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The Portfolio Committee on Defence, having conducted departmental hearings on the annual reports of the Department of Defence and Armscor on Tuesday, 12 September 2006, reports as follows:

## 1. INTRODUCTION

The Committee, as part of its oversight function over the Department of Defence (DoD) and the Armaments Corporation of South Africa Limited (Armscor), conducted hearings on their annual reports. These reports indicated to what extent the reporting entities achieved the objectives and measurable deliverables as stated in their strategic business plans. The reports also included an internal audit (Armscor) and an Auditor General audit (DoD) of the financial statements. This would indicate to the Committee how the entities applied the budget, whether government guidelines were adhered to and whether expenditure flowed from the strategic plans.

This report is based on the Presentation by the Department of Defence on their Annual Report on the 12 September 2006, page numbers referred to in this document is that of the Annual report presentation.

## 2. ANNUAL REPORT

### 2.1.1 Aim of DoD Annual Report

The DoD Annual Report for FY2005/06 aims to account for the performance of the DoD against the approved Departmental Business Plan for the period 1 April 2005 to 31 March 2006.

### 2.1.2 The Mandate of the Department of Defence

The DOD's mandate is derived from the Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996), the Defence Act, 2002 (Act No 42 of 2002), the White Paper on Defence (May 1996) and the Defence Review (April 1998).

### 2.1.3 Vision

The vision of the department is 'effective defence for a democratic South Africa'.

### 2.1.4 Mission

The mission is 'to provide, manage, prepare and employ defence capabilities commensurate with the needs of South Africa, as regulated by the Constitution, National Legislation and Parliamentary and Executive direction.

## **2.2 Defence Administration**

The Committee identified the issue of the integrated financial systems, and the Department needs to have a discussion with National Treasury and report back to the Committee with an approved document before the end of this financial year (end of February 2007)

The Committee needs a presentation on the status of the White Paper on Peace – Keeping Missions and the role that Foreign Affairs are playing in compiling this document.

The Committee recommended that the planning enabler tool (GEJIMA) should be implemented in the very near future.

The Committee also requires feedback on the issue of lack of capacity and loss of skills in the Military Legal Services within the next 6 months.

## **2.3 Force Employment**

The Committee supports the Rejuvenation strategy to built a young dynamic force and to built the capacity of junior leaders.

The Committee needs a presentation on the plan of action with regard to the rejuvenation of the South African Defence Force.

## **2.4 Landward Defence**

The Committee through out supports the allocation of more funds towards:

- i. Affordability of the South African Army – reprioritisation vs. the operating budget.
- ii. State of Facilities – DoD/PWD repair and maintenance programme (RAMP).
- iii. Prime mission equipment.
- iv. Ammunition – Lack thereof to improve training, e.g. Oudtshoorn
- v. Revitalisation of SA Army's Technical Support Corps capability.
- vi. Retention of Skilled personnel.

## **2.5 Air Defence**

The Committee through out support the allocation of more funds towards:

- i. Retaining the skills and experiences shortages.
- ii. Deteriorating aircraft systems which affect the training of personnel.
- iii. SAAF force preparation and force employment funded at cost of longer term need.

## **2.6 Maritime Defence**

The Committee support the integration of the Strategic Defence Packages.

The Committee support the allocation of more funds to retain the technical skills and expertise of the personnel in South African Navy.

## **2.7 Military Health Services**

The Committee through out supports the allocation of more funds towards:

- i. Rejuvenation of the health care professionals on all levels.
- ii. Funding for health equipment.

## **2.8 Defence Intelligence**

The lack of personnel and also the location of the Defence Intelligence Headquarters needs urgent attention.

The Committee needs a report on whether the Intelligence Headquarters has moved within 2 months.

## **2.9 Joint Support**

### *2.9.1 Joint Support Office*

The Committee need a briefing from the Department with regard to ICT (Information and Communication Technology) obsolescence to which extend is this a challenge to replace this equipment.

The Committee also need an update on the Wahlmanstahl land claims.

### *2.9.2 DoD Logistic Agency*

The Committee requires feedback within 3 months with regard to the Asset management system which is not fully compliant with GRAP (Generally Recognised Accounting Practice).

The Committee recommends an oversight visit to investigate the following two issues:

- DoD Air Supply Unit – deteriorating facilities and lack of equipment.
- DoD restructuring process – DODW (Departmental Organisational Development Workgroup) process to finalise the matter of material/logistics.

### *2.9.3 Human Resources Support Centre*

The Committee needs to know who qualifies for the NSF pension, it is stated that 11 558 applications was forwarded to the GEPF and that 5 000 names was verified for the administration of the Military Veterans. Therefore the Committee will liaise with the Department of Defence with regard to this matter. The committee further recommends that these options should be advertised and that more imbizo's should be held so that more beneficiaries are reached.

The Committee wishes to congratulate the Department on the passing rate of its youth foundation learners which consist of 243 learners 98 % (passed) of which 238 are now employed in the DoD.

## **2.10 Special Defence Account**

The Committee needs a briefing on the acquisition plan of the Department on the successful identification of the preferred bidder and approvals as well as initiation of negotiations with regard to the supplier of the Tactical Intelligence Systems.

## **3. REPORT OF THE AUDITOR – GENERAL**

### **3.1 Emphasis of Matter (EOM)**

There is a general concern that the AG's report suggests that the Department is moving backwards with regard to qualifications. (refer to P 40 of Annual report presentation).

**3.1.1** The Committee wishes to congratulate the Department on the improvement made on the Personnel Expenditure: Commuted Overtime and Employment equity (refer to P 42 of Annual report presentation).

### **3.2 Qualification: Functional & User Breakdown**

The Committee recommends that the accounting system in the office of the Departmental Revenue should be improved.

### **3.3 Root causes attributed to the qualification**

The Committee recommends that the following issues should be addressed and improved:

- Non-compliance with regard to controls of policies and procedures.
- The lack of independent review and reconciliation (internal controls).
- Lack of skilled, competent and trained staff.
- The lack of an appropriate integrated computerized system.

### **3.4 Qualification: Corrective Measures**

There should be an improvement on the following issues:

- Travel and Subsistence.
- Departmental Revenue.
- Housing Loans Guarantees.
- Rank Review Audit.
- Capturing of Leave

The Committee needs a briefing in correlation to the 60 month time frame needed for the Personnel expenditure: Unrealistic establishment referred to on page 60 in the Annual Report presentation, the Portfolio Committee does not accept such a long time frame as a remedial measure.

The Committee also needs a briefing with regard to the 60 month time frame needed for the Information systems audit referred to on page 61 in the Annual Report presentation.

### **3.5 Emphasis of Matter: Action Plans**

The Committee agrees that improvement is needed for the physical asset and software and other intangible assets.

## **4. CONCLUSION**

There is a need for consideration of the Military Ombud Person within the SANDF.

The Committee also noted the challenges raised in the DoD Annual Report and the issues raised by the Auditor General and will monitor steps and time frames as indicated to remedy the situation.

The Committee commended the DoD and Armscor on their achievements despite budgetary constraints and therefore further suggests that the Department should continue to pursue National Treasury to allocate more funds in all the 9 programmes.