

JOINT BUDGET COMMITTEE REPORT ON THE
MEDIUM TERM BUDGET POLICY STATEMENT (MTBPS)
2006

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Introduction

The MTBPS is guided by the obligations of government embodied in legislation and oversight by Parliament, and by the policy direction and political mandate as expressed in the State of the Nation Address. In that address earlier this year, President Mbeki declared, "South Africa has entered its Age of Hope." The President placed the accelerated and shared growth initiative – AsgiSA – at the centre of our national expectations of a higher, shared growth path (Foreword, MTBPS 2006).

The Joint Budget Committee reports as follows:

The Joint Budget Committee (henceforth 'Committee') has to on a regular basis monitor monthly revenue and expenditure as published by department to determine whether expenditure is in line with budget projections. The intention of the committee is to explore if departments spend encompasses the following dynamics:

- The principle of value for money.
- Linkage between expenditure and stated objectives in Strategic Plans
- Ascertaining if Strategic Plans are measurable, achievable and sustainable.

It is for these reasons that the Committee planned to hear submissions from National Departments within the Security Cluster, from 14th to 15th November 2006 under the following theme:

Theme 1: Security Cluster

- Department of Correctional Services
- Department of Safety and Security
- Department of Justice and Constitutional Development
- Department of Defence
- Department of Home Affairs

The report outlines submissions of the various departments within the Security Cluster. Section 2 lists the general concerns and recommendations of the Joint Budget Committee on the MTBPS.

The following departments did not make any submissions to the Committee:

- Department of Home Affairs;

The delegation of the following Department of Defence made submissions to the Committee, but did not have either the executive authority or accounting officer present: The Committee accepted that they had changed dates of the hearings to accommodate departments and would accept that Defence did not have their Minister or DG and

Accounting officers present but acknowledged that all chief director and head of departments were sufficiently present to allow the presentation in person.

The Committee reprimanded that this would not happen in future and that the Department has to be represented by their Executive Authority in the person of Minister or Director General and Chief Accounting Officer for future MTBPS hearings to the Committee.

Joint Budget Committee Mandate

The Committee's mandate regarding the MTBPS requires it to consider the distribution of available financial resources for expenditure against government policy priorities. This mandate is distinct from that of the Portfolio and Select Committees on Finance, which deliberate on the macro-economic, fiscal and intergovernmental dimensions of the MTBPS respectively.

The Committee has interpreted its mandate to mean that it should consider the following:

- The likely impact of expenditure allocations in the MTBPS on the effectiveness and efficiency with which departments can respond to government's stated policy priorities; and
- Whether departments are making the tough choices required, tailoring their planned expenditures to priorities, choosing effective strategies and seeking efficiency in implementation.

The hearings aim to addressing these issues, and preparing the Committee and Parliament for its deliberations and vote on the Budget itself next year.

Section 1: Briefings by the Security Cluster

Theme 1: Security Cluster I

Department of Correctional Services

The Department of Correctional Services highlighted their strategic objectives during their presentation to the Committee. These strategic objectives are: Master Information Systems Plan, Seven Day Establishment, Integrated Human Resource Strategy, Other Corporate Projects, Human Resource Development, Security Equipment, Management of Remand Detainees, Overall of Social Reintegration, New Generation Correctional Centres and Development and Care.

During the current financial year the Department have focused on several improvements to increase the compliance with internal controls. These improvements were necessary as previous years' audit reports highlighted queries regarding internal control issues. The Department has received qualified audit report for the last couple of years. Some of the improvements of compliance with internal control are being done continuously. These include on-site verifications conducted by the departmental inspectorate and Internal Audit Units, as well as the training of managers in logistics and financial management.

According to the adjusted estimates per programme (2006/07), inter programme shifting of funds occurred. The bulk of the funds shifted were to Compensation of Employees from the Programme Security to align the budget allocation with new approved posts. Funds were also shifted from Goods and Services under Programme: Facilities to Programme: Care for the purposes of financing nutrition.

From the current state of expenditure per programme, it is clear that after six months of the current financial year, that most programmes have been spending more or less the same as the total spending for the vote (41.87%). Only one programme, the Programme: Facilities have only spent 31.96% of its budget by 30 September 2006. In terms of the ENE Baseline Allocations per Programme, this programme has also been allocated 2.21% less from the previous year.

The Committee enquired about the allocation of budgeted funds and financial problems relating to the New Generation Correctional Centre in Kimberley. The department responded by stating that the budget allocation for the New Generation Correction Facility was an issue.

The Committee questioned the department if they did not take cognisance of the risk factors associated to building construction. The department had to appoint private Quantity Surveyors to re-cost the expenses relating to the building of the facility because with recent boom in building industry and market, the price of materials have escalated dramatically. The actual costing for Kimberley amounted to more than the estimates when they investigated trends in the build industry it differed and was much more than the projections.

The Committee enquired about the contracting out of catering services and what could be done to reduce the cost. The department responded that most facilities are still doing

budget for the increase from level 6 to 7.

The Committee enquired about the barriers for department, which have been projected to 2009. The department responded by stating that the barriers related to the vetting process. The department have created a component in the department for vetting of selected position dealing with sensitive document.

The department stated the Inmate programme at Durban Westville provided difficulties with the integrity in the way it was implemented. In some instances staff have caused the system to fail. Purposes for counting and auditing funding would have been centrally located to department.
The department confirmed that the Balance Score Card has not been implemented. It is a process that they are striving to have in place and they are dealing with it through their strategic plans.

programme. The department responded that a shift under Care was as a result of a consequence of an escalation in medical treatment – this necessitated an adjustment.

The Committee enquired about the Kimberley Prison Facility and the reasons why the facility has not been erected as well as the figures that do not tally. According to the

department's delegation, the construction of new correctional centres is a sensitive and complex issue. The department regrets any delays and stated that it is as a result of a combination of external factors. One of the consequences of the delay is the delay in the employment of new staff.

According to the department, the billing for new generation correctional facilities rest with Public Works they spent time on design, with the approval of the White Paper the designing had to be amended in line with the demands of the White Paper. Cost indicators were not in line with the latest trends in the building industry. The department used an independent quantity surveyor and are studying the reports. The department would adopt a phased process to see what procurement options they would employ, once the final recommendation are received the department would then have to adjust its budget accordingly. Kimberley earthworks have already been done the department will procure services according to that model of procurement. According to the department's delegation, the construction of the Kimberley New Generation Correctional Centre will continue in the 2006/07 financial years. The costs will be incurred over two years and the estimated expenditure for the 2006/07 financial years will be R 180 million.

The Committee enquired about the cost implications of outsourcing the catering function. The department responded that they did not have the specific cost of catering. The department explained that the costs to be more than catering. It also includes installation of a new planning system and training of offenders.

The department shared that service providers for catering had to use the departments own produce as part of the contract. The process is not simple to have proper planning system, which they did not have before. Since the question around cost arose, the department informed the Committee that mass catering is better to have it outsourced while they were upgrading.

The Committee enquired about the announcement in the State of the Nation address in 2005 and 2006 the department flagged that they would be building four new correctional facilities what has happened to this in the process. The department answered by stated tat the escalation in terms of costs in the built industry will determine if it would be four or five facilities that would finally be built but they are talking to Treasury. They were aware that Leeukop and Pollsmoor were identified as sites for upgrades but due to the fact that those facilities are built on prime land they have had pressure from the private sector and thus withdrew those two sites marked for development.

The Committee enquired about the IT facilities within Correctional Services and wanted to know if all facilities had access to IT. IT is centralised from head office they cannot answer, not all have IT specialist but yes all facilities have some form of an IT person. What % of correctional centres is connected? All centres are basically connected.

The Committee enquired whether the Department would in position to spend their budget this year. The department stated that they have the capacity to spend their budgets. The spending expenditure patterns of past years indicates that they would be able to spend the budget by at least 98%, they committed not to spend in the March boom only.

The department reminded the Committee that the originator of 8 prisons was the State President and Parliament and they did not come to parliament they have interacted with the portfolio committee on security.

The Committee enquired about what was informing these projections? Why? Why? The Committee stated that they needed to have more time and that the department should come properly prepared with the relevant to financial information next time to answer in-depth.

The Committee reminded the department that it has a monthly oversight function over budgets and they should anticipate more interaction with the Committee. The Committee requested the department to within 7 days to report back to the Committee on all unanswered questions.

Theme 1 - Department of Safety and Security

The department was welcomed by the Committee who expressed their thanks for the National Commissioner of Police, Commissioner Jackie Selebi's for attending the hearings and in taking the function of the Committee's requirement seriously. The National Commissioner was invited to make opening remarks.

An overview of budgeted versus spending for the first 6 months of the 2006/07 financial year reveals that all programmes are spending close to the total spending % of the vote (45.6%). The programmes of the Department are: Administration, Visible Policing, Detective Services, Crime Intelligence and Protection and Security Services. Programme: Visible Policing has been identified as one of the high-level medium term policy priorities of the department. Spending as outlined in the New Economic Reporting Format Expenditure table reveals that current payments are closely related to the 45.6% spending of the vote. Of significance is the 21.6% spending on buildings and other fixed structures. Also, after six months, the Department has already spent 73.1% of their allocation for transfers to provinces and municipalities.

The key operational priorities of the South African Police Services include amongst others, dealing with organised crime, combating serious and violent crimes, particularly in the high crime areas and enhancing the control over ownership and possession of firearms, the enhancement of service delivery especially through sector policing, and combating crimes against woman and children.

Furthermore, the department stated that it was operating under the principle of value for money for projects involved. It had linked the strategic plans with strategic objectives which are measurable achievable and sustainable but that time will really tell in they will be sustainable.

The Committee noted that it was an interesting presentation but enquired about the spending trends and the assurance that the department would be in position to spend its budget. The department responded by stating that they had started the budget with R 17 billion six years ago and currently they receive 28 billion. Spending patterns indicate that they have used the budget and have given Treasury back only R1 000-00 in change.

The Committee enquired about priority setting of spending and the assurance that the department would spend the money given for the 2010 World Cup. The department

assured the Committee that when money is given for priorities the department ensures money are located according to those priorities. They managed the Rugby and Cricket World Cup funding and have been spending it accordingly. The South African Police Services have been delegated to coordinate the security arrangements at the 2007 Cricket World Cup in the West Indies. The Commissioner assured the committee that the 2010 funds would be used wisely so that what they get is lasting investments eg. Water Canons and Command Vehicles to name but a few.

The department reported that the IT system is efficient to indicate staff turnover. It took the South African Police Services 4 years to develop and locate issues internally. The Committee enquired about the remuneration of the police officials to ensure that they can improve the life of those people through a decent wage system. Also, the question was raised by the committee whether any form of alternative incentive systems were available as the merit system in education to compensate teachers. The Department of Safety and Security has raised the salaries of the police by over 34% over the last three years. The increase only applies to the ranks between constable and senior superintendent. Furthermore, the difference between a senior superintendent and a director has become very small. Everyone has a right to promotion. However, the department can only promote so many people per annum. The promotion policy of the department is based on performance – the employee must convince the department that he/she is actually performing. In the past you were in a rank and then automatically being promoted.

Furthermore the department stressed that every one has the right to promotion but this can only happen within the confines of the budget and therefore it is based on performance. Those who demonstrate good performance in any acceptable form will receive additional monetary awards. The department sited the example of photos that were given to an official to arrest those involved in cash heists; the official managed to arrest 48 of the 49 suspects appearing on the pictures without having address or even names - he received the monetary award to encourage teams to work well.

The committee enquired why it takes more than one year to obtain a gun licences. The department responded by stating that gun licences is an issue which are approach differently by two groups of people. On the one hand, there are those who exert pressure not to issue licences for various reasons, and on the other hand you have those who apply for gun licences. In some instances people wait for more than one year to get their gun licences. The National Police Commissioner promised that if he'd be forwarded with names, he would investigate why there was a delay. The committee enquired about the lack of vehicles to respond to crime. The department responded that they have purchases a new fleet of cars for this purpose.

The Committee enquired about the maintenance associated with the asset. The department responded on vehicle maintenance and stated that they spent at least R 1 billion on fuel per annum, which is related to globalised market increases. There are certain core aspects pertaining to work performance which links to over spending funding on vehicle fuel and oil - the same applies to repairs and maintenance related to market increases. The department changed the system of procuring for maintenance services by given selected garages permission to work on a threshold basis for maintenance and rather than following the tender procedure route which may hamper the timely maintenance to vehicles.

The Committee enquired about the building of police stations located close to the people in the rural areas. The department retorted by stating that they would like to locate these facilities close to people but that in most instances the land belongs to the chiefs and the chief decides where the facility would be located on his land. The process of demarcation of land is also cited as the problem but they are seriously interested in constructing law enforcement units within rural areas. The committee cited that if constraints arise in the construction sector, then the department is not doing enough to engage the private sector in stating their future needs.

Theme 1: Justice and Constitutional Development

The Department of Justice and Constitutional Development has history of under spending and has received qualified audits for the last 4 years. The department has five programmes - namely, Administration, Court Services, State Legal Services, National Prosecuting Authority and Auxiliary and Associated Services. A comparison between the first six months of the current and previous financial years reveals that expenditure in the Programme: Court Services has increased by about 27%, while expenditure in the Programme: Administration decreased by 8.3%.

Comparisons based on the new economic reporting format economic classification, reveals that expenditure on software and intangible assets increased by 12847.4%. The department's spending patterns are in line with spending for other departments in the security cluster. At the end of September 2006, the department has spent 38% in terms of current payments. Goods and services which form part of this category was 33% spend, while compensation of employees was spend at 42%. Overall, the department has spent 41% of the budget at the end of six months of the current financial year.

The Committee guided the department to rather put their weak foot forward whilst they interacted with the committee. The committee referred the department to the savings components that they were reflecting which was indeed under expenditure and not true savings. Both virements and roll-overs happened during the first six months of the year. The shifting of unspent funds was used to provide for expenditure for a digital network system to the amount of R 41.8 million. The digital network system was introduced to replace the old analogue system in courts. R 35 million was rolled over to finance x-ray machines and metal detectors at courts, while R 114.8 million was used to fund digital court recording equipment.

Approximately R 101 million was shifted from Compensation of Employees and Machinery and Equipment to Goods and Services. The shifting of funds from Compensation of Employees to Goods and Services was as a result of the non-filling of posts. Between programmes, funds were also transferred from Machinery and Equipment to Buildings and Software. Virements for software were as a result of the March payment for software licences.

The policy priorities in the Department are as follows: Expanded Capital Works Programme, Increasing Capacity and Enhancing Efficiency, SIU and LAB Increasing Capacity, Statutory Appropriation and Reducing Criminal Case Backlogs. In terms of

capital works, there are currently in hot areas courts with no air conditioning. Some courts do not have proper functioning facilities. The huge case backlog also highlighted that there is not enough courtrooms, which necessitates an increase budget for capital works. According to the Director-General of the department, two areas have not been budgeted for but should be regarded as important. These are the Justice Deposit Account System and the E-Schedule System (all dockets coming into courts will be captured so if it gets lost, it can still be retrieved).

The Committee enquired about the reasons for the high expenditure patterns in March based on their spending trends the peak for the department should really be in December. The department responded by saying that institutions shut down in November and December and therefore there is no peak in spending at this time.

The department is involved in the tender process due to re-prioritisation and this will only be started in the new year. They went through Treasury through the emergency certificate to procure the security equipment. Treasury warned that it should not be a norm.

The Committee expressed that they could appreciate the magnitude of challenges the department faces but state that at a point of implementation that this was the responsibility of the department. They enquired that new legislation is in the offering pertaining to redefining the crimes of rape, how ready is the department to ensure beneficiaries do not become victims again. The department responded by stating that when it comes to sexual offences, no secondary victimisation will happen as they have embarked on an education strategy of staff in line with the Victims Charter. The department noted that the real challenges lie with the police in bringing the perpetrators to court in good time.

The Committee enquired around staffing capacity and the problems with filling of vacant posts. The department responded that the Court services brought in temporary staff to deal with the capacity shortages. They stated that currently the NPA has been advertising for staff but retention is a huge problem. The Department of Justice and Constitutional Development has about 16000 employees. A large chunk of positions are in the below salary 8 level. It is here that there is a high turnover of staff. With the high turnover come high vacancy rates that account for the huge under expenditure. The challenge for the department is always to fill positions.

All people on contract will not be renewed. Posts will be advertised. If none of people who apply qualify then the contracts will be allowed to run through. According to the Director-General, the department has never looked at it from the point of view of its core business. The core business is advisory services. In light of this, the type of employee should be at a higher level – more an administration type employee. The minimum qualification in the department nowadays is a tertiary qualification with two years experience. Those who are not qualified must be allowed to go through the SETA's.

The Committee enquired about the location of courts to allow people easy and close range access to the court, where people would rather opt not to attend because it was too far. The department responded by stating that the Magistrate Commission were looking into the under utilisation of the 500 to 600 courts, and state that 40 courts carrying load is essentially carry the load of hearing cases located in urban areas which results in long waiting list for trials to come to court. The department responded that it

has 366 magisterial districts, which has one court to services 9 0000 people. The department stated an example of Soweto people who need to travel to Protea Court, its present location is bad as it is very far from the people. Lenasia Magistrates Court is white elephant with a low caseload and no transport to the Court itself.

The Committee enquired around the management of caseload and the Court Roll. The department stated that it was dealing with case backlog by re-employing retired and new staff to attempt to bring trial dates nearer - this will happen next year. The process will cost about R 60 million to implement.

The Committee enquired about JDAS and asked if it was provided by CSIR, or a private provider. The department responded by stating that Microsoft provided it.

CARA minister committee, official committee place bids what they need for. Make recommendation to ministers committee to made to cabinet they decide
Victim, Rehab etc

The Committee enquired further around filling of vacant post. The question was raised whether the plan is to employ the temporary staff on a permanent basis. The department responded by stating that the staffing of post in high instance is done with consultants and temporary staff. The biggest challenges they face was that they never looked at it from the core business, which is advisory service and how to respond to legislation on the administrative function. The requirement then for the new cadre of employee is a degree qualification for recruitment purposes. For the currently employed staff not having the degree qualification is to push them through SETAS accredited training programmes.

With the implementation of digital system the Stenographers became redundant since these people generally held low-level qualification. It is difficult to deploy them – the department however state that their redundancy is not huge since this function was usually performed on an hourly basis. Those who are employable are absorbed into the system and placed at entry levels of clerk positions and put through learnerships. Employment is dealt with contractually or through adverts for position.

The Committee enquired about the huge under spending of last year and that this repeat pattern would not be good for the department specifically since court services are the departments focus. The department responded by saying that the raised questions do not come as a surprise and that they have had repetition of under expenditure last year (R 1 million), while this year it is estimated at R 500 000 under spending. The Committee enquired about the department's involvement in multipurpose centres. The department responded that they would look into the MPC system.

The Committee enquires about proactive solutions to the HR problems. The department also suggested that its problem is an issue of governance and is a systems problem. They are looking into the short-listing process and will be looking at outsourcing the HR function to respond to the short-listing exercise.

The department stated office space is an issue because of the expansion of the HR function to grow the staff establishment. The department warned that they would have to disappoint the committee with some under spending due to these constraints. The department also cautioned that due to the automation on IT system they may need less

people so his reluctance to go and recruit mass new employees may cause more problems than it would assist at this point. The department also cited that they fronted payments to service like psychiatric service, which they have to claim back from other departments may also reflect negatively on their financial management.

The Committee thanked the department for their fort rightness and assured the department that the Committee was created to ensure no surprises with the budget. The committee expressed that it was glad to hear the department was in the process of working on matters where they were experiencing major issues. The department was advised to work with the portfolio committee. The department was also reminded that the committee reviews month spending patters and that the department would might be called in future to interact with committee.

Theme 1: The Department of Defence

The Committee strongly emphasised to the department that they wish to be addressed by the executive in the personage of the Minister or the Accounting Officer. The Committee would like to note the changes in schedule was on the committee's side and thus would hear the presentation on behalf of the requisite persons. The committee considered that the replacements were high ranking accounting chiefs. ***The Committee strongly reminded the department that it is normal to send departments back if those who are not entrusted with financial accountability are not present to account to the committee.***

The Joint Budget Committee considers on a monthly basis expenditure of departments and informed the department that it may be called back at any point to account to he Committee. ***From the on set the department was cautioned that in the light of its non -attendance to the MTEF hearings this was not the platform for that accounting. The Committee reminded the department that what their expectation is that the department speaks to it strategic plans, objectives achieved and budgets in line with the period spend.***

The Department of Defence has nine programmes. These include Administration, Landward Defence, Air Defence, Maritime Defence, Military Health Support, Defence Intelligence, General Support, Force Employment and Special Defence Account. Only 21% have been spend on "Largest projects" (that is projects in excess of R 15 million) as part of the Programme: Special Defence Account for the first six months of the year. Likewise, only 16% have been spent on Special Projects as part of the Programme: Special Defence Account. The spending performance for above two project descriptions is far below the average spending of 33% for the entire programme.

A comparison between the Total Estimated Expenditure (2006/07) and the available funds (which include adjustments) reveal that an over expenditure is expected in all programmes. The GFS classification in terms of the New Economic Reporting Format reveals that an over expenditure of almost R 21 million is expected for Compensation of Employees. A saving is however expected in Goods and Services to the amount of approximately R 18 million. An analysis of transfers and payments reveal that although provision was made for transfers to foreign governments and international organisations, there are no funds available for this purpose, hence an expected over expenditure in that regard. This over expenditure is however expected to be offset by a saving in the

transfers to Public corporations and private enterprises of the same amount. Reasons for under expenditure as shown through the cash flow report are: the under expenditure is mainly due to the lack of payment of goods and service as a result of: the protracted procurement processes (tenders), integration of logistics systems, and industry's capacity to deliver maintenance and repair services for B-Vehicles.

The Department of Defence has numerous strategic plans. One of the key issues in the department is the issue of sustainability in terms of costing nature of defence. In this regard the department relies heavily on developments in the defence industry. This reliance on the defence industry requires that the baseline should be amended so as to make provision for new developments.

The Committee enquired about the sale of goods and services - what kinds of equipment does this refer to. The department responded by stating that it refers to equipment of S.A. armoury, caspirs, normal vehicles, aircraft, spares from the navy, and the SAS Outeniqua.

The Committee enquired as to the process involved with the disposal of assets. The department responded that the process is fairly standard when comes furniture and office equipment through Auctions. When it comes to other military equipment Armscor processes the disposal of aircraft and military vehicles. When it comes to items purchased from foreign countries they are contractually bound to use NCACC to approve the sale of disposal assets. It has become necessary for them to start a Directorate NCACC, and the person started last month to deal specifically with this issue.

The Committee stated they were happy to hear that the department could for fulfill its international obligations but enquired how the UN payments were accounted for and importantly who would be the recipient of the funds - the Department of Defence or National Treasury. The department responded and stated that the UN funds the department is supported by government, the re-imburement are done to the department, defence is the collecting agent It is paid over to the national revenue fund.

The Committee asked about the status of Military Hospitals. The department responded that Hospitals are an issue but they are in the process of upgrading 1,2,3 Military Hospitals and is building a sick bay in Luwantla, and at Tabatswanit a hospital is being built. The department is going out to tender R 50 million to spend on upgrading military hospitals. They have to replace metres cabling in the old hospitals. The final phase of completing the new hospital is scoped for completion within in an 18-month period. Process of re-cabling will start in a year time. The department admitted that the condition of facilities is not good - it must be brought back to back to design functionality. Following the rules specified that facilities must be used productively the department is in process with the forum Land Management, which was established in 2005 - this forum comprises the Departments of Land Affairs, Public Works and Defence.

The Committee enquired why certain facilities were left in a state of decay. The response from the department is that it is following the process of handing back buildings to the Department of Public Works. Commando facilities are probably what the committee is referring to and this is been handed back to Public Works.

The department stated that property that are handed back to Public Works still carry the Defence identifiable yellow notices to create the impression that it is still the property of

the Department of Defence. The department further stated that State assets are been looked after but financial restriction and capability issues may create an issue.

The Committee required an explaining relating to maintenance of buildings and equipment and funds given. The department responded stating that funds given are productively utilised and spent. The department also stated that they are not the agents to do the repairs. Public Works do repairs the department provide the priorities repairs lists for Public Works to execute. The department expressed that it faced capacity issues in the technological side, project like the Gua- train is gaining greater importance over their projects from contractors, they are also not fulfilling their obligation due to capacity.

The Committee enquired about preventative measures in the department – whether these preventative plans in terms of maintenance are in place. The department responded stating that they do have a proactive programme focussed on preventative maintenance first and lastly on new facilities development. They have identified mission critical areas like upgrading of military hospitals and large project like Waterkloof Airbase upgrade since the facility accommodates the President and other VIPS regularly.

The Committee asked for an explanation on the item Landward. The department responded that Landward provide inventory executed by the service of the national army, specially referring to sub programmes artillery and infantry.

The Committee enquired about the media reports on defence issues. The department responded by stating that the media reports the Minister have been answering the concerns of the people around the peace keeping mission they have programmes in place.

The Committee enquired around capacity of the department. The department responded on how they operate in external operations the department was busy with a complete transformation aligning capabilities from defensive to supportive. They were aligning the accounting systems that were manually operated. Defence generally were not ready for those operations externally through the internally computerised the system. With a mission like Burundi there are no electric linkage for equipment to plug into and they have to utilise satellites. They have capacity issues and have a support function to play to those countries.

The Committee enquired about the systems of control in place for these external missions. The department stated that a Board of enquiry is used to ensure and to maintain the commanding systems. Command and Control system protocol in place. The department discovered their weaknesses in the accounting system and it was an issue. They were not warned beforehand, and ready for Burundi timing and verification system was properly recorded. Verification teams will go to operational area to ensure that the accounting is in order, capacity and computerised. When in the field it is difficult to set up the same systems as home due to challenges mentioned above. They can ensure control measures from their side but not in another country.

The Committee enquired further around the media leaks if the system identifies where it came from or how it was sniffed out. The department responded that it had not yet confirmed how the press got hold of the whole Board of Enquiry transcripts but stated that the media made their own interpretations.

The Committee enquired around the scarcity of technical capacity and what was in place from the department's side. The department responded that technical service is generally a scarce skill and they have programmes in place to reduce the scarcity but it does have an implication on the budget. Bursaries are also available in the areas of scarce skills

The Committee referred to the graphical representation by the department to explain the 2006/07 cash flow in detail. The Committee noted that it is always best to show information against a baseline measurement. The department responded by explaining that the green is drawings, while blue is actual expenditure for the month. The carry over is not reflected.

The shape of graph is it normal the major contributors in peaks is related to current programmes undertaken and should see a decline in future to such a representation. The department assured the committee that their spend is even but if a March Boom or Hockey stick seems to appear the department is dependant on the Department of Foreign Affairs for the Military Officers VIP protection programme submissions of invoices to pay, they only get this at the end of the financial year. As a proactive measure the departments are liaising to improve the system.

The Committee enquired what the impact of scarce skills losses have on the department. The department responded that scarce skills are lost like in any other department who faces the challenges they are unable to compete with large salaries of private sector. Even though they are tied in by contracts, private sector buys out that contract.

The Committee enquired about how the budgets were used to retain scarce skills. The department responded that they have incentives schemes for rural areas. Pilots, Technicians, and the Navy have put in place the incentive to personnel to receive. They realise incentive scheme's are not enough, and the environment they work in plays a huge role. Tertiary institution studies are being paid for personnel showing an interest in enhancing skills. They are researching with international institutions to find out how they succeed in retaining staff. The budget is sighted as a problem that impact on their ability to retain staff. They are developing the Internship programmes and it will be brought into the departments to acquire the skills needed. MSD programme.

The Committee enquired about youth taken into programmes, what are the departments doing to ensure they contribute to the science and technology shortfalls and skills. The department responded that the Youth Development Programme is aimed at taking youth in to improve matric marks relating to maths and science with the intent of rewriting matric to get better marks to go tertiary institutions or so that youth could be absorbed in the MSD programme. The youth are also trained in life skills to go to university or find jobs in other programmes the reason for this is sited as the youth coming through this programme is generally disciplined to succeed in the future thus aligning the departments initiatives to ASGISA

The Committee enquired about the transfer of funds between departments and the vat compliance. The department responded that transfer the department complies with legislation and are in line with them. Vat, Armscor gets out of their budget, they had to pay more to retain staff of particular value.

Logistics agency is responsible for monitoring the systems. They have inspectors to reviewing that structures are in place and check that they have the logistic training in place. Also to maintain systems they have internal audits that the systems are effective.

The Committee enquired about the Sudan Peace Force and the budget issues and problems uncounted within the allocation. The department responded by stating that the Sudan Peace force budget was a problem due the encountered in the field as the allocation was based on the projections in practice it was not completely accurate.

The Committee stated that Peace Keeping support operations should ensure that a system is aligned to the home operation system. The department stated that they are working on a system of support. The department indicated that their operation are guided by the UN doctrine, by South African rule an operation is needs to be supported by a squad, UN only requires one person this may affect the accounting system which may not be aligned to the domestic system. They will have losses but they are attempting to control losses and hopefully will be linked to a computerise system.

The Committee enquired about the qualified audited reports the departments have been receiving and if this will change in future. The department responded to the audit questions by meeting the SPDs – Coverts brings in new technology which they class as a quantum leap but it brings new challenges implies more navigation time; more training time; fuel cost are more. When they speak about sustainability the cost increase in operating the new systems of modernisation

The Committee enquired if internal audit systems are working. The department responded to internal audit and stated that it is working – they will qualify their work, they could not take internal audit since they were auditing on different system. They are reporting to the audit committee on a quarterly basis. The report in turn is given to a monthly budget committee. Last week they has a meeting they looked at internal audits they were engaged working paper of internal audits they think they can change their opinion they would do assessment at the end of the year. Their internal audit does not audit the financial statement.

Training company at a cost of R70 000 to train internal staff to come up to speed with the process. Have a committee consisting of internal and external personnel for objectivity.

The Committee enquired

They have received unqualified audits for the past five year. They stated that they will not received an unqualified audit report in 2007. Very little the department can do with qualifications IFMS Treasury stated that the system will be provide and t hat departments should not be spending on an accounting system They can clear what they can but treasury state that the new system will come into play in 2015.

Relationship

How do they spend their money – Capital Expenditure programme 72 million was spent in order of priority on capital project they spent more due to the nature of built environment they normally over plan that money is spent on priorities. Thei year they have 74 million. The have two projects which lie with Public Works and it is too late in

this. The department responded to the procurement system and stated that it is a difficult one, they share it with logistically with another departments and the issues are approval at different levels. Recording suppliers on a database they are still developing the procurement system.

The committee enquired about the exact budget allocation for the Sudan Peacekeeping mission. The department stated that the Sudan issue the budget for Sudan – 750 72 million and expenditure of 70 million not reimbursements. The budget was 95 million. PSO is 836 million. They envisage that there is a shortfall Slide 12 75 million was over. They asked for help since it did not come they had to go internally to find the money. ground. They are in the process of ensuring a more accurate register with the budget challenge. When transformation took place it was a big department they have started these processes only recently. They hope to have it 90 –95% correct, and are in process of increasing the accuracy.

The Committee enquired as to where the MSD can apply for access which important for constituency purposes. The department replied that they should apply directly to recruitment centre in Pretoria. They will forward to the secretary.

Closing remarks by the committee were that clarity must be provided on issues the department is not clear on. The Committee assured the department that they will keep an eye on the budget and that the line is closed if they were to ask for more funds.

Appreciated the rigor they have noted important points they will include and adapt where they can thank for hearing them

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