

## SCOPE

- Introduction
  - DOD Programmes
  - DOD Strategic Focus & Objectives
  - Minister of Defence's Priorities for FY 2009/10
- DOD Appropriation Statement Overview
- MOD Overview
- Review of Defence policy
- DOD Audit Qualifications
- DOD Corporate Risks
- PFMA Compliance Matters
- DOD Organisational Structure & Post Establishment
- Detailed Information per Programme and Subprogramme
- Discussions/Comments

## INTRODUCTION

- The DOD performance report was submitted in compliance with legislative requirements (PFMA and TRs).
- The report reflects the DOD's performance against the DOD SBP and the ENE for FY 2009/10.
- Covers all DOD programmes.
- The format of the report follows the NT guidelines on Annual Reports.

## DOD PROGRAMMES

- Programme 1: Defence Administration
- Programme 2: Landward Defence
- Programme 3: Air Defence
- Programme 4: Maritime Defence
- Programme 5: Military Health Support
- Programme 6: Defence Intelligence
- Programme 7: General Support
- Programme 8: Force Employment

## DOD STRATEGIC FOCUS

- In the year under review the DOD in line with Government priorities, focused on the following key imperatives:
  - Meet the ordered commitments stipulated in the Constitution, of defending and protecting the Republic of South Africa (RSA) and its people.
  - Contribute to the enhancement of the African Agenda and Sustainable development through SANDF's participation in Peace Support Operations (PSO) and Post-Conflict Reconstruction and development (PCRD).
  - Embrace Government initiatives and priorities to combat poverty and underdevelopment through various socio-economic development programmes, as a necessary condition for lasting peace and stability.
  - Provide support to other Government departments when required.

### **DOD STRATEGIC OBJECTIVES**

- The execution of defence commitments as ordered and funded by Government.
- The provision of contingency-ready and cost effective defence capabilities as specified by approved policy.
- Sound management of the Department.
- The administration of the DOD within the prescripts of the law, the regulatory framework and Government policy.
- The assurance of sustainability, the continuous improvement of output quality and the reduction of the cost of DOD processes, as well as the accounting thereof.
- The assurance of the continuous quality improvement of people in the DOD. The assurance of quality command and management information in the DOD.
- The assurance of continuous quality improvement of DOD equipment and facilities.

### **MINISTER OF DEFENCE'S PRIORITIES FOR FY 2009/10**

- Creation of a New Salary Dispensation within the SANDF
- Establishment of the Department of Military Veterans
- Returning the SANDF to the Border Safeguarding Function
- Corporate Governance Matters
- Revitalisation of the Reserves
- Training and Skills Development
- Policy Framework on the Management of HIV and AIDS in the SANDF
- Working with the SAPS to Fight Crime

**MINISTER OF DEFENCE'S PRIORITIES  
FOR FY 2009/10 (CONTINUED)**

- Peace Keeping Operations
- Defence Diplomacy
- Infrastructure and DOD Works Regiment
- Information Technology (integration of ICT systems)

**DOD  
APPROPRIATION STATEMENT  
OVERVIEW**

**DOD APPROPRIATION STATEMENT****Annual Appropriation for year ended 31 March 2010**

	Final Appropriation R'000	Actual Expenditure R'000
Administration	2 914 090	2 914 090
Landward Defence	9 042 226	9 042 226
Air Defence	8 643 761	8 643 761
Maritime Defence	1 997 454	1 997 454
Military Health Support	2 608 189	2 608 129
Defence Intelligence	594 704	594 704
General Support	3 637 343	3 637 343
Force Employment	1 887 489	1 886 540
<b>Total</b>	<b>31 325 256</b>	<b>31 324 247</b>

**DOD APPROPRIATION STATEMENT  
(CONTINUED)**

	FY 2009/10 R'000
Final Appropriation	31 325 256
Less: Actual Expenditure	<u>31 324 247</u>
Under-Spending on Vote	1 009

**Under-Spending as % of Vote: 0.01%**

Under-Spending Reasons:

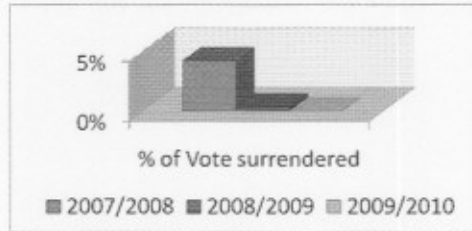
- Military Health Support. Under-spending of Rm 0.060 on transfer payment to the St John's Ambulance Brigade that did not occur and had to be surrendered.
- Force Employment. Under-spending of Rm 0.949 due to a saving which did not have a negative impact on programme and service delivery.



**DOD APPROPRIATION STATEMENT  
(CONTINUED)**

**DOD Spending Trend:**

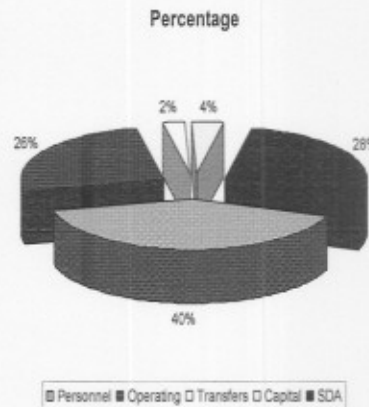
Financial year	2007/2008	2008/2009	2009/2010
Vote (Rm)	26 291,785	27 899,027	31 325,256
Expenditure (Rm)	25 180,113	27 801,286	31 324,247
Amount surrendered	1 111,672	97,741	1,009
Amount surrendered as percentage of Vote	4,23%	0,35%	0,01%



**DOD APPROPRIATION STATEMENT  
EXPENDITURE (CONTINUED)**

**ACTUAL EXPENDITURE FY 2009 / 10:**

Catgory	Actual Expenditure	Percentage
Personnel	12 705 579 227	40.56%
Operating	8 118 890 733	25.92%
Transfers	744 237 322	2.38%
Capital	1 136 349 586	3.63%
SDA	8 619 190 283	27.52%
<b>Total</b>	<b>31 324 247 150</b>	<b>100.00%</b>

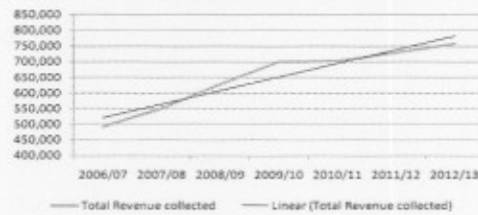


## DOD APPROPRIATION STATEMENT REVENUE (CONTINUED)

- **Revenue collection:**
  - The most successful areas are collection of penalties imposed on contracts, sale of main equipment, board and lodging and reimbursement.
  - Improvement through policy and system enhancements and training.
- **Revenue collection trends are shown below:**

Item	2006/07	2007/08	2008/09	2009/10	2010/11
	Collection R'000	Collection R'000	Collection R'000	Collection R'000	Estimate R'000
<b>TOTAL</b>	<b>492,792</b>	<b>551,855</b>	<b>629,390</b>	<b>699,950</b>	<b>702,466</b>

**Total Revenue collected**



## MOD OVERVIEW



## MOD OVERVIEW

- **Creation of a New Dispensation in the SANDF.** Introduction of new SANDF Service Dispensation that includes the improvement of salaries of lower levels of the SANDF.
- **Establishment of the Department of Military Veterans.** Department was established and finalising the necessary legislation to enable the Department to carry out its mandate.
- **Returning the SANDF to the Border Safeguarding Function.** Is being undertaken through a phase-in approach in the context of Op CORONA.
- **Corporate Governance Matters (appointments).** Appointments of Secretary for Defence, Director-General of Dept of Military Veterans and Chief Fin Officer of Dept of Defence were effected from 1 April 2010.
- **Revitalisation of the Reserves.** Total strength of the Reserves grew by 29%, with a growth of 18% of those classified as "active".
- **Policy Framework on the Management of HIV and AIDS in the SANDF.** Policy framework was approved by Cabinet and is being implemented by all SANDF services.

## MOD OVERVIEW (CONTINUED)

- **Working with the SAPS to Fight Crime.** Continued co-operation in cross-border and internal law enforcement operations.
- **Peace Keeping Operations.** Conducted 5 peace-keeping Operations: (MISTRAL (DRC), CORDITE (Sudan), CURRICULUM (Burundi), BONGANE (Uganda) and INDULI (Nepal). SANDF also celebrated 10 years of peace-keeping missions on the continent.
- **Defence Diplomacy.** The Minister led delegations Joint Permanent Commissions on Defence and Security meetings with Namibia, Zimbabwe and Mozambique.
- **Infrastructure and DOD Works Regiment.** While a Task Team is investigating the creation of a Defence Works Capability, reasonable progress was made towards improving DOD infrastructure and support to the people eg. Construction of Eastern Cape bridges.
- **Information Technology (integration of ICT systems).** DOD Information Strategy and the Information and Communication System Policy were finalised and promulgated.

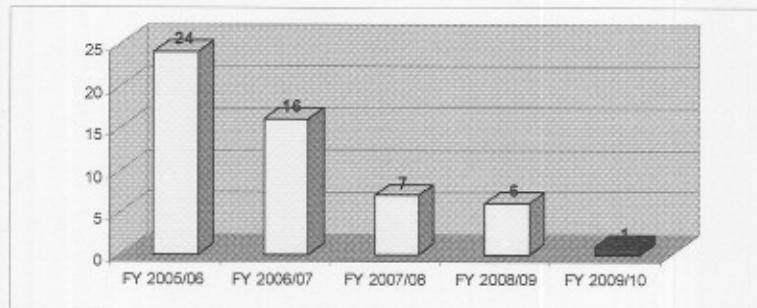
## REVIEW OF DEFENCE POLICY

- The existence of the White Paper on Defence and the Defence Review is recognised as important guiding policy documents for the defence function management in South Africa.
- In view of the passage of time, some elements of this policy framework needed to be updated to be in line with current realities.
- In the year under review, the DOD started to work towards updating the defence policy framework. The Defence Strategy 2010-30 document was a resultant product, completed in January 2010.
- In March 2010, the MOD appointed a Task Team to interrogate the White Paper, Defence Review and the draft Defence Strategy in order to develop an appropriate strategic policy instrument by December 2010.
- This work is currently underway.

## DOD AUDIT QUALIFICATIONS

### DOD AUDIT QUALIFICATIONS FY 2005/06 to FY 2009/10

FY 2005/06	FY 2006/07	FY 2007/08	FY 2008/09	FY 2009/10
24	16	7	6	1



### DOD AUDIT QUALIFICATIONS PROGRESS

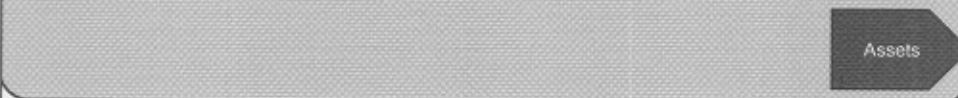
2007/08



2008/09



2009/10



## **DOD AUDIT QUALIFICATIONS PLAN OF ACTION**

- The DOD acknowledges the professional assistance provided by consultants in reversing audit qualifications.
- The complex nature of the qualifications necessitated the intervention of professional auditors into identification of root causes and design of internal controls.
- The DOD effectively managed the utilisation of consultants through clearly defined deliverables and the monitoring of the project and skills transfer.
- The DOD has developed an exit plan that caters for the transfer of skills and the sustainability of the activities after the departure of the consultants.

## **DOD CORPORATE RISKS**

### DOD CORPORATE RISKS

- Insufficient funds for the Rejuvenation of Landward Defence Programme.
- Loss of scarce skills resulting in overburdening of existing capacity.
- Poor state of facilities (support infrastructure, hospitals etc).
- Poor state of IT infrastructure (Fin, Log, HR).
- Poor state of military equipment maintenance due to budgetary constraints.
- Limited funding for SDP equipment integration and operation.
- Disjuncture between the execution and funding allocation. Intervention required wrt National Treasury.

### PFMA COMPLIANCE MATTERS

The PFMA requires government departments to comply with the following:

- **Internal Audit Function.** The DOD is currently undertaking this function through the Internal audit unit within the IG. In order to be fully compliant with the PFMA, the DOD is in the process of appointing the Head of the Internal Audit Function by end of 2010.
- **Compliance Officer.** The DOD carries the compliance function through the utilisation of limited capacity across various functional areas of the DOD. In order to consolidate this function, the DOD is in the process of establishing a dedicated Compliance Officer capacity.



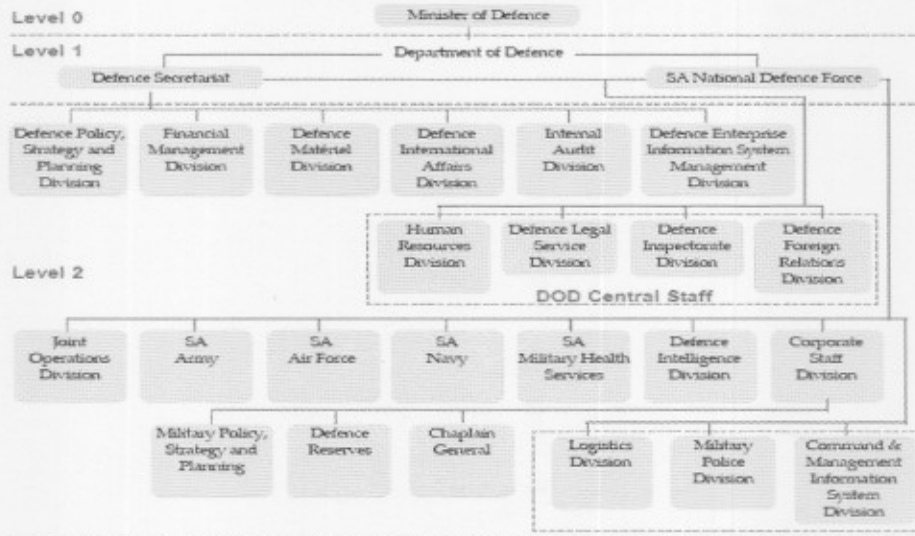
### PFMA COMPLIANCE MATTERS

The PFMA requires government departments to comply with the following:

- **Risk Management Committee.** The DOD monitors risk management in the DOD through normal command bodies/ management structures of the DOD. To be fully compliant with the PFMA, the DOD is in the process of establishing a dedicated Risk Management Committee.
- **Fraud Prevention Plan.** The DOD has a dedicated anti-fraud structure (Anti-Fraud Directorate) to implement fraud prevention in the DOD. This structure is complemented by the Military Police activity that investigates all instances of suspected and alleged fraud in the DOD. A draft Fraud Prevention Plan was developed which was accepted by the Public Service Commission. Some elements of this Plan were, however, questioned by the AG its full compliance with some PFMA requirements. The draft Plan is currently being updated accordingly.



### DOD ORGANISATIONAL STRUCTURE APPROVED IN 2008





**STRUCTURE AND POST ESTABLISHMENT**

- The DOD executed its mandate through the dedicated structures of the both the Def Sec and the SANDF.
- These structures are meant to ensure the complimentary roles of the Chief of the SANDF and the Secretary for Defence.
- In line with the MOD priority, the DOD is considering options for the alignment of the Defence Secretariat to ensure that it effectively executes its statutory function of supporting the MOD to exercise oversight over the SANDF.
- The alignment of the Defence Secretariat will have implications for various functions in the DOD.

**STRUCTURE AND POST ESTABLISHMENT  
(CONTINUED)**

- Approved Production Posts: 87019
- Funded Production Posts: 77291
- Number of Employees: 76812
- Unfunded Production Posts: 9728 = 11.2%
- Vacant Funded Production Posts: 479 = 0.6%