counter-intelligence capability. For 2022/23, the programme overspent on its adjusted allocation by R29.9 million, largely due to overspending on CoE. The only subprogramme affected by a virement was the Defence Intelligence Support Services with a reduction to its adjusted budget of R68.2 million.

In terms of economic classifications, the following can be noted:

- The allocation for outsourced services was reduced through a virement of R1.091 million, resulting on only R25 000 having been spent on outsourced services.
- The allocation for food and food supplies was reduced by R2.267 million with final expenditure of R4.1 million.
- R53 million was allocated in the adjusted budget for Operating leases of which all funds were moved away through a virement, resulting in no spending on operating leases.
- Travel and subsistence had its allocation reduced by R19.1 million, resulting in final spending of R7.3 million. This is, however, much higher than the R5.2 million spent in 2021/22.
- A virement of R10.7 million was made to Social Benefits under Household expenditure. Final expenditure on this item was R28.1 million by the end of the financial year compared to R2.7 in the previous financial year.

The programme had only one target reported on in the Annual Report related to the number of vetting decisions taken. It did not achieve this target with 5 111 vetting decisions taken against a target of 5 500. The underachievement can be attributed to the reprioritisation of available resources to national events and activities in addition to staff shortages and inadequate staffing levels. The programme previously included a target related to the number of Defence Intelligence Products produce per year, which was removed from the 2022/23 cycle.

4.8 Programme 8: General Support

Programme	Adjusted Appropriation	Virement	Final Appropriation	Actual Expenditure	Variance	
					R'000	% (Per Programme)
General Support	6 593 344	475 022	7 068 366	7 261 271	(192 905)	2.7%

The purpose of the General Support programme is to provide support capabilities and services to the Department. The programme overspent on its final budget by R192.9 million. After the mid-year adjustments, an additional R475 million was allocated to the programme through virements.

Major shifts in the programme included the increase in the Joint Logistical Services allocation (by R357.2 million) through a virement. The Command and Management Information Services' allocation was increased by R111.6 million and the Military Police allocation by R25 million.

In terms of economic classifications, the General Support programme overspent on CoE by R143.5 million. Other aspects in terms of the economic classification to consider includes:

- The Minor assets allocation was reduced through a virement of R42.3 million with final expenditure of R27.2 million.
- Catering for Departmental activities was reduced through a virement. However, final spending of R7.3 million was still significantly higher than the R3.9 million spent in the previous financial year.
- A large virement of R296.3 million was made to Outsourced services. Final spending on outsourced services was R297.3 million by the end of the financial year, compared to R204.3 million in the previous year.
- The adjusted budget for Property Payments was R403.7 million, but a virement reduced this allocation by R383.5 million.
- Travel and subsistence for Programme 8 was R164.9 million for the year under review, compared to R145.2 million in the previous financial year.
- Operating Payments for Programme 8 was R124.6 million for the year under review, compared to R62.4 million in the previous financial year.

In terms of performance, a total of six (6) targets were set for 2022/23 two (2) were achieved, which is a regression from the four (4) achieved in the previous financial year.

Programme 8: General Support achievements against targets for 2022/23

Target description	2022/23 Target	2022/23 Achievement	Comments
Percentage procurement requests fully completed within 90 days from day of registration	95%	62.24%	Regression from 97.5% achieved in 2021/22. Legislative changes implemented during F022/23; high staff turnaround and the submission of incorrect documentation by suppliers delayed the processing of payments. Not achieved
Payment of leases, Accommodation charges and municipal services – Payment according to facilities plan	100%	99.28%	Regression from 102% achieved in 2021/22. Not achieved
Compliance with ICT Capabilities Plan	90%	79.6%	Improvement on 45.7% achievement in the previous year. Not achieved
Number of Crime Prevention operations conducted	124	174	Increased visible military policing activities assisted in reducing crime Achieved
Criminal cases investigated (backlog)	40%	36.2%	Regression from 73.9% achieved in 2021/22. Lack of resources contributed towards the underachievement. Military Police officials were utilised during various exercises and other taskings. Not achieved
Criminal cases investigated	25%	37.1%	Regression from 53.6% achieved in 2021/22.

Target description	2022/23 Target	2022/23 Achievement	Comments
(in-year)			The closing of new dockets registered that have no prospect of prosecution by means of a thorough investigation largely contributed to the overachievement. Achieved

5. ORGANISATIONAL STRUCTURE AND HUMAN RESOURCE SUPPORT

The Human Resources Management chapter of the 2022/23 Annual Report deals with various issues related to personnel. Among others, the following key aspects can be considered:

- **Personnel spending (Compensation of Employees):** By then end of 2021/22, the DOD has incurred a cumulative total of R10.015 billion in irregular expenditure related to Compensation of Employees (CoE) since 2017/18. This amount has not been condoned by National Treasury and therefore remains captured on the DOD total of irregular expenditure.

For 2022/23, the DOD received a main appropriation for CoE at the start of 2022/23 to the value of R30.680 billion which was adjusted upwards during the mid-year adjustments to R31.786 billion. *The adjustment was made by National Treasury for Operation Vikela (R755 million) and annual salary adjustments.* At the end of 2022/23, the DOD spent R34.661 billion on CoE which is 63.49% of the Department's total expenditure. *The DOD overspent on Compensation of Employees by R2.875 billion in 2022/23. Of concern is that this overspending on CoE is higher than the R2.708 billion overspending on CoE in 2021/22, despite several interventions such as the Mobility Exit Mechanism (MEM).*

- **Progress on cost-saving measures related to CoE.** The DOD highlighted the following progress in relation to CoE interventions:
 - 14 504 vacant posts were deactivated. *(No savings impact).*
 - The average HR capacity as at 31 March 2023 was 69 359. Due to normal and induced attrition, a force reduction of 2 186 officials materialised. *(Potential future savings).*
 - Two-yearly MSDS intake. *(Long-term savings, but negative impact on rejuvenation)*
 - Capped allowances. *(Saving of R30 million in 2022/23)*
 - 1 295 soldiers separated through MEM and 195 civilian personnel separated through the Employee Initiated Severance Package.
 - Reduction of Reserve Force utilisation. *(Not achieved in 2022/23 the need for Reserves to augment military operations)*
- **Critical occupation vacancy rates:** In terms of critical occupations, other areas with high vacancy rates should be noted:
 - Airspace Control has a vacancy rate of 13.6% (up from 11.5% in 2021/22).
 - Aircrew has a vacancy rate of 25% (similar to 2021/22).
 - Nursing has a vacancy rate of 21.7% (up from 16.6% in 2021/22).
 - Technical has a vacancy rate of 27.5% (up from 23.3% in 2021/22).
 - Engineers has a vacancy rate of 40.61% (up from 37% in 2021/22).
- **Over-staffing in Anti-Aircraft and Artillery Formations.** The Annual Report notes 1 043 anti-aircraft employees against an approved establishment of on 968. Similarly, the Report notes 1 491 artillery employees against an approved establishment of only 1 289.
- **Employees with salaries higher than those determined by job evaluation:** In 2022/23, the DOD has one senior manager (the CFO) who earns a salary which is higher than that determined by the Job Evaluation. It is unclear if this refers to the previous CFO or the current Acting CFO.
- **Future employment equity concerns.** While the DOD has made significant progress in addressing employment equity, current recruitment patterns reflect poorly on employment equity and may bring about equity misalignment in future. In 2022/23, 1 986 MSDS members were recruited to the SANDF. Of these, 219 (11.0%) were coloured, 49 (2.5%) Indian; and only 52 (2.6%) were white, while there were 1 666 (83.9%) African. A similar pattern existed in the previous recruitment round of the SANDF's MSDS programme, which will have long-term implications for employment equity. It is

evident that efforts should be enhanced to attract young South Africans of *all* races to serve in the SANDF.

- **Non-signing of performance agreements by Senior Management:** A total of 14 of the total of 273 senior managers did not sign their performance agreements. Of these, three were in the SANDF and eight were in the civilian sector (others were either suspended or on Leave of Instruction)
- **Sick leave cost:** The total cost of sick leave has fluctuated significantly in recent years. However, in 2019/20, the total cost of sick leave increased drastically to R400.2 million and again decreased significantly to R259.0 million in 2020/21. The average number of days' sick leave per employee decreased from 8 in 2019/20 to 7 in 2020/21. In 2021/22, the cost of sick leave increased to R314.5 million and the average number of sick days remained at 7 per employee. This increased further in 2022/23 to R383.6 million with an average of 9 sick days per employee for the year.

6. BROAD FINANCIAL CONCERNS AND THE AUDITOR-GENERAL'S REPORT

6.1 Unauthorised, fruitless and wasteful, and irregular expenditure

Irregular expenditure, according to the DOD, amounted to R555.9 million for 2022/23, but the over-expenditure on CoE is not reflected in this amount. Rather, the CoE over-expenditure of R2.995 billion was captured as unauthorised expenditure. Furthermore, spending on Project Thusano was not included in the DOD's estimates of Irregular Expenditure although the AGSA previously indicated that *all* spending under Project Thusano is considered irregular. According to the DOD, major contributors to irregular expenditure include:

- R308 million was for procurement without following South African Procurement Legislation.
- R70 million was for an alternative payment solution for aircraft fuel and airport services when the winning bidder did not comply with the mandatory requirements of the bid.
- R48 million was incurred using a biased specification and non-compliance by inviting all of the suppliers on the RT57 contract for the procurement of vehicles.
- R25 million constituted 23 incidents where no competitive bidding process was followed.

R10 million was incurred in 10 instances where the Department did not comply with the SITA Act.

Fruitless and wasteful expenditure decreased from R3.332 million in 2021/22 to R2.569 million in 2022/23, based on eight incidents which are under investigation. In terms of consequence management for fruitless expenditure, the DOD states that "implementation of these recommendations and consequence management are slow, hence repeat findings from the auditors."

6.2 Findings by the Auditor-General of South Africa

As in recent years, the DOD received a **qualified audit opinion** from the Auditor-General for 2022/23. The basis for the qualified audit opinion rests on the following:

- *Goods and services and investments.* Similar to previous years, the AG was unable to obtain sufficient appropriate audit evidence for sensitive projects (in relation to the Special Defence Account (SDA)).
- *Movable tangible assets.* The AG was unable to obtain sufficient appropriate audit evidence for movable tangible capital assets as the Department could not indicate where these assets are located or provide other information relating to the existence of these assets. The AG was therefore unable to determine whether any adjustments were necessary to movable tangible capital assets stated at R66,78 billion.
- *Irregular expenditure.* The Department did not fully record irregular expenditure in the notes to the financial statements as required by the PFMA.

The AG also raised the following emphasis of matters:

- **Uncertainty of future outcomes of litigation.** The Department is the defendant in various lawsuits to the value of R8.26 billion. The ultimate outcome of these matters cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

- **Unauthorised expenditure.** The Department incurred unauthorised expenditure of R2,99 billion due to overspending of the main vote.

Further aspects of value to the PCDMV that were raised by the AGSA include:

- **Consequence management.** The AGSA was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure, as required by section 38(1) (h) (iii) of the PFMA. Similarly, the AGSA also could not find audit evidence of steps taken against officials who incurred fruitless expenditure.
- **Procurement.** The AGSA was unable to obtain sufficient appropriate audit evidence that all contracts were awarded in accordance with the legislative requirements as department did not have proper record keeping in place. Further, some goods and services were procured without obtaining at least three written price quotations while other contracts were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state.
- **Internal control deficiencies.** Leadership did not exercise sufficient oversight over financial and performance reporting, compliance with laws and regulations and related internal controls. The action plans developed to address prior year audit matters were not adequate, and they were also not effectively implemented and monitored.
- **Material irregularities.**
 - (1) Medical equipment procured as part of the turn-key project at 2 Military Hospital were not utilised. This includes the cardiovascular theatre unit of R13 702 800, procured and installed in 2018 and six renal dialysis units of R2 328 114, procured and installed in 2019.
 - (2) In February 2017, the Department awarded a contract for services relating to inventory and asset verification for a period of five years, commencing from 1 March 2017. The department did not comply with the requirements of paragraph 2(1)(f) of the PPPFA in awarding this contract because it did not award the entire contract to the bidder that scored the highest points in the evaluation process.
 - (3) The Department made lease payments in the financial years 2015-16 to 2019-20 for unoccupied office buildings, in contravention of section 45(b) of the PFMA, which requires the effective, efficient, economical and transparent use of the department's financial resources. The noncompliance resulted in a financial loss of R108,3 million, which forms part of the closing balance of fruitless and wasteful expenditure.
 - (4) The Department awarded a contract worth R13,9 million for the supply and delivery of fuel to a supplier using evaluation criteria that differed from those stipulated in the original request for quotations.
 - (5) On 14 April 2020, the Department procured 1 000 infra-red (IR) thermometers at a price of R3 984,75 each, spending a total of R3 984 750 on this transaction. The price paid was above the recommended price of R2 727,86 per IR thermometer, as indicated in National Treasury.

7. COMMITTEE OBSERVATIONS: DEPARTMENT OF DEFENCE

The Committee made the following general observations on the 2022/23 Annual Report:

- a. The Committee expressed its concern regarding the repeat findings of the AGSA in relation to the DOD, specifically as it relates to findings around the lack of consequence management in the Department.
- b. The Committee noted the need for the AGSA to provide additional details on the status of cases referred to the Special Investigative Unit (SIU) and other law enforcement agencies by the AGSA that relate to the DOD as this will assist the Committee to better track consequence management in the Department.
- c. The Committee highlighted as problematic the long delays in finalising the appointment of a permanent Secretary for Defence and Chief Financial Officer in the DOD.
- d. The Committee queried whether there are any plans to withdraw the SANDF contingent that forms part of the United Nations (UN) Mission in the Democratic Republic of the Congo (DRC), but noted the SANDF's observation that no formal plans in this regard have been forthcoming from the United Nations and, as such, the SANDF will continue to fulfil its mandate as part of the mission.

- e. The Committee questioned why the DOD was unable to realise notable savings in CoE as a result of the implementation of the Mobility Exit Mechanism. The DOD noted that such savings will only be realised over the medium-term with a major impact only visible by 2025/26. However, the Committee expressed the need for the DOD to make a more concerted effort to ensure it realises savings earlier.
- f. The Committee noted that over-expenditure on CoE also relates to the higher than planned use of the Reserve Force due to ongoing defence commitments.
- g. Based on the tight fiscal conditions under which the DOD functions, Members expressed concern around the potential for mid-year budget cuts to the DOD's 2023/24 allocation and highlighted that if this should be implemented, it will have a devastating impact on the SANDF's operational capabilities, training and force readiness.
- h. The Committee highlighted the clear need to address problems around the DOD procurements systems and further noted the centrality of outdated ICT systems to this problem. Members observed that outdated ICT systems likely contributed to adverse findings by the AGSA. There is thus an urgent need to address ICT systems, specifically in relation to procurement and logistics management.
- i. Members noted with concern the reduction in the target for flying hours from 15 000 in 2021/22 to 12 000 in 2022/23 and pointed out that the achievement of this reduced target does not inspire confidence in the SA Air Force.
- j. Similar to the above observation, Members expressed grave concern about the state of the SA Navy and that it only managed to achieve 2 770 sea hours during the year. The DOD informed the Committee that this was largely due to vessel unavailability and that it will improve over the medium-term. However, Members highlighted that the deterioration in sea-hours achieved is a reflection on the regression of the SA Navy's primary equipment and that this clearly impacts on force readiness, as is evident in the SANDF not achieving its target in terms of the SADC Standby Force.
- k. The Committee expressed disappointment that the Welesizwe Bridges programme, which is a Presidential initiative also highlighted in the 2023 SONA, has not delivered as required. However, Members noted the SANDF's input that such delays are not due to the SANDF's own doing, but due to delays in the provision of hardware from other Departments.
- l. Members observed the need for the DOD's Internal Audit Division to be more proactive, especially as it relates to the use of procured equipment. As an example, Members noted the procurement of medical equipment which is then not utilised, resulting in adverse findings by the AGSA.
- m. The Committee noted the need for the DOD to be again included in Priority 6 (Safer Communities) of the Revised Medium-term Strategic Framework (MTSF) of 2019 when planning commences for the next MTSF.

8. COMMITTEE RECOMMENDATIONS

Based on its analysis and overview of the 2022/23 Annual Report as well as the Committee's continued oversight of the DOD, the Committee makes the following recommendations:

Recommendations to the Minister of Finance:

- a. The Committee wishes to impress on National Treasury the need to continue funding its prior commitments to this Committee over the MTEF as it relates to the funding of border safeguarding technology and border patrol vehicles, the midlife upgrades of the SA Navy frigates and submarines and the upgrading of the SA Air Force airlift capability. The Committee further stresses the importance to keep funding these upgrades beyond the MTEF in order not to undo the progress made through current allocations and to ensure operational stability in terms of prime-mission equipment.
- b. The Committee notes a number of adverse findings by the AGSA related to the DOD's procurement systems and its logistics management systems and that these are underscored by outdated ICT systems and infrastructure. The Committee therefore recommends that National Treasury provides the DOD with an additional ring-fenced allocation for the upgrading of ICT systems in the procurement and logistics management environments. The Committee believes this will contribute to less adverse findings and better internal management in the DOD in the long term. The Committee will track such improvements over the next MTSF.
- c. The Committee recommends an urgent engagement between the SANDF and National Treasury in relation to funding for environmentally controlled warehouses in the SANDF. These warehouses house a significant percentage of the SANDF's strategic equipment reserves. The failure to store them in the correct environments will not only impact on the SANDF's operational capability, but could also have major long-term financial implications. The Committee recommends that National Treasury ascertain which of these warehouses are of most strategic value and that these be funded through a ring-fenced allocation.
- d. The Committee remains concerned about the limited progress in addressing CoE over-expenditure in the DOD and is therefore of the view that a long-term, permanent solution is required through the

development of a sustainable rejuvenation model for the SANDF. In line with the Committee's September 2023 Study Tour Report, the Committee recommends to the DOD to develop a new Human Resources management strategy or adjust the current strategy to ensure long-term stability in the SANDF's personnel contingent by focusing specifically on force rejuvenation. It is recommended that this plan be developed *in consultation with National Treasury and that the plan be fully funded* to achieve the desired outcomes. Of specific importance to this recommendation is that the Strategy should create a permanent exit mechanism for older soldiers who will not advance in their military careers and that such an exit mechanism ensures a smooth transition to civilian life through, for example, vocational training, job placement and/or monetary assistance. The Strategy should be adapted for the unique socio-economic conditions in South Africa on the one hand and be fully aimed at creating long-term force rejuvenation and CoE stability in the DOD.

- e. Based on a recommendation of Parliament's Joint Standing Committee on Defence (JSCD) on 21 September 2023 in relation to the Military Ombud, the PCDMV requests that the ceiling for CoE be increased marginally to accommodate the current expenditure levels of the Office of the Military Ombud.

Recommendations to the Minister of Defence:

- a) The Committee notes with anticipation the current development of the Future Strategic Direction that will determine a new level of defence ambition that the country can afford and maintain. The Minister must prioritise this policy development and ensure that it meets the deadline set for the end of the 2023/24 financial year. The Committee further recommends an engagement between the PCDMV, the Ministry and the Secretariat in the first quarter of 2024 to discuss progress in this regard and for the input of Members to be taken into account in the drafting of the Future Strategic Direction.
- b) In line with the AGSA finding, the Committee recommends that the Executive Authority and Accounting Officer implement effective control measures to ensure the efficient, effective and economical use of resources to assist the DOD to use available funding to better support key performance areas. In this regard, increased expenditure on Subsistence and Travel, medical outsourcing, allowance payments as well as a lower UN reimbursement to the DOD are of specific concern and need to be addressed. The DOD should submit a written report to the Committee on the following to ensure ongoing oversight of efficient expenditure:
 - A detailed breakdown of Subsistence and Travel expenditure per rank group for 2022/23 and the first six months of 2023/24.
 - A detailed breakdown of all the categories of allowances and related expenditure per programme for 2022/23 and the first six months of 2023/24.
 - A breakdown of medical outsourcing for 2022/23 and the first six months of 2023/24.
 - An overview of expected UN reimbursement in 2023/24 and efforts to improve the reimbursement.

The written response should be submitted to Parliament by 22 November 2023.

- c) The DOD continues to incur irregular expenditure related to Project Thusano. The Minister previously indicated to the PCDMV that she wishes to undertake a feasibility study on Project Thusano. The Minister should provide feedback to the Committee on the status of this study and what steps will be taken to prevent further irregular expenditure prior to the Project coming to a close in December 2024. *The written response should be submitted to Parliament by 22 November 2023.*
- d) In addition to the recommendation to the Minister of Finance, the Committee recommends that the DOD should reprioritise internal funds to ensure that contracts for environmentally controlled warehouses are put in place. *Progress in this regard should be reported in the 2024/25 Annual Performance Plan of the DOD.*
- e) The Committee notes that the DOD has been excluded from Priority 6 of the Revised MTSF 2019. The Committee recommends that the Minister advises for the reintroduction of the DOD to this priority and for it to report on this priority in the next MTSF.
- f) The Committee notes that the Reserve Force Council is currently not constituted and urges the Minister to address this shortcoming. *The Minister should provide the Committee with a written response in this regard by 22 November 2023.*
- g) With a number of aircraft maintenance contracts being put in place, the Committee recommends that the target for flying hours in Programme 4 be re-adjusted to 15 000 in 2024/25. The Committee further recommends that financial discipline should ensure that all available funds are pushed into achieving this target.
- h) The DOD should drastically improve on the low number of sea hours achieved in 2022/23. While the Committee is aware that its previous requests for funding for midlife upgrades will take time to be implemented and to get vessels sea-ready again, the SA Navy is urged to prioritise sea-hours in the remainder of 2023/24 and in 2024/25 and to direct funding towards this priority. Furthermore, the DOD

should ensure that it achieves its target for maritime patrols during the remainder of 2023/24 and where the SA Navy is not able to do this, the SA Air Force should patrol South Africa's coastal waters.

- i) The Committee noted that aircrew in the SANDF has a vacancy rate of 25% and also noted low aircraft availability, which may impact on the ability of aircrew to remain current in terms of flying licencing requirements. The DOD should provide feedback on the percentage of pilots maintaining their 'current' status and mitigation strategies to ensure that they remain current in terms of flying requirements. *The written response should be submitted to Parliament by 22 November 2023.*

Report to be considered.