



FY 2007 - 2008

Annual Report



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

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defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF DEFENCE

ANNUAL REPORT 2007/2008

Mr M.G.P. Lekota, MP
Minister of Defence

Submission of the Annual Report to the Executive Authority of the DOD

It is a great pleasure and honour for me to submit the Annual Report, together with the audited financial statements and the Auditor-General's report, to the Executive Authority of the Department of Defence for the period 1 April 2007 to 31 March 2008, in terms of Section 40(1)(d) read together with Treasury Regulation 18.3 of the Public Finance Management Act (PFMA), 1999 (Act 1 of 1999).

Kindly submit these reports to the National Assembly in compliance with Sections 40(1)(e) of the PFMA.

It is to be noted that the recently-introduced Framework for Managing Programme Performance Information, promulgated throughout Government structures, has provided a contextual framework in the compilation of these reports. Compliance with the Public Service Regulations, 2001, Chapter 1, part III and the guidelines issued by the National Treasury has also been ensured.

These reports serve to provide the requisite assurance that the resources of the State have been used in a manner consistent with the principles of good corporate governance and that their compilation will consolidate confidence in the operations of the Department and the Public entities under its control. The report does serve to enhance the corporate image of the Department of Defence and place it in good standing to further the objectives of the Government as directed by the higher authority.

I hereby formally submit these reports to you as the Executive Authority, as required for reporting to Parliament.

A handwritten signature in black ink, appearing to read 'J.B. Masilela'.

J.B. MASILELA
SECRETARY FOR DEFENCE: DIRECTOR-GENERAL

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Foreword by the Minister of Defence, the Honourable M.G.P. Lekota, MP



Defence policy is classically regarded as a subset of foreign policy. Our approach is that defence is politics by other means. In the current period, the Defence Force must be seen as an instrument of politics. Defence strategy, therefore, is an art and science of employing the defence force of a nation to secure the objectives of national policy. The Department of Defence thus continues to contribute to African unity by focusing on our common political objectives.

A key strategic objective of the Defence Programme has been the support of Government policy to promote regional, continental and global security by employing defence capabilities in support of the African Union and United Nations missions. Peace, stability and security on the Continent have been advanced through extensive support to peace missions, situations of disaster and humanitarian needs, as well as support to promote democratic elections. Through this objective, collective regional and continental security has been enhanced.

The period leading to democratisation was characterised by an offensive defence posture focused on subduing sections of the population and countries of our Region, as well as the acquisition of such capabilities as nuclear and biological weapons. Since then, we adopted a defensive defence posture that is concentrating largely on capacity to ward off any possible threats. It is our belief that the single biggest threat to peace and security in our time is poverty, thus our Government has adopted a broader notion of security, to include political, economic, social and environmental issues.

Within this model of defined security, the Department of Defence has been one of the State institutions that has promoted national and international security. In doing so, the Department

has assumed a leading role in ensuring peace and stability in Africa whilst giving support to other State departments in the country. The updating of the White Paper on Defence of 1996 and the Defence Review of 1998 has been concluded, with the resultant Defence Update bringing the defence policy in line with the changing environment in an attempt to align Government expectations with resource allocation to the Department, enabling us to design a medium-to long-term plan of the SANDF.

This reflects the strategy and objectives necessary to ensure that the SANDF remains a valuable and cost-effective instrument of State, with the aim of supporting both the domestic and foreign policies of the South African Government.

It is with great sadness that I accept the Department of Defence Annual Report for FY 2007/08 which was signed off by the Secretary for Defence, the Head of Department and Accounting Officer, Mr. January Masilela, a few days before his passing.

His work serves as a testament to his dedication and commitment to South Africa in general, and to the Department of Defence in particular.

A handwritten signature in black ink, appearing to read 'Lekota', written in a cursive style.

M.G.P. LEKOTA, MP
MINISTER OF DEFENCE



Strategic Overview

Strategic Overview by the Secretary for Defence, Director-General, Mr J.B. Masilela and General G.N. Ngwenya, Chief of the South African National Defence Force



INTRODUCTION

The Department of Defence (DOD) carries out its mandate of defending and protecting South Africa in accordance with the Constitution and the principles of international law.

The Department of Defence's programmes contribute to the outcomes of Government's New Partnership for Africa's Development (NEPAD), as well as the African Renaissance objectives for economic growth development and its pre-conditions of peace and security. Through the delivery of defence outputs as detailed below, the Department, within its various clusters, strives towards its vision of "Effective defence for a democratic South Africa". This is pursued through the following intermediate and interrelated outcomes: strategic defence cooperation, advanced by the defence diplomacy initiatives; and peace, stability and security on the Continent, advanced by support to multilateral organisations such as the United Nations, African Union and Southern African Development Community in particular.

The changed environment, and the increasing requirements placed on the Department to provide forces for peace and humanitarian missions, necessitated the updating of the White Paper on Defence (1996) and the Defence Review (1998). The process culminated in the Defence Update (2006), which redefines the level of capabilities required within the force design to comply with the current and expected involvement in peace missions. The Department continues to play a key partnering role with the Department of Foreign Affairs in

promoting peace, security and stability in Africa. It is therefore pursuing a multinational and multilateral approach in its defence posture.

The current world situation has necessitated a review of the Regulation of Foreign Military Assistance Act, 1998 (Act No. 15 of 1998). The Prohibition of Mercenary Activities and Regulation of Certain Activities in a Country of Armed Conflict Act, 2006 (Act No. 27 of 2006) will regulate the manner in which private security and military entities of South African origin operate in such countries.

The DOD has transferred the management and operations of the Naval Dockyard Simon's Town to Armscor. The process should be completed by 2008 financial year.

Foreign policy initiatives

The Department continues to engage with its regional counterparts in Africa by focusing on the security-related objectives of the African Union (AU). The SADC Mutual Defence Pact, the African Standby Force and the establishment of continental and regional early-warning centres are still being designed and developed.

The SANDF has continued to participate in peace support operations in the Democratic Republic of the Congo, Burundi, Côte d'Ivoire and Sudan and is expected to contribute to post-conflict reconstruction activities. Military observers and staff officers continue to serve at UN missions in Eritrea, Ethiopia/Somalia and Liberia. The deployment of

more than 2 500 members in external peace support missions, which is more than the number planned for in the 1998 Defence Review, will continue over the medium term.

During the period under review, the DOD established Defence Attaché (DA) missions in seven countries. As a key strategic thrust towards enhancing peace, security and stability, the Department has made steady progress in building friendly relations with countries on the Continent and across the world since 2004. The DOD now has a resident presence in 32 countries, of which half are in Africa, and is represented in a further 20 countries on a non-resident basis. Altogether, the Department is accredited to 52 countries.

Internal deployments

The Department of Defence has continually, through its participation in the Justice, Crime Prevention and Safety (JCPS) Cluster, strengthened its role in respect of policy matters pertaining to the support to Government on humanitarian, peace and security matters, regarding issues such as borderline patrols and humanitarian relief.

In this regard, Operation BATA and Operation INTEXO were planned and conducted over the review period. Operation BATA entailed providing SANDF support to the National Department of Health. The SANDF deployed a considerable number of members across the RSA within 36 hours. This operation ensured that the public service labour action did not affect the delivery of health services to those who needed such a service during that period. The health service was provided by the DOD to all the facilities that were affected by the strike.

Operation INTEXO has been operating in support of the South African Police Service. This operation entails the full-time deployment of landward forces for borderline control and will be concluded by 31 March 2009.

Human resources

The Human Resource Management Strategy of the Department is directed at youth empowerment, thereby contributing not only towards enhancing the operational readiness of the South African National Defence Force (SANDF), but also contributing towards employment opportunities for the youth and the development of scarce skills.

The Military Skills Development System (MSDS) remains the primary mechanism through which the Department contributes towards structured military skills development, as well as occupational-functional skills development and leadership development amongst the youth. Furthermore, the MSDS is functioning as an important transformational mechanism to impart appropriate representivity in the SANDF, with 96% of its members being young, black South Africans and 31% being female. The Department is working to expand the MSDS to 10 000 new recruits over the MTEF period, to ensure a continuous output of suitably qualified, fit and healthy young soldiers until the rejuvenation requirements of both the Regular and Reserve Forces have been met.

A strategic concept for the establishment of a Works Regiment within the Department of Defence has been finalised and implemented. The Works Regiment will skill and utilise members of the SANDF in the maintenance of DOD infrastructure and post-conflict reconstruction. Such capacity has been created through a process where the Department, in conjunction with public-private partners, re-skills and creates alternative employment opportunities for almost 10 000 SANDF members who have reached the end of their soldier career.

A succession plan for Brigadier-Generals and higher saw the promotion of 11 female Colonels to the rank of Brigadier-General.

Currently, 43% of all Regular Force Privates comply with the required age specification of 18 to 24 years, compared to a mere 7% in 2002.

The outflow of skilled technical personnel and engineers from the SAAF continues to lead to a reduction in the experience levels at units and squadrons. An incentive scheme to mitigate this challenge was introduced in June 2006 and is being adjusted regularly, in line with changing requirements.

Armament investment

The Landward Defence and Military Health Support programmes remain the priority focus for modernising the force in the medium to longer term. Delivery of the weapon systems acquired through the strategic armaments procurement programme is on track. Four frigates were commissioned into the SA Navy by the end of 2007. They will be fully

| Department of Defence |

operational once the maritime helicopters have been delivered and integrated. The first of three submarines, 12 of 30 light utility helicopters and 11 of 24 trainer aircraft are already in service and one submarine, 12 light utility helicopters and eight trainer aircraft will follow during 2008/09.

Governance

In line with cooperative governance and in alignment with Cabinet and cluster priorities, the Department of Defence ensures that its priorities are aligned with the Government priorities through its planning framework, as well as through its operations. The DOD planning framework is located within Government's planning framework. The outcomes of the January *Lekgotla*, as articulated through the State of the Nation Address and the Budget Vote, serve as the basis for the development of the responsiveness trajectory articulated by the DOD through the priorities and guidelines of the Minister.

The determinant clusters for operational work and functions of the DOD are the International Relations, Peace and Security (IRPS) Cluster; the Justice, Crime Prevention and Safety (JCPS) Cluster; the Governance and Administration (G&A) Cluster and the Economic Cluster. The strategic plan of the DOD therefore makes provision for meeting Government objectives and contributes towards these, as articulated through the clusters.

Restructuring of the Defence Industry

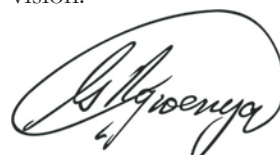
The South African Defence Industry continues to be under the scrutiny of the Department of Defence with a view to its growth and development. Emphasis has been placed on an integrated approach to the transformation of the Defence Industry.

It is a key industry in the South African economy and all role players have played a part in the transformation. This has included various Government departments, the Defence Industry itself and the private sector.

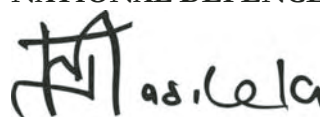
Operation Clean Audit

The Department of Defence has continued to refine its mechanisms for accounting for the utilisation of resources at its disposal, including human resources, finance, material and information. The aim is to work towards reducing and ultimately eliminating adverse audit reports from the Inspector-General and the Auditor-General.

We extend our considerable appreciation to DOD leadership, as well as staff of the DOD, who have worked tirelessly in support of our collective vision.



G.N. NGWENYA
CHIEF OF THE SOUTH AFRICAN
NATIONAL DEFENCE FORCE: GENERAL



J.B. MASILELA
SECRETARY FOR DEFENCE:
DIRECTOR-GENERAL

Information on the Ministry

Institutions Reporting to the Executive Authority

The following institutions report to the Minister of Defence:

- Department of Defence
- Armaments Corporation of South Africa (Armcor)
- Castle Control Board

Bills Submitted to the Legislature During the Financial Year

The following Bills were presented to Cabinet for approval:

- The Defence Amendment Bill;
- The Castle Management Act Repeal Bill.

Bills finalised During the Financial Year:

- The Prohibition of Mercenary Activities and Regulation of Certain Activities in a Country of Armed Conflict Bill, 2006 (Act No. 27 of 2006).

Ministerial Visits Abroad: FY 2007/08

The Minister of Defence and Deputy Minister of Defence were engaged in a number of defence-related diplomatic activities in which the DOD had been involved. International visits made by the Minister are shown in Table 1.1 below, whilst those made by the Deputy Minister are shown in Table 1.2.

Table 1.1 International Visits by the Minister of Defence in FY 2007/08

Serial No.	Date	Country	Purpose
	a	b	c
1	27-30 January 2008	India	Conference
2	15 February 2008	Lesotho	Meeting with Deputy Prime Minister
3	12-15 March 2008	Saudi Arabia	State visit
4	17-19 April 2007	Spain	Signing of Memorandum of Understanding
5	1-3 July 2007	Tunisia	Bilateral meeting
6	10-12 July 2007	Tanzania	SADC Head of Security meeting
7	19-21 July 2007	United Kingdom	Commemoration of the sinking of <i>SS Mendi</i>
8	19-21 August 2007	Democratic Republic of the Congo	Binational Commission
9	10 September 2007	Angola	Bilateral discussions
10	19 February 2008	Democratic Republic of the Congo	DRC/Netherlands/RSA Trilateral meeting
11	6-7 March 2008	Switzerland	UN meeting to discuss the situation in Sudan
12	29 March-1 April 2008	Jordan	Special Forces exhibition

Table 1.2 International Visits by the Deputy Minister of Defence in FY 2007/08

Serial No.	Date	Country	Purpose
	a	b	c
1	28-30 July 2007	Tanzania	SADC ISDSC Interstate Defence and Security Council

Table 1.2 International Visits by the Deputy Minister of Defence in FY 2007/08 (continued)

Serial No.	Date	Country	Purpose
	a	b	c
2	17 August 2007	Zambia	Launch of the SADC Brigade in Lusaka, Zambia

Appearances Before the Parliamentary Committees

The Minister and Deputy Minister of Defence have appeared once before the Parliamentary Committees during the period under review.

Parliamentary Questions

The Minister has replied to 95 Parliamentary questions during the period under review.

Council on Defence

The Council on Defence, the highest decision-making body in the Department of Defence, has met 10 times during the period under review.



Strategic Profile and Defence Objectives

Part 1: Strategic Direction

CHAPTER 1 STRATEGIC PROFILE AND DEFENCE OBJECTIVES

INTRODUCTION

This document is the Department of Defence's report on the performance during FY 2007/08 of its Strategic Business Plan 2007 (FY 2007/08 to FY 2009/10).

During the period under review, the Department of Defence strived to achieve a balance between meeting its obligations towards the defence of South Africa, as enshrined in the Constitution, whilst meeting critical governmental priorities and obligations towards promoting peace, stability and security in the Region, on the Continent and in the rest of the world. In addition, the Department provided support to the people of South Africa, directly or through its support to other departments.

The Minister of Defence provided guidance in the form of guidelines, objectives and priorities to ensure that the Department's activities and outputs were fully aligned with the requirements of Government legislation. These objectives relate to how the DOD, within the context of Government objectives, will defend RSA, its territorial integrity and its people.

The Department of Defence, through active participation in the cluster system and in various forums, helped establish and strengthen various African Union structures and programmes; and played a major role in supporting Government initiatives for the prevention, management and resolution of conflict at regional and continental levels.

VISION

Effective defence for a democratic South Africa.

MISSION

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.

The above will be achieved through proper management, provision, preparedness and employment of defence capabilities, which are in line with the domestic and global needs of South Africa.

MANDATE OF THE DEPARTMENT OF DEFENCE

The DOD derives its constitutional mandate from Section 200(2) of the Constitution of the Republic of South Africa (1996). Giving substance to this constitutional mandate is the Defence Act, 2002 (Act No. 42 of 2002), the White Paper on Defence (1996), the Defence Review (1998), and other national legislation that guide the execution of the defence strategy of the DOD.

WHO WE SERVE

The DOD is accountable to the Minister of Defence and the Parliamentary Oversight Committees.

The DOD participates in Directors-General Clusters and in the Cabinet *Makgotla*.

MINISTER OF DEFENCE'S OBJECTIVES

The objectives set by the Minister of Defence, which ensured that the Department's mission was achieved during the period, were:

- Defending and protecting the sovereignty and territorial integrity of the Republic, as well as supporting its people, by maintaining cost-effective defence capabilities in order to be prepared and equipped to participate in operations as ordered and funded by Government.
- Contributing to global security through the promotion of regional and continental security and supporting Government diplomatic initiatives through regional and global defence cooperation and participation in peace missions.

- Ensuring good governance of the DOD through effective, efficient and economical management, administration and accounting within the regulatory framework and Government policy.
- Ensuring continuous improvement of defence capabilities by means of quality command and control, by developing the people and by improving the equipment and facilities of the DOD.
- Implementing the “One Force” concept by adequately resourcing and utilising both the Regular and the Reserve components, as well as by rejuvenating and rightsizing the human resource composition of the DOD.

The excellent progress made towards achieving these objectives is reported in the performance reports of the Services and Divisions.

MINISTER’S PRIORITIES AND GUIDELINES FOR FY 2007/08 – FY 2009/10

The Minister of Defence’s priorities for the Medium-Term Expenditure Framework (MTEF) for the period FY 2007/08 to FY 2009/10 were issued together with the strategic priorities, and shaped the strategies and plans of the Services and Divisions for the MTEF. The sound progress made in achieving most of these guidelines is visible in the performance reports of the Services and Divisions contained in Chapters 2 to 10.

The progress made with the transformation of Armscor is reported in the Armscor Annual Report.

ALIGNMENT WITH CABINET PRIORITIES

The DOD actively participated in the International Relations, Peace and Security (IRPS) Cluster; the Justice, Crime Prevention and Safety (JCPS) Cluster; the Governance and Administration (G&A) Cluster; and the Economic Cluster, particularly the IRPS and JCPS clusters. Significant contributions towards the achievement of the objectives of these clusters were made and are reported in the performance reports in Chapters 2 to 10.

SIGNIFICANT DEFENCE POLICY DEVELOPMENTS

Defence Update

The Defence Update has been completed for the Minister to submit to Cabinet and Parliament. The Defence Update policy document seeks to strategically align the DOD with the Long-Term Strategic Framework of Government as adopted at the January 2008 Cabinet *Lekgotla*.

The Defence Update gives specific attention to the strategic changes that have arisen on the African Continent with the birth of the African Union (AU), and the complex peacekeeping missions currently unfolding across the Continent.

The causes of international insecurity have shifted from traditional sources to non-traditional sources. Consequently, new continental security architectures have emerged with the launch of the AU, and corollary initiatives to strengthen the regional security architecture of the Southern African Development Community’s Organ on Politics, Defence and Security Cooperation (SADC OPDSC) have impacted the strategic security environment.

South Africa plays a significant role in the promotion of continental peace and security in the 21st century. Whereas the 1998 Defence Review envisaged that external commitments would be limited to the deployment of a single battalion (approximately 1 000 soldiers), force levels deployed in support of international commitments already exceed 4 500 soldiers.

The Defence Update seeks to strategically place the SANDF in a position to deal with peace and security on the Continent by positioning the SANDF’s force design to deal with the important tasks of peacekeeping, humanitarian assistance, disaster relief, security sector reform, and so on.

The “Core Growth-One Force” concept (the critical mass required and the integrated use of Regulars and Reserves) underpins the design and management of the future force. The Defence Update posits the “Credible Force Design” that is able to meet both the constitutional obligations of defending the Republic and its territorial integrity, and the divergent requirements facing South Africa in its support to the African Agenda.

The landward forces of the SANDF (mainly SA Army, Military Health Services and Command and

Management Information Systems) are the backbone of South Africa's peace and stability initiatives on the Continent, operating under hugely differing conditions of climate and terrain, and against a variety of complex challenges. This necessitates that the landward forces become more flexible and more mobile through a concerted capital renewal process until FY 2031/32.

The SANDF's landward forces will be modernised and renewed, with first prioritisation being the light and motorised forces, airborne forces, intelligence and engineer elements used mainly in the support of international commitments and concomitant air and maritime inter- or intra-theatre lift. The second prioritisation will be the conventional and mechanised elements of the SANDF's landward capability, such as mechanised infantry, artillery, air defence artillery and armour.

Furthermore, the resources strategies to support this force design are discussed at a strategic level, specifically focusing on Command and Management Information Systems, Human Resources, Matériel, Capital Equipment and Finance.

The human resource baseline of the DOD will grow from the 70 000 Regulars envisaged in the 1998 Defence Review to 88 000 Regulars and approximately 70 000 Reserves. The Military Skills Development Programme will continue as a feeder to both the Regulars and the Reserves. A specific strategy will position the Reserves in their appropriate place within the "Core Growth-One Force" approach.

Migration to the Credible Force Design

The force design has been the subject of intense staff work in order to produce an affordable and appropriate force design that will enable the Department to fulfil its constitutional mandate.

The Minister of Defence approved the Credible Force Design by means of MODD/00006/2007 (Edition 1), dated July 2007, which provides a configured and controlled SANDF force design and which lays the basis for all long-term planning.

Significant discussion took place on the development of options to migrate to the Credible Force Design. The long-term planning framework was pitched at FY 2015/16. Three options were developed and were characterised by distinct funding thresholds. Although these will be discussed in more detail below, the thresholds are as follows:

- **Migration Option 1: Full Attainment of the Credible Force Design**

Option 1 was for the SANDF to fully achieve the Credible Force Design with most capabilities properly capacitated and sustained, and characterised by a Landward Renewal Programme underpinned by significant additional funding into the future. In this option, the renewal of the Landward Prime Mission Equipment would be inclusive of both the motorised and mechanised elements of the SANDF's conventional capability, as well as the airborne and combat support elements required.

- **Migration Option 2: Partial Attainment of the Credible Force Design**

Option 2 was for the SANDF to partially achieve the Credible Force Design, with a focus on those landward programmes that are critical for the fulfilment of SA's international obligations and commitments as ordered by Government (i.e. the SANDF Operational Reserve, the requirements for UN and AU peace missions, humanitarian and disaster assistance and the contributions for the SADC BRIG and ASF). This option placed emphasis on the SANDF's motorised infantry battalions, airborne and other rapid entry forces, military engineering capabilities, tactical intelligence, logistics support systems, military health capabilities and other appropriate combat support elements for the abovementioned forces. The mechanised elements (armour, mechanised infantry and artillery) in the landward conventional capability would have been retained in survival mode with life extension programmes and little direct renewal of prime mission equipment.

- **Migration Option 3**

In this option, the growth in the defence allocation continued at a standard 6% per annum without any significant funding changes. As a result, a reduced SANDF would be established that is both viable and sustainable over the long term. The SANDF would be partially able to meet ordered commitments. However, significant risks and limitations would exist and the Credible Force Design would not be achieved. The best possible output within the budget, with the best balance of forces, would be sought. Certain defence capabilities are reduced and other defence capabilities are completely lost.

RECOMMENDED MIGRATION STRATEGY

After significant study and deliberation, a preferred course of action was selected to be pursued, wherein the attainment of the Credible Force Design is largely attained by FY 2025/26 and fully attained by FY 2030/31. The Defence Update seeks to reduce the defence gaps, through an incremental increase in budget baseline and a reassessment of the level of defence that will be maintained.

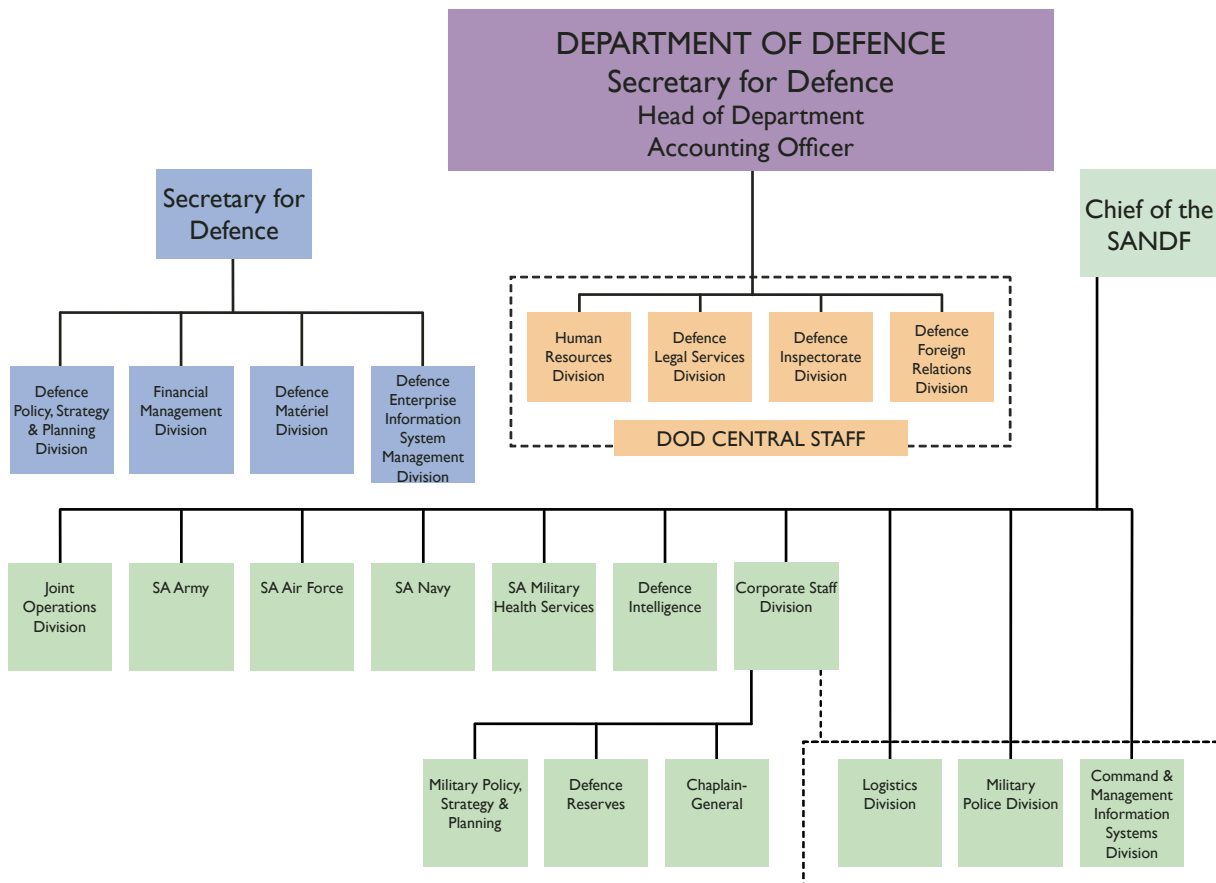
The projections made in the Defence Update are nominal in 2007 Rand value. The Defence Update argues that the significant change to the Defence Allocation should start in FY 2011/12, where the growth should enter the region of R41 333 473 202. The Defence Update further argues that the Defence Allocation should reach the region of R45 729 808 302 in FY 2017/18 and continue in and around this mark in the outer years until FY 2023/24, when it should stabilise around R46 401 958 351 in 2007 Rand value.

FORCE STRUCTURE

Given the complex nature of the defence function, the DOD’s force design and force structure are reviewed on a regular basis in order to ensure execution of the Military Strategy. Furthermore, alignment is ensured between the Department’s objectives, the budget allocation, ordered commitments and likely missions.

The current structure of the Services and Divisions within the DOD is represented in the following organisational design.

Figure 1.1 Department of Defence Organisational Design



The structure of the DOD is under review and several changes that will only affect the Level 1 staff divisions have been initiated, which will only become visible in 2008. In January 2008, the Minister of Defence approved the creation of a new Division in the Defence Administration Programme, the Defence International Affairs Division. This Division will report to the Secretary for Defence and will provide strategic direction to the Department’s foreign diplomacy initiatives.

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The Services and Divisions are composed of Force Structure Elements (FSEs) of varying sizes and types. An ongoing process of closing and establishing FSEs is taking place as the DOD adjusts to changes in the environment and strives to do its business as economically as possible.

RISK MANAGEMENT

Risk management in the DOD is being systematically improved and although much remains to be done, a significant improvement was evident by the end of the reporting period.

The Chief Financial Officer is responsible for the management of resource risks, as contemplated in the DOD Policy on Risk Management. Resource Risk Management Boards have been established in the four major resource areas. Resource system risks were identified, assessed and mitigated in the Financial Management Division, the Human Resources Division, the Logistics Division and the Information Systems Division. Monthly risk management meetings were held with the risk managers of these Divisions and the risk mitigation plans were monitored and reviewed to ensure the risk treatment approaches stay relevant and the risk exposures remain acceptable.

The Minister of Defence approved a new structure for risk management in the DOD under the auspices of the Chief of Defence Policy, Strategy and Planning at the Defence Secretariat. The DOD is undertaking the staffing of these posts. This section will combine the DOD's strategic risks, operational risks and resource risks into one centralised DOD risk register to ensure that all DOD risks are properly managed, controlled and mitigated.

DEFENCE STRATEGY

National Strategic Direction 2014

The Defence Strategy is directed by the National Strategic Direction 2014, which comprises aspects such as the Regulatory Framework of Government; "Towards a 10-Year Review 2014"; Government Scenarios 2014; the annual State of the Nation Address by the President; the annual Budget Speech; the decisions of the Government *Lekgotla*, which are held annually in January and July; the Medium-Term Strategic Framework (MTSF), which is a mechanism for generating a limited but focused set of medium-term strategic priorities that are shared by all spheres of Government; the Government Programme of Action; and the Medium-Term Expenditure Framework (MTEF), which is directed by the MTSF, national interest and national values.



DEFENCE STRATEGIC OBJECTIVES

The following strategic objectives, identified as being critical to the achievement of the Department's mission, were incorporated into strategic business plans at all levels:

- 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; and
- The assurance of continuous quality improvement of DOD equipment and facilities.

Progress against these objectives is visible in the performance reports contained in Chapters 2 to 10.

STRATEGIC FOCUS

The DOD focused on the following activities during the period under review:

- Enhancing and maintaining the capabilities of the SANDF;
- Promoting regional security through, among other measures, participation in peace missions and defence foreign relations;
- Supporting the Government's diplomatic drive and initiatives in Africa through participation in multinational organisations; and
- Reducing the SANDF's routine internal deployments in accordance with Cabinet instructions.

MISSION SUCCESS FACTORS

During the transformation of the Department of Defence, six factors deemed to be fundamental to achieving success were identified. Progress against these mission success factors is as follows:

- **National Consensus on Defence**
Broad national consensus on the defence needs of South Africa seems to have been achieved and the nation as a whole regards the South African National Defence Force as a force that can be relied upon in crises.
- **Excellent Strategic Direction**
The defence needs of South Africa are being met. The SANDF proved capable of executing peace missions and providing humanitarian and other support to the people of South Africa and neighbouring states. However, it is also steadily strengthening its capability to conduct conventional and other combat operations, if needed, for the defence of South Africa and the Region.
- **Excellent Resource Management**
The management of the DOD's scarce resources is improving steadily. Not only is the prime mission equipment of the Services being modernised, but there has also been a steady improvement in the human resources component, as well as in the information and communications technology systems and facilities. Challenges still remain, as the Department continues to rightsize and modernise whilst dealing with sharply rising costs of defence matériel. The introduction of the Military Skills Development System and the rebuilding of the Reserves continue to improve the SANDF's capabilities.
- **Effective Combat Forces and Support Forces**
The DOD's combat and support forces are well prepared for rapid and effective response to currently identified defence contingencies. Challenges remain; however, excellent progress has been made in the reshaping, restructuring and repositioning of the SANDF to provide the appropriate level of defence within the allocated budget.
- **Professionalism in the Conduct of Operations**
The SANDF has performed well not only in peace missions but also during the execution of approved operations other than war (OOTW) in support of other State departments. The support given to the Department of Health and the ongoing peace support missions, during which Reserves were deployed alongside Regulars, have demonstrated the efficacy of the

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“One Force” and “Core Force” concepts. In addition, the DOD has played a significant role in the formation of the SADC Standby Brigade and other structures that will contribute towards regional security.

- **Successful Implementation of the Transformation Process**

The transformation of the DOD is progressing well and the Department is becoming increasingly aligned with Government policy on civil-military relations, transparency, representivity, State expenditure and national security.

STRATEGIC ISSUES

The progress made in addressing the strategic issues to ensure readiness and sustainability is fully

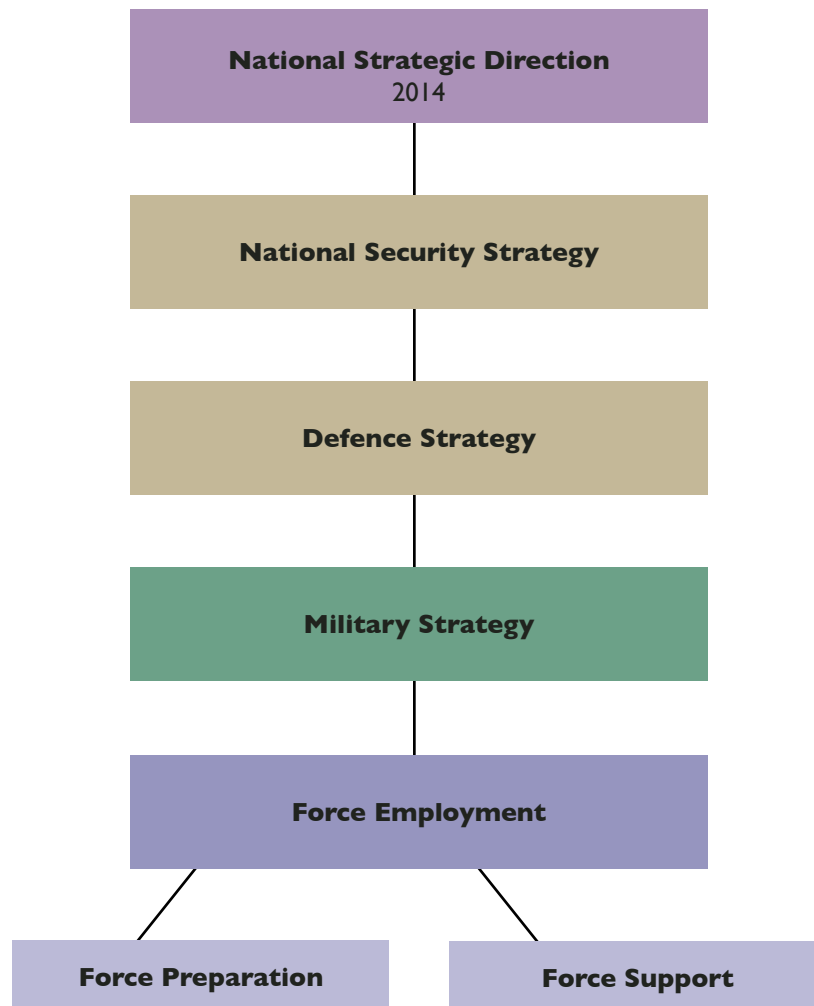
reported in the Accounting Officer’s report on the financial performance of the Department.

STRATEGIC ALIGNMENT

Among the initiatives introduced by the Government of the Republic of South Africa, particularly after 1999, is an integrated approach to policy formulation, planning and implementation. The National Planning Framework for Government was instituted in August 2005 to give impetus to Cabinet’s functioning with regard to policy setting, to align policy setting with budgeting, monitoring and reporting, and ensure cooperative governance in all spheres of Government.

Strategic alignment with Government intent and within the Department of Defence is achieved through the alignment of the strategic hierarchy, as indicated in Figure 1.2 below.

Figure 1.2 Strategic Hierarchy Alignment

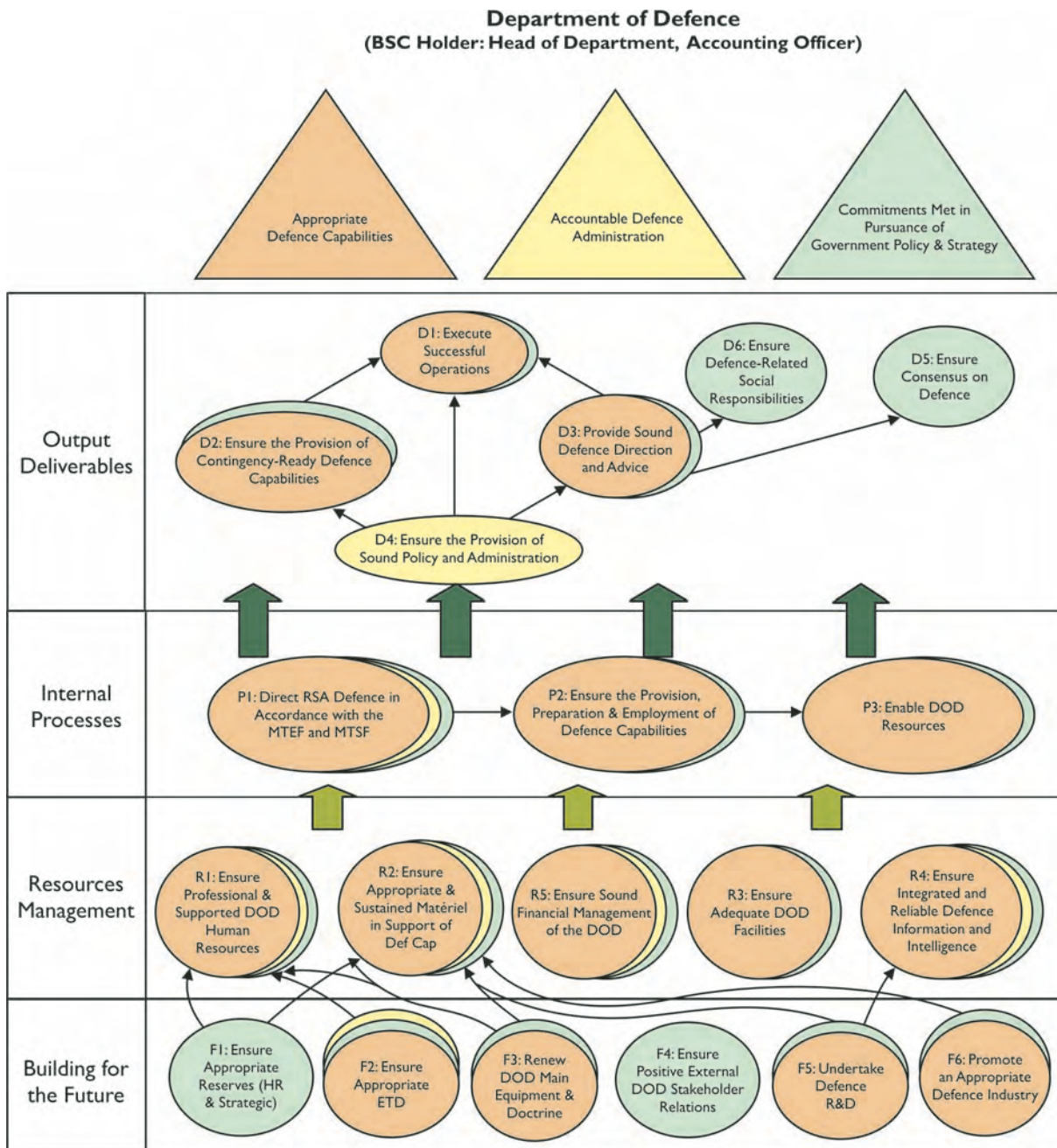


DEFENCE STRATEGY

In order to better manage the provision of strategic direction to the Department and to monitor the implementation at the strategic level, the Department commenced with the introduction of the balanced scorecard (BSC), which is used successfully by a number of other defence forces as well as by

many major corporations and large Government departments. By the end of the period under review, the BSC had been rolled out to several of the major Services and Divisions. The Accounting Officer's Balanced Scorecard, which forms the bedrock for all the other strategy maps for Services and Divisions, was finalised during the period under review and is provided here as Figure 1.3.

Figure 1.3 DOD Accounting Officer's Balanced Scorecard



The Balanced Scorecard is a tool used to monitor the execution of the Department's strategies which, in turn, direct the Department's Strategic Business Plan at various levels as well as the supporting plans, e.g. human resources, information technology, and logistics.

The departmental strategies underwent further development during the period under review, resulting in greatly improved alignment between, and within, Services and Divisions.

DEFENCE OUTPUTS

The outputs provided by the DOD to Government are as follows:

- Defence commitments, which include
 - operations that are ongoing in nature, and for which plans and financial provision can be made in advance;
 - operations that must be executed during the year and, if unforeseeable, for which no provision has been made; and
 - joint and multinational exercises required to prepare forces for operations
- Landward defence capabilities
- Air defence capabilities
- Maritime defence capabilities
- Military health capabilities
- Defence diplomacy, which includes
 - the deployment of Defence Attachés;
 - the servicing of defence-related Memoranda of Understanding (MOUs); and
 - participation in the defence structures of the United Nations (UN) and the African Union (AU)
- The servicing of international agreements, which include
 - search-and-rescue operations; and
 - hydrographical services
- The provision of defence-related policy advice and ministerial services
- Cryptographic security services for Government departments
- The National Codification Bureau

The Department's performance in achieving these objectives is detailed in Chapters 2 to 10 of this report. Appendices provide more detail on the Reserves and defence diplomacy.

Part 2: Programme Performance

CHAPTER 1 STRATEGIC PROFILE AND DEFENCE OBJECTIVES

DEFENCE PROGRAMMES

Defence Programme Structure

In order to make the costs of the main programmes more visible, the allocations in the Special Defence Account have been made to the respective recipient programmes, although the acquisition of strategic capital equipment remains the responsibility of Chief Defence Matériel. The Human Resources Division, which was previously split between the Joint Support and the Defence Administration Programmes, has been “consolidated” and is now located as an entity within the Defence Administration Programme. The name of the Acquisition and Procurement Division in the Administration Programme has been changed – from 1 April 2008, it has been termed the Defence Matériel Division. In addition, the Policy and Planning Division has been renamed the Defence Policy, Strategy and Planning Division.

At the end of the period under review, the outputs of the DOD were thus provided by eight programmes (including the Special Defence Account), namely:

- Administration
- Force Employment
- Landward Defence
- Air Defence
- Maritime Defence
- Military Health Service
- Defence Intelligence
- Joint Support
- Special Defence Account

Joint Support now consists of the following Divisions:

- Logistics Agency
- Command and Management Information Services
- Military Police
- British Peace Support Training Team

BUDGET ALLOCATION

The 2007/08 Medium-Term Expenditure Framework (MTEF) baseline for the DOD, based on the 2006 MTEF allocation, is reflected in Table 1.1.

Table 1.1 DOD MTEF Allocations: 2007/08 to 2009/10

MTEF Allocations	2007/08 R'000	2008/09 R'000	2009/10 R'000
Departmental Baseline (2006 MTEF allocation)	25 922 255	28 016 354	28 631 770

During the course of the 2007/08 MTEF process, the DOD submitted policy proposals for additional funding as reflected in Table 1.2.

Table 1.2 DOD Policy Proposals for Additional Funding

Policy Proposal	2007/08 R'000	2008/09 R'000	2009/10 R'000
Procurement of a Strategic Airlift Capability	48 084	984 060	1 895 948
Enhancement of Intelligence Systems	126 000	167 000	129 000
Maintenance of Operational Vehicles	345 000	432 000	500 000
Information and Communication System Renewal	150 000	75 000	295 000
Maintenance of Defence Facilities	527 000	28 000	194 000
Military Skills Development System	416 000	313 000	301 000
Replacement of Strategic Ammunition	537 000	795 000	838 000
Total	2 149 084	2 794 060	4 152 948

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Once the 2007/08 MTEF process was completed, the DOD only received additional funding as reflected in Table 1.3.

Table 1.3 Additional Funding Received by the DOD

Additional Funding Received	2007/08 R'000	2008/09 R'000	2009/10 R'000
Departmental Baseline	24 665 776	25 733 754	25 925 770
Procurement of a Strategic Airlift Capability	48 000	984 000	1 896 000
Enhancement of Intelligence Systems	100 000	8 000	50 000
Maintenance of Operational Vehicles	152 000	8 000	54 000
Information and Communication System Renewal	0	0	0
Maintenance of Defence Facilities	0	0	0
Military Skills Development System	50 000	100 000	300 000
Replacement of Strategic Ammunition	0	0	250 000
Salary Adjustments	10 000	21 000	79 000
Remuneration of Health Professionals	14 000	45 000	77 000
Foreign Exchange Rate Adjustments on the SDPs	882 479	1 116 600	0
Final DOD 2007/08 MTEF Allocation	25 922 255	28 016 354	28 631 770

Details of the final DOD MTEF Allocation are reflected in the Defence Vote for 2007/08, according to Table 1.4.

Table 1.4 Defence Vote for the 2007/08 MTEF

Defence Vote	2007/08	2008/09	2009/10
	R'000	R'000	R'000
MTEF Allocations per Main Programme			
Administration	1 934 669	2 054 175	2 345 774
Landward Defence	4 215 453	4 507 860	4 851 545
Air Defence	2 651 180	2 871 355	3 175 552
Maritime Defence	1 388 315	1 488 024	1 671 187
Military Health Support	1 831 201	2 000 621	2 278 324
Defence Intelligence	162 101	164 594	181 915
Joint Support	3 256 665	3 612 147	3 845 067
Force Employment	1 471 128	1 546 515	1 725 310
Special Defence Account	9 011 543	9 771 063	8 557 096
Total Expenditure Estimates	25 922 255	28 016 354	28 631 770
MTEF Allocations per Economic Classification			
Current Payments	15 930 305	17 222 080	19 016 672
Transfers and Subsidies	9 607 151	10 370 172	9 167 376
Payments for Capital Assets	384 799	424 102	447 722
Total Expenditure Estimates	25 922 255	28 016 354	28 631 770
Executive Authority	Minister of Defence		
Accounting Officer	Secretary for Defence		

AIM OF THE VOTE

The aim of the DOD is to defend and protect the Republic of South Africa, its territorial integrity and its people, in accordance with the Constitution and the principles of international law regulating the use of force.

PROGRAMMES AND PURPOSES

The outputs of the DOD are achieved through long-term core objectives and funded through the following programmes:

Programme 1: Administration with the purpose to conduct policy development, management and administration of the Department;

Programme 2: Landward Defence with the purpose to provide prepared and supported landward defence capabilities for the defence and protection of South Africa;

Programme 3: Air Defence with the purpose to provide prepared and supported air defence capabilities for the defence and protection of South Africa;

Programme 4: Maritime Defence with the purpose to provide prepared and supported maritime defence capabilities for the defence and protection of South Africa;

Programme 5: Military Health Support with the purpose to provide prepared and supported medical combat support elements and other services;

Programme 6: Defence Intelligence with the purpose to provide a defence intelligence and counter-intelligence capability;

Programme 7: Joint Support with the purpose to provide joint support capabilities and services to the Department;

Programme 8: Force Employment with the purpose to provide and manage Defence capabilities, including an operational capability to successfully conduct all operations and joint and multinational military exercises; and

Programme 9: Special Defence Account with the purpose to provide for special defence activities and purchases.

OVERVIEW OF THE SERVICE DELIVERY ENVIRONMENT FOR FY 2007/08

The performance of the Department regarding its initiatives towards quality improvement as an aspect of service delivery will be reported in the relevant chapters.

ADDITIONS TO MAIN APPROPRIATION

The Defence Vote was increased by R369,530 million to R26,292 billion through the Adjustments Vote for the following:

- Rollover: R83,007 million;
- Repairing and maintaining facilities: R58,084 million; and
- Upgrading and constructing buildings: R24,923 million.

UNFORESEEABLE AND UNAVOIDABLE EXPENDITURE

Unforeseeable and unavoidable expenditure amounted to R45,680 million for the South African National Defence Force medical health practitioners and general assistants, provided essential health services to provincial departments during the national public service strike in June 2007.

OTHER ADJUSTMENTS

Other adjustments amounted to R240,843 million, comprising:

- Self-financing expenditure amounted to R132,223 million for the sale of equipment procured through:
 - the General Defence Account: R6,8 million; and
 - the Special Defence Account: R125,423 million.
- Salary increases following the Public Service Bargaining Coordinating Council Resolution: R108,620 million.

REASONS FOR ADDITIONS TO, OR VIREMENTS BETWEEN, MAIN APPROPRIATION ALLOCATIONS

National Treasury approved the following virements:

- Increase in compensation to employees by R85 million;
- Increase in transfers to a public entity (Armscor Dockyard Simon's Town) by R6,4 million; and
- Increase in transfer payments to non-profit institutions (Reserve Force Council) to fund an operating shortfall.

The Accounting Officer approved the following virements:

- Building and construction work done at Naval Base Simon's Town; and
- Alamander Consulting Services – escalation in maintenance and upgrade costs and user training of the Integrated Architecture Solution.

Defraying expenditure accrued in respect of:

- Transfers to households;
 - Department of Public Works devolved funds; and
 - Regional Council levies.
- Effecting approvals granted by the Plenary Defence Staff Council in respect of the Departmental Programming and Budget Committee and year-end consolidation; for example, providing funds to defray expenditure in respect of the mission account, licence fees, etc.

Description of significant developments external to the DOD that may have impacted either on the demand for the DOD's services or the DOD's ability to deliver those services

- Unforeseeable and unavoidable deployment requests (ad hoc) at short notice;
- Unpredictability of the political process in foreign countries (Burundi) delaying the peace process and leading to an increase in expenditure

and deployment periods; and

- Non-implementation of, and delays in, the implementation process of ceasefire agreements in foreign countries.

The following unforeseeable and unavoidable peace support operations activities led to the reprioritisation of activities:

- Operation CURRICULUM (Burundi): A shortfall of R98 million arose as a result of the withdrawal of the United Nations operation in Burundi. South Africa was subsequently requested by the African Union to contribute to the African Union Special Task Force established for the protection of Palipehutu-FNL leaders and combatants. National Treasury was requested to augment the Defence allocation through the adjustments budget process for Op CURRICULUM. The request was not approved and Defence had to reprioritise within its allocation.
- Project THEBE (Democratic Republic of the Congo): A shortfall of R9,142 million arose as a part of the Defence Cooperation Agreement and the Memorandum of Understanding on Practical Assistance with the Integration of Armed Forces in the Democratic Republic of the Congo. Defence had to reprioritise within its allocation since this request was received after the adjustments budget process.
- The unforeseeable and unavoidable request for support to the Central African Republic (Op VIMBEZELA) was submitted to National Treasury through the adjustments budget process, but the shortfall of R81,386 million was not approved by the Treasury Committee. The committee approved that the support be funded through the African Renaissance Fund.

COMMENTARY ON THE DOD'S OVERALL PERFORMANCE, OUTLINING KEY OUTPUTS

The actual performance against plan is reported in Chapters 2 to 10 of the Annual Report.

DEPARTMENTAL REVENUE, EXPENDITURE AND OTHER SPECIFIC TOPICS

The Department of Defence submitted requests to the National Treasury for additional funding through the adjustments appropriation process. Limited success resulted in a reprioritisation of funds to cover the unfunded issues.

- The Department has enhanced its revenue management system to the extent that detailed and meaningful management information is

provided on a monthly basis to top-level budget holders. Supporting policies and the revenue management internal control system have been developed, including focused training initiatives. These issues will continue to be enhanced over the next two to three years.

- The DOD managed to collect 106% of the anticipated revenue.

SOURCES OF REVENUE FOR FY 2007/08

Details of sources of revenue for FY 2007/08 are reflected in Table 1.5.

Table 1.5 Sources of Revenue for FY 2007/08

Economic Classification (R'000)	2004/05	2005/06	2006/07	2007/08	2007/08	% Deviation from Target
	Audited	Audited	Audited	Target	Actual	
Tax revenue	0	0	0	0	0	
Non-tax revenue	0	0	0	0	0	
Sales of goods and services other than capital assets	239 804	232 844	169 763	460 279	172 484	-63%
Fines, penalties and forfeits	2 122	2 448	2 272	2 564	1 157	-55%
Interest, dividends and rentals	0	337	813	398	1 710	330%
Financial transactions in assets and liabilities (recovery of loans and advances)	223 816	493 507	314 195	40 293	247 591	514%
Sales of capital assets (Capital Revenue)	0	0	5 749	0	128 913	0
TOTAL DEPARTMENTAL RECEIPTS	465 742	729 136	492 792	503 534	551 855	9%

DEPARTMENTAL EXPENDITURE FOR FY 2007/08

Details of departmental expenditure for FY 2007/08 are reflected in Table 1.6.

Table 1.6 Departmental Expenditure for FY 2007/08

Programme (R'000)	Vote	Total Additional Appropriation	Virement	Final Appropriation	Actual Expenditure	Variance
Administration	1 934 669	111 548	(15 833)	2 030 384	2 029 743	641
Landward Defence	4 215 453	89 080	59 196	4 363 729	4 363 729	0
Air Defence	2 651 180	36 033	70 830	2 758 043	2 757 758	285
Maritime Defence	1 388 315	15 456	29 635	1 433 405	1 433 404	1
Military Health Support	1 831 201	13 453	45 633	1 890 287	1 876 642	13 645
Defence Intelligence	162 101	1 591	(4 119)	159 573	159 573	0
Joint Support	3 256 665	(17 825)	(145 192)	3 093 648	2 877 790	215 858
Force Employment	1 471 128	52 478	(40 150)	1 483 456	1 445 763	37 693
Special Defence Account	9 011 543	67 717	0	9 079 260	8 235 711	843 549
Total	25 922 255	369 530	0	26 291 785	25 180 113	1 111 672

TRANSFER PAYMENTS FOR FY 2007/08

Details of transfer payments for FY 2007/08 are reflected in Table 1.7.

Table 1.7 Transfer Payments for FY 2007/08

Name of Institution R'000	Estimated Expenditure	Amount Transferred
Special Defence Account	9 079 260	8 235 711
Armaments Corporation of South Africa Ltd (Armscor)	473 826	473 826
Social Benefits	170 036	170 036
Safety and Security Sector Education and Training Authority (SASSETA)	8 391	7 729
Regional Services Councils	36 710	36 710
Reserve Force Council	3 202	2 878
Permanent Force Medical Continuation Fund	275	0
St John's Ambulance Brigade	120	0
SA First Aid League	50	0
SA Red Cross Society	125	0
Total	9 771 995	8 926 890

CAPITAL INVESTMENT, MAINTENANCE AND ASSET MANAGEMENT PLAN

CAPITAL INVESTMENT

Details of projects currently in progress for FY 2007/08 are reflected in Table 1.8.

Table 1.8 Projects Currently in Progress for FY 2007/08

Location	Project Description
Bloemfontein	Military Police Agency: Convert building into female detention facility
Bloemfontein	Air Force Base Bloemspruit: Upgrading of hardstands, parking areas and taxiways
Bredasdorp	Test Flight and Development Centre: New aircraft rinsing facility
Simon's Town	Construction of office block
Jan Kempdorp	93 Ammunition Depot: Upgrading of buildings
Lohatla	SA Army Combat Training Centre: Construction of new sickbay

The National Department of Public Works acts as service provider for the DOD and, as such, is in an advanced stage of appointing contractors to address the abovementioned projects.

Plans to Close Down or Downgrade Current Facilities: The DOD is in the process of handing back leased and State-owned facilities previously utilised by Army Territorial Reserve Units and Group Headquarters to the Department of Public Works, a process which must be completed by 2009. These facilities are transferred to SAPS for further utilisation.

The Current State of the DOD's Capital Stock: Percentages to indicate poor, fair or good have not been scientifically investigated. Due to the huge maintenance backlog, it would be reasonable to indicate that the majority of the capital stock is in a poor condition (80%) and that 20% is in a fair-to-good condition.

Maintenance Backlog: The DOD utilises a large number of State facilities to provide the outputs necessary to fulfil its constitutional obligations. Many of these facilities no longer conform to functional or to minimum requirements of the Occupational Health and Safety Act, 1993 (Act No. 85 of 1993). The current maintenance backlog is estimated at Rb 12. The DOD approached National Treasury to make funds available to address this backlog during and beyond the next MTEF period. Funds allocated to the DOD for the 2007 MTEF period are as follows:

| Department of Defence |

- Financial Year 2007/08 Rm 330
- Financial Year 2008/09 Rm 480
- Financial Year 2009/10 Rm 480

according to plan. The DOD again approached National Treasury and stressed the importance of making sufficient funds available for this thorny issue. An amount of Rm 330 was made available for FY 2007/08. This is, again, not enough to effectively address the maintenance backlog.

No developments relating to the above are expected to impact on the DOD's current expenditure.

MAINTENANCE

The allocated funds were not sufficient to address the maintenance backlog. Without sufficient funds, the backlog increased and the rate of progress to eliminate the backlog has therefore not proceeded

ASSET MANAGEMENT

Projects Carried Forward

Details of projects carried forward in FY 2007/08 are reflected in Table 1.9.

Table 1.9 Projects Carried Forward to FY 2007/08

Location	Project Description
Bloemfontein	Military Police Agency: Convert building into female detention facility
Bloemfontein	Air Force Base Bloemspruit: Upgrading of hardstands, parking areas and taxiways
Bredasdorp	Test Flight and Development Centre: New aircraft rinsing facility
Simon's Town	Construction of office block
Jan Kempdorp	93 Ammunition Depot: Upgrading of buildings
Lohatla	SA Army Combat Training Centre: Construction of new sickbay

New Projects

Details of projects that will commence in FY 2007/08 are reflected in Table 1.10.

Table 1.10 New Projects to Commence in FY 2007/08

Location	Project Description
Bloemfontein	7 Mobilisation Centre: Tarring of access road
Pretoria	1 Military Hospital: Upgrading of fire detection and prevention systems
Phalaborwa	5 Special Forces Regiment: Construction of ammunition storage facility
Pretoria	Wallmansthal: Erection of security fence
Various centra	Ramps for disabled personnel

ORGANISATIONAL MANAGEMENT

The Department of Defence comprises the Defence Secretariat and the South African National Defence Force (SANDF). These entities have distinct but mutually complementary responsibilities. The Secretary for Defence is the Head of the Department, Accounting Officer, Chief Information Officer and principal advisor to the Minister of Defence on defence policy matters. The Chief of the SANDF commands the SANDF under the authority of the President and in accordance with the directions of the Minister of Defence. He is also the principal advisor to the Minister of Defence on military policy issues. Thus, operating under the direction of the Minister of Defence, the Secretary for Defence and the Chief of the SANDF act within their spheres of responsibility to provide strategic direction to the DOD.

In order to ensure that there are clear lines of authority and accountability in the Department, and to empower the Secretary for Defence to better execute his duties as well as to empower the Chief of the SANDF to better manage the resources under his control, measures were initiated during the period under review to identify and address any factors inhibiting the top management processes of the Department. The process needed to capacitate both the Secretary for Defence and the Chief of the South African National Defence Force has inevitably led to organisational restructuring having to take place, which will only become fully visible in FY 2008/09.

MACRO PERSONNEL STRENGTH

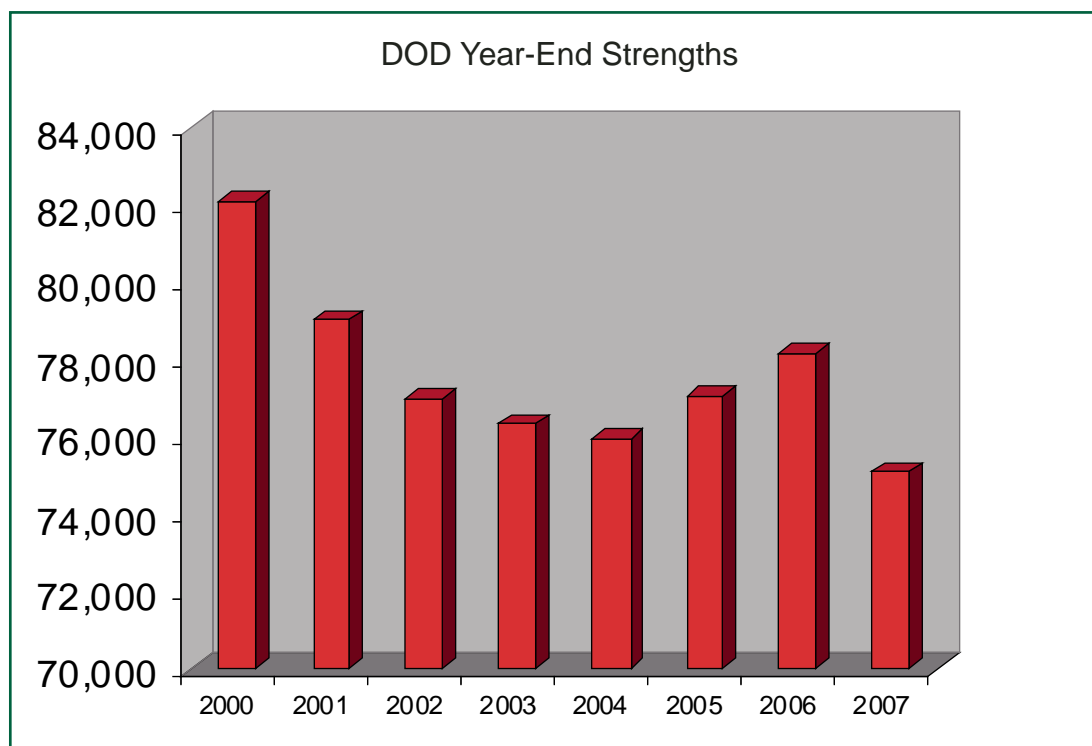
The macro personnel strength of the Department as at 1 April 2008 was 75 086 members, excluding Military Skills Development System members. The planned strengths (as budgeted for) for FY 2007/08 are compared with the actual strengths at the end of the financial year, in Table 1.11 below.

Table 1.11 Department of Defence: Planned and Actual Strengths as at 31 March 2008

Budget Holder	Planned	Actual
Ministry of Defence	30	27
SA Army	37 141	34 462
SA Air Force	10 717	10 653
SA Navy	6 346	6 244
SA Military Health Services	7 155	8 044
Defence Legal Services Division	288	278
Defence Corporate Communications	71	60
Defence Reserves	28	20
Defence Foreign Relations Division	96	85
Corporate Staff Division – DOD HQ Unit	-	366
Military Policy, Strategy and Planning Office	25	23
Human Resources Division	1 616	1 665
SA National Defence Force	16	14
Defence Inspectorate Division	146	114
Chaplain-General	12	14
Defence Policy, Strategy and Planning Division	128	75
Financial Management Division	937	853
Defence Secretariat	28	28
Logistics Division	5 264	4 324
Command and Management Information Systems Division	3 918	3 572
Military Police Division	2 004	1 688
Defence Intelligence Division	667	649
Joint Operations Division	1 456	1 674
Defence Matériel Division	154	154
Total	78 243	75 086

The rightsizing of the DOD, as envisaged in the Defence Review, continued over the period and the changes in the DOD's year-end strengths are shown in Figure 1.4 below.

Figure 1.4 Department of Defence Year-End Strengths



These figures differ slightly from those published in the Strategic Business Plan 2007 as they include interdepartmental transfers to other departments in terms of the Public Service's Transformation and Restructuring Programme and annual personnel attrition, which includes contract terminations, resignation, severance, etc.

MILITARY SKILLS DEVELOPMENT SYSTEM (MSDS)

The two-year voluntary MSDS is driven by two imperatives, namely to enhance the SANDF's operational readiness by rejuvenating its Regular and Reserve human resource components (it is the main feeder system for the Regulars and Reserves), and to grant development and empowerment opportunities to South Africa's youth. Sustainable successes are being achieved in respect of both imperatives.

The infusion of young, fit and healthy members into the SANDF through the MSDS is a direct contributing factor towards the SANDF's operational readiness and the success of the Republic's defence service delivery in peace support operations. This rejuvenation effort is visibly demonstrated through sustainable peace support operations that are being

conducted in the African region and through force preparation exercises. The MSDS is putting the SANDF firmly on a path of sustainable rejuvenation and enhanced operational readiness.

Aside from the military imperative, the MSDS has already provided the DOD with the opportunity to grant empowerment, skills development and employment opportunities to 20 288 young South Africans (those members who have already completed or are in the process of completing their MSDS service).

AFFORDABILITY AND SUSTAINABILITY

The mandate of the DOD, as indicated, is derived from the Constitution, national legislation, the White Paper on Defence and the Defence Review. All these regulatory frameworks and policies stipulate what is expected of the DOD and specifically the SANDF. While the Constitution states that the SANDF should, inter alia, defend and protect the Republic, its territorial integrity and its people, the White Paper on Defence recognises the fact that "South Africa is expected to play an active role in the regional defence cooperation and peace support operations in Africa." The current deployment in peace support

operations has far exceeded the original anticipated level of involvement. Thus, the DOD has had to continuously balance dual responsibilities: preparing for defending the country and its people, while at the same time increasingly getting involved in peace support operations and other operations.

The DOD has made every effort to reprioritise its business in order to stay within the budget allocation. However, this has adversely affected the ability of the SANDF to maintain and sustain certain capabilities due to budget constraints. It was hoped that the situation would be addressed. This situation is being addressed through Cabinet approval of the proposals contained in the update of the White Paper on Defence and the Defence Review. The submission of these documents to Cabinet was delayed and the Defence Update, now known as Defence Update 2025, will be submitted for approval in 2008.

SERVICES RENDERED

The services rendered by the Department of Defence are detailed in Chapter 2 to 10 of the Annual Report.

DISCONTINUED SERVICES

Discontinued activities and activities to be discontinued are described in the Report by the Accounting Officer to the Executive Authority and Parliament of the Republic of South Africa, on the financial performance of the Department (Page 294).

NEW/PROPOSED SERVICES

The Report by the Accounting Officer to the Executive Authority and Parliament of the Republic of South Africa describes new and proposed activities (Page 217).

LOSSES AND DAMAGES

The Accounting Officer describes to the Executive Authority and Parliament of the Republic of South Africa the nature, value of losses and damage to State assets benchmarked against FY 1998/99, in the Report on the financial performance of the Department (Page 294).

EVENTS AFTER THE ACCOUNTING DATE

In the Accounting Officer's Report on the financial performance of the Department to the Executive Authority and Parliament of the Republic of South Africa, events after the accounting date are outlined (Page 217).



Administration

CHAPTER 2

Programme 1: Administration

INTRODUCTION

The Administration Programme oversees the activities of the Department by formulating policy, providing strategic direction, and organising the Department in terms of its structure and force design to achieve the objectives of defence. It provides services in the areas of corporate management, planning and reports, human resources, legal matters, religious guidance, corporate communications, Reserve Force issues and defence foreign relations.

Administration provides services with regard to the directives in the area of political direction, which is the responsibility of the Minister of Defence, and departmental direction, which is the responsibility of the Secretary for Defence. The Administration Programme consists of the following subprogrammes:

- Ministerial Direction
- Departmental Direction*
- Government Information Technology Officer (GITO)*¹
- Policy and Planning*²
- Financial Services*
- Acquisition Services*[†]
- Inspection Services*

The following subprogrammes within the Administration Programme fall within the responsibilities of the SA National Defence Force (SANDF):

- SANDF Command and Control
- Corporate Staff Division
- Military Strategy and Planning Office
- Legal Services³
- Religious Services
- Corporate Communication

- Defence Reserve Direction
- Defence Foreign Relations
- Human Resources Support Services⁴
- Property Management⁵

PURPOSE

The Administration Programme conducts the policy development, management and administration of the Department.

OUTPUTS

The main outputs of the Administration Programme for the DOD are defence policy advice, providing strategic direction through resource allocation advice, corporate plans, reports and ministerial services. However, it also provides specific operational outputs for Services and Divisions in the Department.

SUBPROGRAMME MINISTERIAL DIRECTION

Overview

The Minister of Defence has ensured the fulfilment of the DOD's mission, to defend and protect the sovereignty and the territorial integrity of the Republic as well as to support the people by maintaining cost-effective defence capabilities, in order to be prepared and equipped to participate in operations as ordered and funded by Government. The DOD has contributed to global security. Further institutionalisation of good governance within the DOD has been pursued through effective, efficient and economical management, administration and accounting located within the evolving regulatory framework and Government policy.

* Defence Secretariat.

† Reporting on the Special Defence Account is done according to the DOD Strategic Business Plan for FY 2007/08. Prior to FY 2007/08, the Special Defence Account programmes of the Chief Defence Matériel Division functioned within the fragmented environment of Acquisition Services.

¹ The Minister of Defence approved the establishment of the Office of the GITO and this is included in the Departmental Direction.

² In the Estimate of National Expenditure, the Policy and Planning allocation includes funding for the Corporate Staff Office and the Strategy and Planning Office. The Equal Opportunity and Affirmative Action Office is included in the Human Resources allocation.

³ The Minister of Defence approved the establishment of the Defence Legal Services Division on 3 October 2006.

⁴ This subprogramme is reported in Chapter 2: Administration as a result of the approved establishment of the DOD Integrated Human Resources System, which was previously part of Chapter 9 under the Joint Support Programme of the SBP.

⁵ The Property Management Subprogramme is reported in Chapter 2 under the Administration Programme.

Measurable Objective

To provide political direction to the DOD to ensure the democratic defence of South Africa by meeting the required defence commitments and providing appropriate defence capabilities.

Outputs

Details of ministerial direction are reflected in Table 2.1.

Table 2.1 Ministerial Direction Outputs for FY 2007/08

Output	Performance Measure	Target	Actual Achievement
Ministerial direction to the DOD	Government's Programme of Action and Cabinet <i>Makgolla's</i> resolution translated into Department of Defence's priorities and planning guidelines	DOD implementation of Minister's guidelines issued in September 2005	The realisation of the Minister's priorities issued for 2007/08. Ensured that the DOD complied with national legislation and Government regulations and the ensuing imperatives, as well as provided capacity for the Secretary for Defence and the Chief of the SANDF to discharge their statutory responsibilities. The DOD cooperated with the Portfolio Committee in its oversight function over the Department. The Minister of Defence's work-session was held during the period under review. Departmental governance and accountability were institutionalised and improved. Planning guidelines were issued to the Department.
Defence policy advice to Government	Policy updates, inputs and proposals to the Cabinet <i>Makgolla</i> , Portfolio Committee on Defence, and Parliament	Finalisation of White Paper on Defence as well as Defence Review (Defence Update)	The DOD has adopted a defensive posture that, in accordance with international and domestic legal imperatives, guides defence in pursuit of its constitutional obligation. Extensive work has taken place, specifically around the costing of the force design and the migration plans, to obtain the Credible Force Design. The DOD is now positioned to take the "Defence Update 2025" to the Minister in April 2008 and, with his authority, onwards to Cabinet and Parliament.
		Reports to the Minister on foreign visits to countries, as specified in the DOD schedule on bilateral defence commitments	A Ministerial Directive (MODD.00002 /2007) on "South African National Defence Force Deployment Authorisation in Fulfilment of an International Obligation" was issued. The directive provided instructions and guidelines on the national approval process for the SANDF for all deployments. Reports on foreign visits were submitted as scheduled.

SUBPROGRAMME DEPARTMENTAL DIRECTION

Overview

The office of the Secretary for Defence incorporates the Secretary for Defence’s office, the Directorate: Parliamentary Services and the Directorate: Conventional Arms Control Inspections and Audits. Amongst others, it has been engaged in managing the office of the Secretary to ensure its effective functioning; interacting with the other two corporate offices, the Secretariat and other Government departments with regard to document administration; attending management meetings of the Secretary; managing the effective participation of the Head of Department (HOD) in parliamentary activities and programmes; advising the HOD on parliamentary activities; coordinating the clusters’ Plans of Action for the HOD in fulfilment of the Department’s obligations in the clusters; and managing the interfaces with Parliamentary Committees and the Department’s activities related to Cabinet matters and decisions. The Secretary

for Defence also attended the scrutiny committee and the National Conventional Arms Control Committee (NCACC).

Measurable Objectives

The core objectives that were serviced during the period under review were primarily the following:

- Advising the Minister of Defence;
- Advising the HOD on parliamentary activities;
- Coordination of the clusters’ Plans of Action for the HOD in fulfilment of the Department’s obligations in the clusters;
- Management of defence policy in the DOD;
- Providing strategic management in the DOD; and
- Attending secretariat and providing administrative support services to the scrutiny committee, the NCACC and other committees and subcommittees.

Outputs

Details of departmental direction outputs are reflected in Table 2.2.

Table 2.2 Departmental Direction Outputs for FY 2007/08

Output	Performance Measure	Target	Actual Achievement
Defence policy advice to the Minister of Defence	Defence policies aligned with Government priorities; inputs to Budget Speech; inputs to Cabinet <i>Makgotla</i>	Ministerial directives to the DOD	The Defence Update has been reviewed to position the DOD to be compliant with the new Long-Term Strategic Framework of Government, as defined at the January 2008 Cabinet <i>Lekgotla</i> . DOD strategic plans were aligned to the budget process and spending plans within the Department’s strategic objectives. Ensured the successful engagement between the Secretary and Portfolio Committee on Defence (PCD) on the issue of “Trade Unions in the DOD”. The interaction culminated in clear direction being provided to the Department on further engagement with the unions. Decisions taken at the Council of Defence (COD) were cascaded to the relevant Services and Divisions for implementation and feedback to the COD. There was continuous interaction and engagement with the corporate offices of the Minister of Defence (MOD), the Chief of the South African National Defence Force and other entities (DENEL, SAAB) and Government departments. Four Parliamentary Programme meetings (one each quarter) for the Portfolio Committee on Defence (PCD) and Select Committee on Security and Constitutional Affairs (SCOS&CA) were held and instructions were disseminated within the Department. Inputs for the core clusters (IRPS & JCPS – Programme of Action (POA)) were coordinated.

Table 2.2 Departmental Direction Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
		Conduct regular inspections and audits for FY 2007/08 and perform the administrative function of the National Conventional Arms Control Committee (NCACC)	The National Conventional Arms Control Inspection and Audits (NCACIA) Directorate, in performing its function, conducted a total of 88 inspections (86 national and two international), 12 audits and 11 investigations during the reporting period. Successfully provided overall administrative support to the committee.
Departmental direction to the DOD	Directives to the Department and planning guidelines to the Department as a whole	Timeous directives to the Department and delegation of financial authority to C SANDF	A total of 7 874 documents were received and processed over the reporting period, which covered documents for submission and enquiries. Timeous instructions were prepared to give directives to the DOD. Planning guidelines were issued. Instructions emanating from the Secretariat Council decisions were issued to relevant Divisions/Services for implementation and feedback.
		Identify and implement appropriate structure(s) for accounting and reporting by C SANDF to Secretary for Defence	The DOD Implementation Instruction 15/05: Implementation of the Ministerial Directive dated 25 April 2005 and 17 August 2005 initiated the OSD process to amend the structure responsible for the policy, strategy and planning responsibilities within the DOD. The DOD is implementing the amended/proposed organisational structure/appropriate structure(s) for accounting and reporting by C SANDF to Secretary for Defence, e.g. Defence Legal Services Division and Human Resources Division.

SUBPROGRAMME DEPARTMENTAL DIRECTION: GOVERNMENT INFORMATION TECHNOLOGY OFFICER (GITO)

Overview

The following strategic objectives that guided the functioning of the office of the Government Information Technology Officer (GITO) were managed in terms of the Strategic Business Plan for the GITO, approved for FY 2007/08. The Division is responsible for strategic governance of the resource information, its enablers being ICS and IT.

The Division therefore supports the Secretary for Defence in his duties as the Information Officer of the Department, giving strategic direction to the Department and accounting for departmental resources. The Defence Enterprise Information System (DEIS) is to ensure the full support of DOD business and is based on the following principles:

- The ability to ensure appropriate command and control;

| Department of Defence |

- The ability to appropriately execute defence administration;
- The ability to effectively support command and control and defence administration by means of common information systems; and
- The ability to effectively support command and control and defence administration by means of a dynamic defence information and communication infrastructure.

The DEIS Master Plan, approved during April 2007, has made a giant step towards moving the DOD to an integrated systems approach. It provides a complete departmental view to enable the ICS Integrator to renew and sustain the departmental ICS as a strategic resource to support the strategic intent of the Department, whilst catering for the systemic implication of ICS renewal and its functioning within the larger DOD as a system. The timeline was defined as four cycles of three years

each, with the focus being to cover the full period of three cycles of three years, and the fourth three-year cycle being utilised for a comprehensive review of the DEIS strategic direction and DEIS Master Plan. This covers the full 12-year period of the DEIS strategic direction.

Purpose

To conduct policy development, management and administration of the Defence Enterprise Information System (DEIS).

Measurable Objective

To deliver effective Information Management in the DOD and managed Information and Communication Technology (ICT)-related policy for the DOD.



Outputs

Details of the GITO outputs are reflected in Table 2.3.

Table 2.3 GITO Outputs for FY 2007/08

Output	Performance Measure	Target	Actual Achievement
DOD Information Strategy DEIS Framework DICTA	Effective Information Management in the DOD	Review and improve DEIS strategic direction for the DOD. Implement appropriate management arrangements and mechanisms to ensure performance and compliance with DOD policy and strategic direction	<p>Completed the ICS environmental analysis (internal and external) with CMIS Division's participation. Governance (internal and external) impacting on the Defence ICS environment has been analysed and the relevant portions have been worked into the introduction of the strategy. The application and infrastructure portion of the strategy is 95% complete, of which the information portion is 65% complete, with the strategic implementation guidelines next to be addressed.</p> <p>It is envisaged that the revised Draft Strategy will be completed by mid-July 2008. All Services and Divisions will be approached to nominate duly mandated members to workshop the Draft Strategy before it will be tabled for approval through the management boards, i.e. JIS Board, DEIS Board, DOD Planning Board, Secretariat Council, Military Command Council and the Plenary Defence Staff Council. The following Defence Information Communication Technology Architectures (DICTA) and Strategic Studies were completed and serve as part of strategic direction for the management of ICS in the DOD:</p> <ul style="list-style-type: none"> • Information and Communication Systems Timeline • Enterprise Architecture Frameworks • Wireless Telecommunication Security Standards Study • DICTA for Defence Communication Network • DICTA for Computing Platforms • Network-Centric Warfare and e-Defence • DOD Application Architecture Reference Model • DOD Data Architecture Reference Model • Infrastructure for Mobility • Information and Knowledge Management • Ontology on Information and Communication Systems • Defence Application Architecture for Information System Engineering • ICS External Environmental Analysis • Defence Application Architecture for Groupware

Table 2.3 GITO Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
ICT/ICS Policies	Managed information system- and ICT-related policy for the DOD	Improve the alignment of information system	The Defence Enterprise Information Systems (DEIS) Regulatory Framework Solution Project, that will enable the DOD to track and trace governance, has now been activated. The track-and-trace will enable the DOD to align its DEIS governance with national and international regulatory requirements. The DEIS Regulatory Framework is to be used as part of an integrated initiation solution for the DOD Regulatory Framework. The following policies were achieved: <ul style="list-style-type: none"> • Eight ICS policies were approved; • Three ICS policies have initiated a review process; and • Six newly registered ICS policies are in the completion process.
Transparency, alignment, interoperability of information systems with other sectors of Government and industry	Full participation at the GITOC and its supporting mechanisms within the strategic intent and policy framework of the DOD	Participate in all meetings as stipulated	The GITO participated fully in the GITO Council meetings and subcommittees, and reactivated the Standing Committee on Information Systems Security (SCISS), which is now fully functional and aims to promulgate the Government ISS Policy Framework. The Secretary for Defence is appointed as a permanent member of the IFMS Steering Committee. Full participation in the NT Integrated Financial Management System (IFMS) programme and establishment of a subcommittee (IRMS) in the Department which coordinates and oversees the smooth implementation of IFMS modules in the DOD. The business agreement between the Department of Defence and the State Information Technology Agency has been finalised and has been tabled for final approval.

ACHIEVEMENT OF SUPPORTING PLANS

Log Supporting Plan

DEISM Division has acquired a new vehicle to alleviate the transport problems within the Division. All material, as planned, has been acquired to ensure effective, efficient and economical functioning of the Division.

HR Supporting Plan

DEISM Division was 50% staffed at the beginning of the reporting period. Four members were

appointed and staffed during the year, ensuring that the Division was 83% staffed. Between August 2007 and March 2008, there has been high staff turnover in the Division, resulting in it being 58% staffed. The post of Assistant Director: ICS Strategic Direction has been interviewed and a candidate has been selected to start work by the end of May. The posts for the personal assistant to the GITO and the secretary for the DEISA have been advertised. The equity of the Division is in line with the targets set by the Department.

SUBPROGRAMME SANDF COMMAND AND CONTROL

Overview

The Office of the Chief of the South African National Defence Force accomplished all the set objectives and targets for the year under review. Excellent strategic direction and execution of command and control over the SANDF forces took place. This was enabled through regular staff visits to the SANDF contingents supporting the peace missions and operational deployments within the borders of South Africa.

In addition, the Chief of the SANDF devoted his efforts during the past year towards advancing defence diplomacy and the multilateral initiatives of the AU and SADC. Internally, the Chief of the SANDF was fully engaged in the Government Programme of Action requirements, with full participation in the monthly clusters, namely the International Relations Peace and Security (IRPS) Cluster and the Justice, Crime Prevention and Security (JCPS) Cluster, as well as the Forum of SA Directors-General (FOSAD).

SANDF external missions were conducted employing the “One Force” concept, with just on 2 500 Regular and Reserve members deployed in six peace support operations and six general military assistance operations. These took place in the Democratic Republic of the Congo (DRC), Sudan, Burundi, Ethiopia and Eritrea, Uganda, Central African Republic (CAR), Nepal and Mozambique.

The command and control achievements of the Chief of the SANDF, as well as progress in defence diplomacy were enabled through several engagements, a few of which are highlighted.

Foreign engagements undertaken to strengthen ties and advance defence diplomacy

- Represented at the bilateral meeting with the DRC, August 2007;
- Visit to the Chief of Staff of the Spanish Defence Force, 19 to 21 November 2007;
- Visit to the Chief of Staff of the French Defence Force, 11 to 15 February 2008; and
- Visit to the Chief of the Sudanese Defence Force, 25 to 29 February 2008.

Foreign dignitaries received in the RSA

- The Representative of the Secretary-General of the UN, Chief of MONUC in the DRC on 5 July 2007;
- The Chief of the Mozambique Defence Force from 9 to 12 October 2007; and
- The Chief of General Staff of the UK Defence Force on 16 October 2007.

African Chiefs of Defence engagements towards harmonisation of common policy and interoperability

- Attended the ISDSC meeting for African Chiefs of Defence Forces in Tanzania, 7 to 13 July 2007;
- Represented at the African Standby Force-SADC Brigade launch in Zambia, 17 August 2007; and
- Attended the AU Summit in Addis Ababa, Ethiopia on the African Standby Force, 25 to 29 March 2008.

Government Programme of Action engagements to implement Government priorities

- Participated in the Government *Lekgotla* held in July 2007 and January 2008; and
- Participated in the FOSAD work session held from 28 to 30 November 2007.

DOD and SANDF Command and Control

- Visited deployed SANDF forces in Burundi and Sudan over the period 9 to 20 September 2007 and again in the DRC, Burundi and Sudan from 5 to 13 December 2007;
- Participated in the DOD Anti-Corruption and Fraud Prevention Seminar, 17 to 19 April 2007; and
- Conducted the SANDF Strategic Work Session, 30 July to 3 August 2007.

Measurable Objective

To provide command and control for the SANDF.

Outputs

Details of the SANDF command and control are shown in Table 2.4.

Table 2.4 SANDF Command and Control Outputs for FY 2007/08

Output	Performance Measure	Target	Actual Achievement
Military policy advice to the Minister of Defence	Quality of military advice	Full client satisfaction	The Chief of the SANDF gave policy advice on military matters to the Minister through the Council on Defence and other forums convened.
Strategic direction to the SANDF	Operational readiness of the SANDF	Readiness maintained in accordance with the force employment guidelines through the Military Command Council	The Chief of the SANDF has ensured the SANDF's readiness through the strategic direction provided at the Military Command Council meetings. The Chief of the SANDF directed the maintenance of readiness levels and force preparation in accordance with force employment guidelines. The SANDF was therefore able to comply with the readiness levels for peace support operations as well as internal deployments in support of State departments. Detailed reports under Programmes 2 to 8.
	Degree of success of ordered operations	Operations conducted successfully	Achieved. Deployment of mission-ready SANDF forces took place as ordered and within the time frame. The SANDF deployed 2 500 members on six peace support operations, six military assistance missions and three internal operations. Detailed report under Programme 8, Force Employment. Operation BATA, the SANDF emergency response to the Department of Health during the public sector labour action from 2 to 28 June 2007, was successfully executed. Parliament, the Cabinet and the Minister of Public Service and Administration acknowledged the excellent performance of the SANDF.

SUBPROGRAMME POLICY AND PLANNING (DEFENCE POLICY, STRATEGY AND PLANNING)

Overview

An exciting development, which came close to reaching finality, was the reconstruction of the entire Department of Defence, with the Defence Policy, Strategy and Planning Division being no exception. The new structure is finalised; the challenge now is financing, equipping and staffing the structure. The Division is now known as the Defence Policy, Strategy and Planning Division. However, the approval of the structure has seen certain functions migrating from the Division to other Services and Divisions and certain functions have been recognised as important outputs of the Division by capacitating them with reasonable structures to carry those functions.

The Defence Policy, Strategy and Planning Division's core objectives were successfully implemented and have ensured that defence policy, strategy, plans, reports and departmental instructions for the Department of Defence are fully aligned with Government policy and the defence needs of South Africa. The Division provides administrative support and professional advice on national security policy matters and coordinates the strategic direction process by developing, formulating, monitoring and adapting defence policy, strategy and plans in accordance with national policy.

Various interventions aimed at improving the quality of reporting were introduced. This involved monitoring and evaluation, which focused on a multi-pronged approach to ensure a qualification-free audit. Research and analytical support to defence policy and planning activities has been provided during the period under review.

The Division has ensured the effective, efficient and sustainable management of performance information in the DOD as a continuing function that uses systematic collection of data, and has provided management with reports on progress and the achievement of objectives. The monitoring and evaluation of all the set objectives and targets for the year under review was among the Division's efforts to deliver better reporting in terms of compliance to the national prescripts.

Other highlights, which need to be briefly mentioned, include the manner in which the numerous international agreements were successfully serviced, as well as the new ones that were signed or are in the stages of finalisation. In addition, there are a number of policy developments that have taken place over the period under review, such as the amendment of the National Conventional Arms Control Act, 2002 (Act No. 41 of 2002).

The Division also rendered policy advice to the Department, and drafted, negotiated and concluded bilateral and multilateral defence engagements with other states. It was also in the process of developing policy and monitoring implementation to ensure that the SANDF operational deployment is consistent with existing and emerging policies. The Division managed to execute these tasks, despite daunting financial and staff capacity constraints.

In conclusion, thanks and appreciation is extended to all members of the Division who assisted in making the past year a successful one, especially those members who were continually willing to serve the Division with zeal and enthusiasm.

The Division provided administrative and secretariat support services to the Scrutiny Committee, the NCACC and other committees and subcommittees through Directorate Arms Control.

Measurable Objectives

The core objectives that were serviced during the period under review were primarily the following:

- Management of Defence Policy in the DOD;
- Providing strategic management in the DOD; and
- Providing secretariat and administrative support services to the Scrutiny Committee, the NCACC and other committees and subcommittees.

Outputs

Details of Policy and Planning are reflected in Table 2.5.

Table 2.5 Policy and Planning Outputs for FY 2007/08

Output	Performance Measure	Target	Actual Achievement
Defence Strategy, Strategic Business Plan, Quarterly Reports and Annual Reports	<p>Department's Strategic Framework aligned to Government planning cycle</p> <p>Planning and reporting reflecting the intentions of the Department and Government</p>	Establish priorities of the DOD and ensure alignment with those of the Government to ensure proper planning and reporting	<p>The Defence Update has been restyled to position the DOD to be compliant with the new Long-Term Strategic Framework of Government, as defined at the January 2008 Cabinet <i>Lekgotla</i>. Extensive work has taken place, specifically around the costing of the force design and the migration plans to obtain the Credible Force Design. The DOD is now positioned to take the "Defence Update 2025" to the Minister in April 2008 and, with his authority, onwards to Cabinet and Parliament.</p> <p>In alignment of the DOD Planning Framework with the Government planning trajectory, this Division orchestrated with finesse the DOD strategic planning session on 24 April 2007; this was to ensure alignment with Government intent as provided in the January 2007 <i>Lekgotla</i>, the MOD strategic planning work sessions (SPW) on 21 and 22 February 2008, and the Secretary for Defence SPW on 15 and 16 May 2007 and from 25 to 27 March 2008.</p> <p>The Division also adhered to the statutory requirements for the DOD Annual Report and DOD Strategic Business Plan. The reports were developed, approved and submitted on time, and were of high quality.</p> <p>The DOD Annual Report FY 2006/07, as well as the Quarterly Report FY 2007/08, was presented to the Parliamentary Portfolio Committee. The evidence of the effective utilisation of, and accounting for, resources was presented by the Accounting Officer to the PCD and SCOPA during September and November 2007.</p> <p>The Department was commended for the industrious Annual Report that was tabled on 12 September 2007 and the Strategic Plan that was tabled on 27 March 2008. The Division has, through instructions, introduced interventions that have institutionalised accountability and governance and also actively supported initiatives that intensified parliamentary oversight.</p>

Table 2.5 Policy and Planning Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
Structure management	<p>Implementation of performance management through the application of Balanced Scorecard (BSC)</p> <p>Approved Services and Divisions structures corresponding to the Strategic Business Plan</p>	<p>90% implementation of BSC in the DOD</p> <p>Development of the DOSS and continued maintenance of business processes and structures</p>	<p>The progress of the Balanced Scorecard (BSC) Project has improved and the rollout is underway. The strategy maps have been completed and the process is now at the stage of developing measures. Further, through the alignment of the Accounting Officer's strategic objectives with the DOD's strategic maps, as contained in the systemic evaluation instrument that has been adopted by the DOD, the Balanced Scorecard has been promoted, supported and guided through interactions at various strategic levels during the financial year.</p> <p>The Organisation Structure Design (OSD) environment is currently in the process of developing the Joint General Publication (JGP) on microstructuring, in line with the guidelines received from the Department of Public Service and Administration (DPSA), namely the "Guide on How to Design, Implement and Maintain Organisational Structures in the Public Service".</p> <p>The technical preparation project was registered and implemented, with the business objective of supporting DOD business by preparing the environment for the implementation of DOSS through reducing the number of interfaces or replacing them with a single interface.</p> <p>Other projects that are aimed at improving effectiveness and efficiency in the DOD, Project DOSS and Project LOQUACIOUS, are progressing fairly well despite the challenges these projects are facing.</p> <p>The organisation structure design report, as well as the amendment report for the Defence Policy, Strategy and Planning Division, was completed and approved by the Minister of Defence. The recommendations made in the reports have been implemented on the SMCS.</p> <p>The organisation structure design report on the restructuring of the Acquisition and Procurement Division into Matériel Division was completed and approved by the Minister of Defence on 24 August 2007. The recommendations made in the report have been implemented on the SMCS.</p> <p>The organisation structure design report on the creation of a Defence International Affairs Division has been completed and approved by the Minister of Defence. The final report has been captured on the SMCS.</p>

Table 2.5 Policy and Planning Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
Structure management	<p>Implementation of performance management through the application of Balanced Scorecard (BSC)</p> <p>Approved Services and Divisions structures corresponding to the Strategic Business Plan</p>	<p>90% implementation of BSC in the DOD</p> <p>Development of the DOSS and continued maintenance of business processes and structures</p>	<p>The organisation structure design report on the development of a Peace Mission Training Centre has been completed and is currently in the approval process.</p> <p>The job evaluation programme successfully participated in various job evaluation and moderation exercises throughout the DOD and has re-evaluated and re-promulgated the job evaluation policy for comment. Another achievement by this programme is the distribution of an instruction to all the management and renewal sections (M&RS), in line with the Department of Public Service and Administration (DPSA) requirements, regarding the development of a programme to be followed for the compulsory evaluation of posts from salary levels 9 to 12 within the required timeframes.</p> <p>The LOQUACIOUS team is providing support by means of the Mood toolset in terms of capturing business processes and models in various pilot sites busy with restructuring initiatives in the DOD. Three Mood toolset and SA DOD Enterprise Architecture Framework training sessions commenced for identified members of the DOD. This was done to transfer toolset knowledge to a wider audience in preparation for the Mood toolset and repository rollout in the DOD.</p>
Cluster reports, Multilateral Security Policy, defence matériel resource policy, multilateral and bilateral engagements, defence operational commitments	<p>Monthly JCPS Cluster reports; participation in AU, SADC and other global forums; signed memoranda of understanding; correct procedures of deployment for peace-keeping missions</p>	<p>Participate fully in all clusters and FOSAD meetings with approved DOD inputs and intervention</p>	<p>All DOD deployments and extensions of existing deployments were done according to the prescribed legal and constitutional prescripts and guidelines. Represented the DOD at the discussions with the Government of the USA on African policy issues. Undertook research and participated in African multilateral forums, namely the AU and the SADC.</p> <p>Attended SADC and AU meetings, providing inputs through the articulation of SA Government position in the deliberations of the meetings and informing the DOD of outcomes and implications.</p> <p>Successfully represented the DOD as a member of the technical team fielded to the Democratic Republic of the Congo (DRC) to assist the Congolese with the modalities of the SSR Master Plan, in December 2007.</p>

Table 2.5 Policy and Planning Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
Defence Policy	Finalisation of the review on defence policy to meet the changing demands of the defence landscape	To ensure that the review of the defence policy is conducted and finalised	<p>Developed and promulgated policy on assigned issues. This was undertaken through the compilation and submission of papers that were approved by the DOD and consolidated into SA policy positions. Submission of the interpreted and disseminated information in respect of defence policy to identified clients. This was undertaken in the form of positions, options and comments on publications and the presentation of DOD position on issues identified by the clients.</p> <p>The Division has principally ensured the realisation of the Minister's priorities issued in September 2005 for 2007/08, which were as follows:</p> <ul style="list-style-type: none"> • Ensuring that the DOD complies with national legislation and Government regulations and the ensuing imperatives; • Providing capacity for the Secretary for Defence and the Chief of the South African National Defence Force to discharge their statutory responsibilities; • Providing a Parliamentary oversight role to intensify more intrusive measures to ensure civil control; and • Ensuring that departmental governance and accountability is institutionalised and improved. <p>The Division has conducted staff visits to outlying units in the Limpopo, KwaZulu-Natal and Eastern Cape provinces as part of the policy process. It was confirmed that the DOD policy website is functioning as effectively technically at the remote units as it does in the Pretoria area. It was, however, found that competency of users in the use of the policy website needed attention and SITA was commissioned to develop and present training courses to rectify this shortcoming. Subsequently, courses to train instructors were held in Limpopo, KwaZulu-Natal and Gauteng, where a core of 118 trainers has graduated. This programme will be continued throughout the country until sufficient trainers have qualified to successfully address the problem of user competency to effectively utilise the policy website.</p>

Table 2.5 Policy and Planning Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
HR Strategy: Plans and labour policy	Reviewed and updated HR Strategy 2010	Reviewing process of HR Strategy 2010, which includes analysis of surveys and reviewing of inputs, as well as reports on proposed amendments	HR Strategy input for Defence Update 2007 completed and approved. DOD Planning Instruction promulgated for the review of the DOD HR Strategy. Stage 1 of HR Strategy Review completed (input reports compiled). HR Planning and Budgeting Guidelines for the 2008/09 MTEF approved and promulgated. HR Strategy 2010: The combination of MSDS, selective appointments in the Core Service System, and the effective and efficient implementation of the MEM will enable the DOD to rejuvenate the SANDF human resources component.
		Improve the coordination and collation of DOD HR policies and their alignment with national legislation and national policies	Defence Update: The Chief Directorate: HR Strategic Direction and Policy coordinated the HR inputs for Chapter VI (Defence Resources) of Defence Update 2006. The Minister of Defence has approved the document. DOD policies on service delivery are being aligned with Government prescripts.
	HR plans and budgets: Published HR delegations for the DOD in terms of the regulations framework	Appropriately assigned HR delegations	The HR section of the DOD Environmental Analyses was completed and approved in 2007. DOD Planning Instruction completed and promulgated for FY 2008/09 DOD HR Support Plans. HR functionaries were empowered through presenting HR planning modules at Personnel Service School during FY 2007/08 HR EOE.
Multilateral Security Policy	Implemented the relevant policies with regard to the deployment Continued monitoring of external deployments as per SBP FY 2007/08	Obtain Presidential authorisation and approval with regard to external deployments from April 2007 to March 2008	Obtained Presidential authorisation and Cabinet approval for deployment of a maximum of 85 members of the SANDF to assist with capacity building of the Central African Republic (CAR) Defence Force and to provide close protection to the CAR President (Presidential Minute 467 of 2007, dated 27 August 2007, and Cabinet Memorandum 18 of 2007, dated 29 August 2007). Obtained Presidential approval for 42 SANDF members' participation in Operation FESTIVE SEASON, support to the SAPS during the 2007/2008 festive season in the combating of crime (Presidential Minute 630 of 2007, dated 12 November 2007). Obtained Presidential authorisation for deployment of 120 members of the SANDF to assist SAPS with the security at the FIFA World Cup preliminary draw (Presidential Minute 648 of 2007, dated 16 November 2007).

Table 2.5 Policy and Planning Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
Multilateral Security Policy	<p>Implemented the relevant policies with regard to the deployment</p> <p>Continued monitoring of external deployments as per SBP FY 2007/08</p>	Obtain Presidential authorisation and approval with regard to external deployments from April 2007 to March 2008	<p>Obtained Presidential authorisation and Cabinet approval for the SANDF assistance to Uganda for technical assistance in the destruction of explosives and ammunition (Presidential Minute 577 of 2007, dated 29 October 2007, and Cabinet Memorandum 21 of 2007, dated 30 October 2007).</p> <p>Obtained Presidential authorisation and Cabinet approval for a changeover from the AU mandate to the AU/UN Hybrid Mission in Darfur (Sudan) from 31 December 2007. (Presidential Minute 592 of 2007, dated 12 November 2007, and Cabinet Memorandum 22 of 2007, dated 7 November 2007).</p>
Defence Matériel Resource Policy	Render policy advice to Government and the DOD on defence matériel resources	Provide advice on specific matériel resources policy-related matters	<p>Seven Cabinet Memoranda and Presidential Minutes were drawn up and submitted for the extension of all external deployments for the next financial year, until 31 March 2008. The IRPS Cluster approved this on 5 February 2008. All memoranda are dated 7 February 2008. The missions are:</p> <ul style="list-style-type: none"> • Operation VIMBEZELA in the CAR (Cabinet Memo 3 of 2008); • Operation MISTRAL in the DRC as part of MONUC (Cabinet Memo 4 of 2008); • Operation TEUTONIC as part of SSR in the DRC (Cabinet Memo 5 of 2008); • Operation ESPRESSO – observer mission in Ethiopia and Eritrea (Cabinet Memo 9 of 2008); • Operation INDULI – UN political mission in Nepal (UN-MIN) (Cabinet Memo 6 of 2008); • Operation CORDITE – AU/UN hybrid mission in Darfur (UNAMID) (Cabinet Memo 8 of 2008); • Operation BONGANE – AU mission in Northern Uganda/Southern Sudan) (Cabinet Memo 7 of 2008). <p>Operation THEBE – Completed and submitted Presidential Minute and Cabinet Memorandum for the deployment of the SANDF to assist with capacity building of the DRC Defence Force (FARDC). The Presidential Minute is not signed due to unavailability of funds. (Cabinet Memorandum 2 of 2008, dated 6 February 2008, was submitted.)</p> <p>Completed and submitted Presidential Minute and Cabinet Memorandum for the redeployment, at short notice, of 15 members of the SANDF to the CAR for protection of the President of the CAR until 31 July 2008. Documents were submitted on 14 March 2008.</p>

Table 2.5 Policy and Planning Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
Multilateral and bilateral engagements	Participation in AU, SADC and other global forums	Participated in various interdepartmental meetings and provided input and advice on key Defence Foreign Relations policy issues	<p>In managing external relations, the Division undertook 12 engagements inside and outside South Africa. Twelve agreements were signed between different countries and organisations and nine were in the process of being finalised during the period under review. These agreements include memoranda of understanding (MOUs) with Spain, Korea, Namibia, Lesotho and Jordan. Agreements were also signed with Tanzania, Ghana and Zimbabwe.</p> <p>Eight agreements with different countries and organisations are being drafted.</p> <p>This includes MOUs with the AU, Peru, Sudan and Burundi on defence cooperation. It also includes agreements with Ghana, Gabon, Malawi and Congo-Brazzaville.</p> <p>Defence cooperation agreements were signed with the Governments of the following countries:</p> <ul style="list-style-type: none"> • Central African Republic on 11 February 2007. MOU concerning building of OR Tambo School of Leadership with Uganda on 6 March 2007. • Letter of Assist with UN regarding MONUC on provision of helicopter services in the Democratic Republic of the Congo in January 2007.
Defence operational commitments	Signed Memoranda of Understanding: Correct procedures of deployment for peacekeeping missions	Participated in various interdepartmental meetings and provided input and advice on key operations policy issues	<p>The DODI on the Establishment of a South African Military Assistance and Training Team (SAMATT) was presented to the Plenary Defence Staff Council on 16 July 2007 and again on 17 September 2007. This was done with cooperation between Directorate: Operations Policy and Directorate: Strategic Planning.</p> <p>The DOD internal deployment according to Proclamation R34, for internal deployments in support of the SAPS, was queried in terms of the Defence Act, 2002 (Act No. 42 of 2002) and Constitution of the Republic of South Africa, and legal opinion was obtained from Defence Legal Services. Drafting of the new proclamation in cooperation with the SAPS is in progress.</p> <p>Inputs were prepared and provided for the updating of the White Paper on South Africa's Participation in International Peace Missions under the chair of the Department of Foreign Affairs. This includes the legal process for obtaining national approval for SANDF deployments.</p>

Table 2.5 Policy and Planning Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
Defence operational commitments	Signed Memoranda of Understanding: Correct procedures of deployment for peacekeeping missions	Participated in various interdepartmental meetings and provided input and advice on key operations policy issues	<p>Submitted a Cabinet Memorandum on 3 September 2007 to inform Cabinet of the authorised number of personnel involved, the expiry date of the mandate and the rotation date for each deployment of the SANDF.</p> <p>Participated in the interdepartmental meeting on the lessons learnt in the SANDF deployment in Burundi (with ACCORD as facilitator) and provided all inputs pertaining to the national approval for these deployments and the extensions thereof. These were included in the final report to DFA.</p> <p>Compiled and submitted the Fourth and Fifth Progress Reports on the bilateral cooperation between South Africa and the Democratic Republic of the Congo, in May and July 2007 respectively.</p> <p>Drafted the DOD position paper on bilateral RSA-Swedish SSR in May 2007, and the policy paper on SSR in June 2007.</p> <p>Compiled and submitted the Sixth Progress Report on the bilateral cooperation between South Africa and the Democratic Republic of the Congo in December 2007.</p> <p>Compiled and submitted the Seventh Progress Report on the bilateral cooperation between South Africa and the Democratic Republic of the Congo in March 2008.</p> <p>Represented the DOD at the AU Ministerial Committee of the Countries of the Region on Comoros Meeting on 19 June 2007, on 8 and 9 July and 18 September 2007 in Pretoria and Cape Town.</p> <p>Successfully represented the DOD as a member of the technical team fielded to the DRC to assist the Congolese with the modalities of the SSR Master Plan in December 2007.</p> <p>Represented the DOD as part of the technical team fielded to Burundi to initiate the withdrawal of the SANDF members from Burundi in compliance with the Minister of Defence's directive and decision, over the period 13 to 15 February 2008.</p> <p>Represented the DOD at the Fifth Meeting of African Chiefs of Defence Staff and Heads of Security (ACDS) and the Second Ordinary Meeting of Ministers of Defence and State Security, over the period 24 to 28 March 2008.</p>

Table 2.5 Policy and Planning Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
To provide secretarial and administrative services to the National Conventional Arms Control Committee (NCACC) and Scrutiny Committee (SC), and associated structures	The timeous preparation of the documentation and schedules for the meeting Number of permits issued	Rendering of efficient secretarial and administrative support to the NCACC and associated structures Receipt, processing and submission of various permit applications to the SC and NCACC	All permit applications; amendments and extensions received were processed and submitted for recommendation by the SC to the NCACC. A total of 4 708 permits were issued. Rendered advice to the Minister and Deputy Minister and the National Conventional Arms Control Committee on arms control and related issues, including the handling of issues around the proposed legislation on mercenaries and the prohibition and regulation of foreign military assistance.

Performance and Service Delivery Improvement

Details of the Policy and Planning performance and service delivery improvement outputs are reflected in Table 2.6.

Table 2.6 Policy and Planning Performance and Service Delivery Improvement Details for FY 2007/08

Activities	Planned Management Interventions	Anticipated Benefit	Status
Affordable structure Alignment of the DOD's core and support processes	Organisational development and restructuring of the DOD through Project LOQUACIOUS To establish business process management in the DOD as the most appropriate management philosophy to align core and support processes with the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999) imperatives	Effective, efficient and affordable structure through the utilisation of shared staffs Business processes are aligned to the organisation's strategy and policy framework, which will lead to the continuous performance improvement of the organisation	To be finalised and implemented in FY 2008/09.
Updating the White Paper on Defence and the Defence Review	Finalise the update of the White Paper on Defence and the Defence Review	Better alignment between Government expectations and resources allocation, which will lead to realistic strategic planning within the DOD	Still in process but to be finalised and implemented during FY 2008/09.
Streamlining of multilateral and bilateral agreements and activities in support of the Department of Foreign Affairs	Reprioritisations in line with IRPS Cluster guidelines	Maximum benefit for the country through proper servicing of bilateral and multilateral agreements	Managed and coordinated the overall participation and provision of DOD inputs to the Directors-General Clusters and their subcommittees, namely the NSC, FOSAD, IRPS, JCPS, G&A and ES. This was achieved through attendance of meetings, provision of feedback to DOD, ensuring DOD inputs are visible in DG clusters and providing support in ensuring DOD compliance with cluster decisions.

Table 2.6 Policy and Planning Performance and Service Delivery Improvement Details for FY 2007/08 (continued)

Activities	Planned Management Interventions	Anticipated Benefit	Status
Capacity building and competency enhancement of relevant roleplayers	Savings will be effected		Managed to render foreign relations policy advice to the Department; drafted, negotiated and concluded bilateral and multilateral Defence Agreements with other States. The Division has also managed the external relations of the DOD during the period under review.
Improve the DOD's strategic management capacity	Continuation of benchmarking with best practice and adjusting the approach where required	Improved planning and management expertise and better reporting	Initiated.
DOD human resources planning	Enhance PERSOL through Project LEGADIMA	An information system that enables planning	Initiated.

Policy Development

Legislative Changes

- **Prohibition of Mercenary Activities and Regulation of Certain Activities in a Country of Armed Conflict Act, 2006 (Act No. 27 of 2006)**

This Act was signed into law by the State President in December 2007. This Act will not be in operation until such time that its Regulations Act is promulgated. The process for the drafting and promulgation of these regulations will commence in FY 2009/10.

- **Mercenaries and Foreign Military Assistance**

Proposed changes to legislation dealing with mercenaries and the regulation of foreign military assistance in areas of armed conflict may impact on DOD intelligence and manpower resources in providing assistance with the vetting or scrutiny of permit applications by individuals during the departmental review process of the NCACC. Pressure from the public and diplomatic sectors may mount for the DOD to participate in finding solutions to contentious issues that the current draft legislation seeks to address.

- **Amendment to the National Conventional Arms Control Act, 2002 (Act No. 41 of 2002)**

In the period under review, amendment proposals were made to the said Act. These amendment proposals have been reduced to a Bill. This Bill has been approved by the NCACC and certified by the State Law Advisor, and it has since been submitted to Cabinet for approval before it could be introduced to Parliament.

SUBPROGRAMME FINANCIAL SERVICES

Overview

The Financial Services successfully focused its efforts on the continuous improvement of the service delivery model and has entered the fourth phase of a long-term strategy for the financial management of the Department. Of utmost significance is the fact that the Financial Management Division was re-engineered for cost-effective operationalisation of service delivery as a second phase, and also that the public finance regulatory framework was implemented in the Division within the constraints of the existing legacy information systems. The Government's overarching goal of providing "a better life for all" informed all the interventions of the Department. It is for this reason that the Financial Management Division places highest on its agenda the development of mechanisms that ensure accelerated and sustainable growth and development in the country, through the following projects run within the Finance Division:

- The scope of implementation of the public financial management framework to be broadened to other functions affected by public financial management, such as personnel, matériel and information management. The initiatives include ensuring promulgation of legally enforceable instructions, implementing an integrated financial management information system supporting generally recognised accounting practices and related standards, building departmental capacity and reinforcing accountability arrangements.
- In an attempt to improve financial management within the SA National Defence Force (SANDF), the Minister of Defence directed that the Chief

of the SANDF (C SANDF) must be enabled to execute his statutory financial responsibilities without compromising the Accounting Officer's responsibilities. An investigation was launched to realign the finance services rendered within the Chief's office. The investigation determined the regulatory framework governing the management of finances within Defence and, consequently, the financial responsibilities in the SANDF.

- Section 45 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) forms the basis of the responsibilities. The enablement of the C SANDF was being realigned from the provision of budget management services to multidisciplinary financial services. The Office of the Chief of Finance for the SANDF has been structured to provide capacity to the C SANDF to manage the following areas: budget preparation, budget control, payments, governance, risk and compliance, and financial administration and support. The Minister has approved this establishment, and the staffing of this office will be finalised during April 2008.
- A new risk management section was established in the Chief Defence Policy, Strategy and Planning environment, which is currently being staffed. The functions and activities of this section will impact on the resource risk management section within the Financial Management Division.

Standard Chart of Accounts

National Treasury revisited the current Standard Chart of Accounts structure during FY 2007/08 and is in the process of changing it. The aim of the Standard Chart of Accounts is to provide the ability to extract more meaningful data for monitoring Government expenditure. The new structure consists of various segments in addition to what is available in the Financial Management System. During the initial implementation in FY 2005/06, Defence only implemented the item

segment through a mapping process (conversion table). It is the intention of National Treasury to implement the proposed changes with effect from 1 April 2008. Defence only became aware of these changes in December 2007. It was agreed after consultation with National Treasury that the implications will first be investigated, after which the feasibility and timescales required to implement will be communicated to National Treasury.

Defence Update

The Department of Defence approved the Credible Force Design and Structure in 2007 and is in the process of finalising the updated Defence Review. Defence's allocation has declined over time compared to the Gross Domestic Product, resulting in a pressurised Defence Budget including multiple challenges. The Financial Management Division has been facilitating the costing process for the Services and Divisions, and has assisted in developing costing scenarios and in presenting various options of the financial requirements of the Department. The challenge remains to provide a credible Defence Force with the current deteriorating state of equipment and facilities and an insufficient resource base.

Measurable Objective

To provide a cost-effective financial management service to the Minister of Defence, the Secretary for Defence and the Chief of the SANDF within the evolving regulatory framework by means of a professional, representative civilian financial management corps and appropriate financial management system.

Outputs

Details of the Financial Services outputs are reflected in Table 2.7.

Table 2.7 Financial Services Outputs for FY 2007/08

Output	Performance Measure	Target	Actual Achievement
Budget management service to the Department of Defence, as directed by the Chief Financial Officer	Cost-effective service delivery compliance within the regulatory framework; sound financial defence decisions; unqualified audit reports	A budget management service to the Department according to the current regulatory framework and programme/budget structure	The Financial Management Division has enhanced its revenue management system to the extent that detailed and meaningful management information is provided on a monthly basis to top-level budget holders. Supporting policies and the revenue management internal control system have been developed, including focused training initiatives.

Table 2.7 Financial Services Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
Budget management service to the Department of Defence, as directed by the Chief Financial Officer	Cost-effective service delivery compliance within the regulatory framework; sound financial defence decisions; unqualified audit reports	A budget management service to the Department according to the current regulatory framework and programme/budget structure	Other outputs achieved through the corporate Department of Defence budget control service were: <ul style="list-style-type: none"> • Defence in-year programme adjustments budget by 1 November 2007; • Monthly early warning reports; • Virements as required; and • Funded unfunded mandates as directed by Section 64 of the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999).
	Cost-effective service delivery compliance within the regulatory framework; sound financial defence decisions; unqualified audit reports	A budget management service to the Department according to the current regulatory framework and programme/budget structure	Other outputs achieved through the corporate Department of Defence budget preparation service were: <ul style="list-style-type: none"> • Defence budget guidelines issued by 1 October 2007; • Affordable Estimate of Expenditure by June 2007; • Approved Special Defence Account by April 2007; and • Estimate of National Expenditure by January 2008.
	Cost-effective service delivery compliance within the regulatory framework; sound financial defence decisions; unqualified audit reports	A budget management service to the Department according to the current regulatory framework and programme/budget structure	The Financial Management Division has enhanced its revenue management system to the extent that detailed and meaningful management information is provided on a monthly basis to top-level budget holders. Supporting policies and the revenue management internal control system have been developed, including focused training initiatives. During FY 2008/09, processes, policies, systems and procedures will be enhanced to ensure that all revenue due is collected, appropriately accounted for and reported. With regard to the Public Finance Management Act of 1999, training briefings regarding Section 45 responsibilities were presented to command bodies as well as lower-level management structures throughout the Department. Public Finance Management Act and Treasury Regulation booklets were distributed to senior management staff at the DOD and a script for an industrial theatre initiative was obtained and finalised. A crossword puzzle competition was published in the <i>S.A. Soldier</i> magazine and Section 45 responsibilities were communicated to formal training establishments to ensure that they are addressed in the curricula of all formal training courses. Defence staff were also sensitised regarding Section 45 skills training courses available at external training service providers.

Table 2.7 Financial Services Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
Financial accounting service to the Department of Defence, as directed by the Chief Financial Officer	Cost-effective service delivery compliance within the regulatory framework; sound financial defence decisions; unqualified audit reports	A financial accounting service to the Department according to the current regulatory framework and programme/budget structure	<p>Regulatory framework largely complied with; audit report qualified with regard to travel and subsistence, regional services council levies, accruals, receivables, clearing account as well as unauthorised, irregular, fruitless and wasteful expenditure – corrective measures implemented as follows:</p> <ul style="list-style-type: none"> • Travel and subsistence prepayment and advances – programme developed and implemented to provide an audit trail of source documents; • Regional Service Council levies – grants were recalculated and partially paid by the end of March 2008; • Accruals – departmental instructions were promulgated to ensure correct disclosure in future financial statements; • Receivables – Services and Divisions were instructed to provide required information within the prescribed timeframes; • Clearing account – reconciliation was done and submitted to the Auditor-General; and • Unauthorised, irregular, fruitless and wasteful expenditure – departmental policy is in the process of development, to be promulgated in the next financial year. <p>Outputs achieved through the corporate financial asset and annual reporting service were:</p> <ul style="list-style-type: none"> • All collectable debt collected; • Irrecoverable debt written off; • Accurate cash-flow projections; • Managed Department of Defence bank account; • Accurate books of account; and • Accurate Annual Financial Statements. <p>Outputs achieved through a stores, services and related service were:</p> <ul style="list-style-type: none"> • Revenue collected and accounted for; • Cash service rendered to clients as specified; • State monies safeguarded and correctly accounted for; • Acceptance of corporate Department of Defence; • Telephone accounts, overseas debt and freight transport accounts; and • Supplier accounts received and correctly paid. <p>Outputs achieved through the personnel remuneration service were:</p> <ul style="list-style-type: none"> • Timely and accurate personnel and personnel-related payments; and • Timely and accurate creditor payments.

Table 2.7 Financial Services Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
Financial control and support service to the Department of Defence, as directed by the Chief Financial Officer	Cost-effective service delivery compliance within the regulatory framework; sound financial defence decisions; unqualified audit reports	A financial control and support service to the Department according to the current regulatory framework and programme/budget structure	<p>Effective and efficient Financial Management System support service provided.</p> <p>A total of 842 finance officials administered effectively.</p> <p>Corporate systems of risk management, audit report management, loss and claims administration and compliance management are in place.</p> <p>Outputs achieved through the financial control service were:</p> <ul style="list-style-type: none"> • First, interim and final audit steering committee meetings held as required; • Risk management meetings held as required; • Secretariat services provided as per Accountability Management Committee constitution; • Revised financial management delegations as required; • Administration and management of financial misconduct incidents as required; • Three monthly improper expenditure/ financial misconduct reports provided to the Accountability Management Committee and annually in the financial statements; and • Claims against the State reported where required. <p>Outputs achieved through the finance support service were:</p> <ul style="list-style-type: none"> • Maintained and enhanced Financial Management System as required; • Provided information, communication and technology support to finance staff as required; • Corporate Department of Defence face value service rendered; • Effectively managed divisional assets; • In-time conclusion and enforcement of ad-hoc and study contracts; and • Administered staffing process of 95 vacant posts advertised.

Financial Services Performance and Service Delivery Improvement

The Division successfully provided financial management services to its clients according to its Strategic Business Plan, service delivery charter and related service agreements. These services enabled the achievement of the objectives and targets of the various Defence programmes and subprogrammes and, subsequently, the envisaged defence outcomes set out in the FY 2007/08 Strategic Business Plan. Financial Management Division officials have participated in defence planning teams relating to the funding of post-conflict reconstruction initiatives

as well as the development of policy and processes for the funding of peace support operations by the African Union. The Division also participated in the Government's initiative regarding oversight over the Zimbabwe elections. The quality of these services is constrained by the inadequacy of current departmental information supporting systems, and departmental as well as divisional human capacity.

Details of performance and service delivery improvement are reflected in Table 2.8.

Table 2.8 Financial Services Performance and Service Delivery for FY 2007/08

Activities	Planned Management Interventions	Anticipated Benefit	Status	Actual Achievement
Implement PFMA/Treasury Regulations/ practice notes through enforceable DODDs/DODIs/ JDPs	To provide for the interim and final implementation of the PFMA/ Treasury Regulations/ practice notes	Unqualified financial statements	Utilise existing capabilities and budget	The initiatives include ensuring promulgation of legally enforceable instructions, implementing an integrated financial management information system supporting generally recognised accounting practices and related standards, building of departmental capacity and reinforcing accountability arrangements. Implementation ongoing as planned.
Provision of a budget management service to obtain and execute an appropriate medium-term defence budget	The provision of a corporate budget preparation service	Compliance with New Economic Reporting Format	Use existing capacity and budget	Conversion tables completed, tested and implemented. Compliance achieved.
		Compliance with GRAP and Accounting Standards, as prescribed by National Treasury	Use existing capacity and budget	Budget submission complies with National Treasury guidelines, Exposure Draft 26 regarding revenue and the standard on Presentation of Budget Information in financial statements.
	The provision of a corporate budget execution service	Improved budget control subsystem on FMS	Ongoing	In anticipation of the IFMS, the Financial Management System has been enhanced to improve the reporting process to the satisfaction of National Treasury.
Provision of a financial accounting service to execute, account for and report on financial transactions	To provide a corporate financial assets and annual reporting service	Improved debtor management outputs with regard to medical debtors	Ongoing	Medical debtor system has been implemented. Health informatics transfer of electronic information is not covering all information aspects and is under development.
	To provide stores, services and related payment services	Effective, efficient and economical management of State monies	Ongoing	Safes: The specifications of the new-generation Category 4 safes, destined to replace existing equipment at all cash offices, are being reconsidered. The request for procurement will be submitted as soon as the specifications are finalised. Cash offices: The original plan to secure cash offices individually (according to the dimensions/ constraints of the buildings/ facilities where such offices are currently housed) was replaced with the procurement of modular cashier units that are more cost-effective and transportable. The acquisition of the units is in progress.

Policy Developments

Accounting Policy: National Treasury is implementing generally recognised accounting practices in accordance with the PFMA through the Treasury Regulations and related Practice Notes. The Accounting Standards Board is currently establishing the related standards. Public financial accounting is consequently migrating from cash to an accrual basis. The migration from cash to accrual poses a serious challenge to the Department to comply with the emergent practices and reporting as prescribed,

given the current state of the related supporting information systems and organisational capacity. The Department is currently unable to achieve unqualified financial statements unless deviations from reporting requirements are authorised by National Treasury and the required information support systems are provided. National Treasury is currently busy with the implementation of an Integrated Financial Management System. The Financial Management Division is fully involved in developing the accounting standards specifying the requirements of this system as and when required.

BankServ: The payment requirement as prescribed by the Payment Association of South Africa resulted in the Department developing an electronic link between Defence and BankServ.

Public Finance Management Bill: The Financial Management Division actively participated in evaluating, and directed changes to, the Public Finance Management Bill.

Defence Special Account Act: The repeal of the Defence Special Account Act, 1974 (Act No. 6 of 1974), is under consideration.

Safety Net: Additional requirements in the Safety Net project to eliminate fraud in the bank management environment necessitated an enhancement to the departmental policy on bank management.

Revenue Management: The revenue management policy has been subjected to extensive revision and will be promulgated during FY 2008/09.

Function Transfers and Tariff Management: A policy on function transfers and tariff management has been completed and will be implemented during FY 2008/09.

SUBPROGRAMME ACQUISITION SERVICES (DEFENCE MATÉRIEL)

Overview

The mandate of the Acquisition and Procurement Division, which is referred to as the “Defence Matériel Division” (DMD), is to acquire both defence and commercial matériel and services for the DOD. Defence matériel and services are acquired through Armscor as prescribed by the Armscor Act, 2003 (Act 51 of 2003), DOD policies and procedures. The DMD directs and manages the acquisition and procurement of DOD-specified matériel and technological requirements, guides strategic defence industrial capability development and maintenance as well as international defence matériel cooperation initiatives, in accordance with the laws, national prescripts and objectives.

The Defence Matériel Division is committed to satisfying the day-to-day requirements of the Department of Defence. General Defence Account (GDA) funds are spent according to corporate priorities to ensure cost-effective solutions to requirements.

The vision, mission and corporate values of the DOD as well as the broad strategies, programmes and objectives of governance guide the Division in the execution of its mandate. The plan is also a subset of the Defence Matériel Division Strategic Business Plan (SBP) and forms part of the Department of Defence (DOD) Level 1 Strategic Plan.

The principal task of the Defence Acquisition Management Chief Directorate is to satisfy the Category 1 armament requirements according to the force design of the Department of Defence through its acquisition agency, the Armaments Corporation of South Africa (Armscor), as prescribed in DOD policies and the Defence Review. The Defence Acquisition Management Chief Directorate reports directly to, and is accountable to, the Chief of Defence Matériel (C Def Mat) in the Defence Secretariat. To at all times ensure that it supports the task of Accounting Officer of the DOD, the Def Mat Div was assigned as the nodal point for all interaction between the DOD and Armscor.

In support of the abovementioned functions, the South African National Defence Force (SANDF) must ensure its future in armament and armament support capability through meaningful technology development. The ability to do local design development must be maintained to ensure that the Defence Matériel Division and Armscor remain knowledgeable buyers in the weapon system fields. A minimum capacity to do systems integration should also be maintained in local industry. Furthermore, the Division must ensure a strategic local industrial capability whilst it is ultimately responsible to the Services/Divisions for the functionality of systems that are delivered.

Well-qualified personnel (military and non-military), formal procedures, integrity as well as a sincere client orientation are the cornerstones of success for the Division. As mandated by the White Paper on Defence and the Defence Review, the Division has ensured good governance in the DOD procurement system by rolling out the E-Proc System, which made the bidding and pricing system user-friendly and transparent. This has remarkably improved the service delivery as required.

The Division has made tremendous strides in fulfilling its mandate of supporting Defence-Related Industry; in the year under review it undertook four trips to two different countries with representatives of the industry and even solicited the assistance of the Minister and Secretary for Defence, who both

led defence industry-heavy delegations. For the first time in the history of the DOD, a Defence Industry Day was held with the industry, where there were candid and open discussions. They were assisted in securing the necessary Requests for Purchase from the relevant countries. Some companies have been able to secure contracts as a result of one or other visit to prospective buyers with the DOD. Industry representatives were able to brief the Minister of Defence for the first time on their interactions and the status quo of their interactions with particular countries, and requested possible assistance from the MOD. In the year under review, ties between the Defence-Related Industry and the DOD were cemented by close cooperation and common purpose to alleviate poverty, and support to ASGISA.

The Division successfully upgraded and completed Casspir Mk III vehicles, which were delivered to the SA Army. The commissioning into service of new Rapid Deployment Logistical Vehicles for the parachute forces as well as the Rapid Deployment Reconnaissance Vehicles for the Special Forces commenced. The upgraded Mamba vehicles for the Motorised Infantry have also been handed over to the SA Army and some of them have been deployed with the SA Army Peacekeeping Forces. The SA Army also received the new Light Machine Guns as well as the Automatic Grenade Launchers into service. The second Type 209 submarine, the *SAS Charlotte Maxeke*, arrived in Simon's Town on 26 April 2007. All four corvettes have been commissioned into service. Two Agusta A109 LUH helicopters were accepted and delivered during this period. This brings the total number of aircraft delivered to 23, out of the contractual delivery of 30 helicopters.

Procurement Projects: Contracts for accommodation, fresh fruit, vegetables and meat, waste removal, cleaning services, fuel supply, medical support and insurance were successfully negotiated and concluded in support of operational missions in the Central African Republic, DRC, Burundi and Sudan.

Purpose

The Administration Programme conducts the policy development, management and administration of the Department.

The Special Defence Account Programme provides for special defence activities as well as the authorised acquisition of main equipment and associated services.

Measurable Objectives

The objective of Acquisition Services is to manage the DOD acquisition and procurement processes and policies.

The objective of the Special Defence Account Programme is to meet the Department's needs by acquiring and maintaining appropriate defence equipment, through activities that meet the requirements of the Government.

Outputs

Details of Acquisition Services' outputs are reflected in Table 2.9.

Table 2.9 Acquisition Services' Outputs for FY 2007/08

Output	Performance Measure	Target	Actual Achievement
Armament requirements according to force design	Shortened turnaround time of armaments and equipment acquisition for Services and Divisions that will meet users' specifications	Improve supply chain systems and fill vacant positions	Average percentage of milestones achieved is $\pm 91\%$ for the SDA, $\pm 99\%$ for SDPs, $\pm 91\%$ for technology development and $\pm 77\%$ for procurement services, according to plans. Average budget expenditure achieved is $\pm 72\%$ for the SDA; $\pm 68\%$ for SDPs.
To improve the efficiency of procurement	Full installation of a modern, electronic-based bidding/price quotation system at all Procurement Service Centres and GSBs	100% rollout	100% has been achieved. Bidding and price quotation system has been put in place. Improved service delivery despite CMI-related problems.

Table 2.9 Acquisition Services' Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
Improve efficiency of the technical management of Intellectual Property (IP) management	Implementation of IP database	100% rollout	Nil. Obligations regarding registration and exploitation of inventions lie with research institutions in terms of the national IP framework, easing the IP management responsibilities/accountability of the DOD. IP policy differences between the DOD and the DST will be addressed during 2008/09.
		Full implementation by March 2008	The deficient resources/capability in the DOD to address IP management requires further definition. The DERI concept does not preclude Defence IP management as an extension of the DERI (Research Institute) obligations. This will only be resolved after the establishment of the DERI, in 2009/10.

Matters Under Oversight

Corporate Budget Allocation: An amount of R45,220 million was allocated to the Defence Matériel Division (Def Mat Div), and R50,189 million had been paid by the end of the financial year. An additional R3,070 million was approved by the DPBEC held in August 2007, to staff the critical posts in the Division. These funds have not yet been allocated as staffing of proposed structures will only commence once ministerial authority has been obtained.

Special Defence Account: Under the global Special Defence Account (Vote 20 of 2007 allocation, plus rollover funds), an amount of R6,610 billion was allocated to address Strategic Defence Package (SDP) programme obligations, whilst an amount of R4,464 billion was allocated to the Def Mat Div for the authorised acquisition of other Category 1 Matériel requirements. Of the authorised SDP allocation an amount of R3,096 billion was not paid, inclusive of a rate of exchange contingency amounting to R945 million under National Treasury control. As in the case of SDP projects, general acquisitions projects also underperformed in terms of scheduled payments, with an amount of R1,117 billion not being paid. Contractual non-performance by a host of local as well as international main contractors is the primary reason for this underexpenditure. Where required, such underperformance was addressed in terms of contractual recourse, including the cessation of payment milestones and the levying of penalties. Apart from a R27,6 million uncommitted rollover on two projects, the full Category 1 Matériel allocation was contractually committed.

Note: It must be noted that the Defence Matériel Division can only report on the component of the SDA for which it is accountable, with the four Services and the Intelligence Division having to account individually for their allocations under the SDA.

Human Resources: The exodus of experienced procurement officials at the Procurement Centres impacts on unit operational efficiency. Staffing is an ongoing exercise. More procurement courses for DOD personnel should be initiated. The Procurement Centres should cross-train their members and, where possible, promote internally when vacancies arise within the DOD.

Challenges

Landward Defence Capability

Targets in respect of project milestones achieved and budget expenditure were not fully met mainly due to non-performance of contractors in the Defence Related Industries. Continual pressure is exerted on the industries to provide invoicing for work completed as well as to adhere to contractual obligations especially with regards to timescales.

Air Defence Capability

- **Procurement Services:** The target in respect of project budget expenditure was not fully met. Slow invoicing by industry on work carried out has caused deviations. Continual pressure is exerted on industry to provide invoicing for work completed. The remainder of the funds will be spent during FY 2008/09.
- **Strategic Defence Procurement:** Slower than usual aircraft deliveries on the A109 helicopter

project and the Hawk trainer aircraft project have caused delays in invoicing and thus also payments. A delay on the Gripen project, caused by performance issues, has delayed the last planned payment of FY 2007/08. Planned statutory cost payments have also not taken place due to a slower delivery of aircraft. Constant management interaction with the contractors took place to ensure continual production effort.

Maritime Defence Capability

- **Procurement Services:** Due to the malfunction of a critical system component of the underwater range delivered under the Underwater Signature Measurement project, the final acceptance of the system could not be concluded in FY 2007/08. Delays with regard to the acceptance of the underwater range (as indicated above), resulting from the need to return a critical component of the underwater range to the UK for repair, meant that a substantial payment linked to the acceptance of the system could not be made.
- **Strategic Defence Procurement:** Delays occurred in the placing of contracts for work with regard to the frigates, due to the fact that contractors failed to present their offers according to schedule. The late placement of contracts was due to the refocusing of effort towards support/logistics (both the submarine and frigate projects). Negotiations with contractors at management level, with the view to resolving delays, are ongoing. Payments in terms of existing contracts will be ongoing, in accordance with revised payment schedules.

Spending Patterns

- Acquisition contracts are placed with specific delivery dates. Normally, as agreed with Defence-Related Industry, delivery dates are at the end of February/March of each financial year, thus payments are made before the end of the specific financial year. These payments are planned and are contained within the business plans of each acquisition project or programme. The bulk of acquisition payments are thus made at the end of a specific financial year.

Governance, Risk and Compliance

Public-Private Partnerships

No formal Public-Private Partnerships (PPPs) have yet been concluded in the DOD; however, the following prospective projects are registered with National Treasury and the DOD:

- **SA Military Health Service:** The service that SAMHS requires for the identification of suitable health facilities and services in Durban as well as referral services in seven regional centres.
- **SA Navy:** Establish a Sea Safety Training Centre in Simon's Town.
- **SA Air Force:** The co-use of Air Force Base Ysterplaat.
- **Building Projects:** Establishment of a Training Formation as well as headquarters for SA Medical Health Service, SA Navy, SA National Defence Training Institute for Training Command, and Defence Intelligence.
- **Procurement Projects:** The electronic procurement system e-Procure is dependent on the network bandwidth available in the DOD and the proper population of its database. Further yearly updates and enhancements on the system are constrained by the current hardware configuration at Blenny. In this regard, a new server was procured which would enable the implementation of the enhancements and upgrades, making the system more user-friendly and providing additional reporting to users. Ongoing training, both formal and in-house, is taking place to enhance system usage.
- **Contract Management:** Contract Management continues to be a serious challenge for the Division. This is primarily attributed to a lack of expertise and resources in ensuring effective and efficient Contract Management as part of the DOD Procurement System. The effect of this lack of expertise is reflected in the nature and amount of procurement-related legal challenges constantly confronting the Department.
- **Staffing:** The lack of progress with regard to the staffing of Matériel Governance, Risk and Compliance (GRC) posts continues to present challenges. This has restricted the migration into the approved Defence Matériel structure. It has also severely hampered Mat GRC's ability to deliver on all its stated objectives and remains an area of high risk for the matériel, governance, risk and compliance system.

- **Command Bodies:** The Departmental Commercial Procurement Board continued to experience challenges with regard to scheduled meetings due to the non-availability of some of the appointed members, despite the CSANDF's instruction that Services and Divisions treat meetings as a priority. This is attributed to the over-commitment of appointed members to serve on various other departmental structures.
- **Defence-Related Industry BEE Charter:** Development of a Defence-Related Industry

BEE Charter was initiated. However, progress has completely slowed down on this project, as the defence industry seems to be reviewing its position on this matter.

Performance and Service Delivery Improvement

Details of Acquisition Services' performance and service delivery improvement are reflected in Table 2.10.

Table 2.10 Performance and Service Delivery Improvement for FY 2007/08

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement	Comments
Improve the process for the authorisation of projects in Acquisitions	Control of the achievement of time and cost goals on all projects	Maximised operational capabilities with extended technological life available to Defence	100% rollout by 31 December 2007	<p>All project milestone documentation was screened to confirm its adherence to applicable acquisition and statutory policies</p> <p>The promulgated acquisition policy is used as the basis for project officers' courses and in-service training programmes</p> <p>Risk management programmes have been implemented in conjunction with Armscor, clearly delineated within appropriate levels of management</p> <p>The management of Intellectual Property Rights (IPR) has been initiated in conjunction with Armscor as regulated custodian of IPR for the Department of Defence</p> <p>A review process of the existing Armscor Service-Level Agreement has been initiated to address changes to be implemented as a result of a change in the registration status of Armscor</p>	<p>In line with DOD policy prescripts, existing acquisition policies and directives are being reviewed in 2008 to ensure conformance to a Lifecycle Management approach adopted by the DOD.</p> <p>In order to shorten the authorisation process, special authorisation committees have been set up to ensure the timeous authorisation that will, in turn, ensure timeous contracting and expenditure to avoid unnecessary underspending.</p>

Table 2.10 Performance and Service Delivery Improvement for FY 2007/08 (continued)

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement	Comments
Full installation of a modern, electronic-based bidding/price quotation system at all Procurement Service Centres and GSBs within the DOD	Roll out e-Procure within the DOD	Reductions in transactions	End March 2008	Price quotation and bidding system has been put in place	Improved service delivery despite CMI-related problems.

Note: Chapter 11 of the DOD Strategic Business Plan FY 2007/08: Annual Report of the Special Defence Account Programme: Procurement Services.

SPECIAL DEFENCE ACCOUNT

Outputs

Details of the Special Defence Account Programme outputs are reflected in Table 2.11.

Table 2.11 Special Defence Account Programme Outputs for FY 2007/08

Subprogramme	Output	Performance Measure	Target	Actual Achievement
Landward Defence	Acquisition, procurement and project management services for the SA Army	Percentage of project milestones achieved	95%	88.4% of the target was achieved. Non-performance of industry caused delays in delivery.
		Percentage of budget expenditure	95%	69.5% of the target was achieved. Delay in delivery of long-lead items resulted in non-payment of milestones and rollovers. General non-performance of some of the industries resulted in non-payment of milestones. A further reason is that local as well as international contractors were requested to present their responses to Requests to Submit Offer, which resulted in the later placement of contracts as well as late delivery dates. The latter influenced the planned cash flow.
Air Defence	Acquisition, procurement and project management services for the SA Air Force	Percentage of project milestones achieved	95%	94.7% project milestones of the target was achieved. Slow invoicing led to the small deviation.
		Percentage of budget expenditure	95%	80% of the target was achieved. A planned rollover for the helicopter project, technical delays and ad-hoc maintenance and repair provision, which did not materialise, led to non-payment of milestones.
Maritime Defence	Acquisition, procurement and project management services for the SA Navy	Percentage of project milestones achieved	95%	93.7% of the target was achieved.
		Percentage of budget expenditure	95%	44.2% of the target was achieved. Technical problems led to the non-acceptance of equipment and resulted in the non-payment of milestones.

Table 2.11 Special Defence Account Programme Outputs for FY 2007/08 (continued)

Subprogramme	Output	Performance Measure	Target	Actual Achievement
SAMHS, Joint Support, CMI and Special Forces Brigade	Acquisition, procurement and project management services for the SA Air Force	Percentage of project milestones achieved	95%	87.4%. Project strategy was changed due to AACB decision, which resulted in a change in contract content.
		Percentage of budget expenditure	95%	95.8% of budget expenditure of the target was achieved.
Technology Development	Landward, maritime, air operations, special operations, electronics and support operations, and Scientific, Engineering Technology (SET) support	Percentage of cash flow to DRI and DERI investment	95%	88.4% of the target was achieved. The loss of expertise in the DRI and DERI resulted in contracted work not being performed.
		Percentage of DERI funded by technology investment	50%	82% of the target of 50% was achieved due to a shortage of funds for technology development.
	To maintain specialised facilities, test ranges and laboratories	Percentage technological upgrade of Test and Evaluation facilities	7%	128.6% of the target of 7% was achieved with regard to the technological upgrade of Test and Evaluation facilities
	To create greater collaboration between the DOD and universities and technikons via basic research	Percentage of previously disadvantaged students involved in postgraduate studies	56%	66.1% of the target of 56% of students envisaged to be PDI was reached due to the non-availability of PDI postgraduate students.

Special Defence Account Programme: Strategic Defence Procurement

Details of the Special Defence Account Programme: Strategic Defence Procurement outputs are reflected in Table 2.12.

Table 2.12 Special Defence Account Programme: Strategic Defence Procurement Outputs for FY 2007/08

Subprogramme	Output	Performance Measure	Target	Actual Achievement
Air Defence	Acquisition, procurement and project management services for the SA Air Force	Percentage of project milestones achieved	95%	100% of the target was achieved.
		Percentage of budget expenditure	95%	65.3% of the target was achieved. Non-delivery of certain main equipment by DENEL and technical problems led to the non-payment of milestones. This led to non-payment of statutory costs.
Maritime Defence	Acquisition, procurement and project management services for the SA Navy	Percentage of project milestones achieved	95%	97.9% of the target was achieved.
		Percentage of budget expenditure	95%	71.2% of the target was achieved. There was delayed placement of orders due to a delay in contractors presenting their offers according to schedule.

Procurement Services

Details of the Special Defence Account Programme: Strategic Defence Procurement outputs are reflected in Table 2.13.

Table 2.13 Special Defence Account Programme: Strategic Defence Procurement Outputs for FY 2007/08

Subprogramme	Output	Performance Measure	Target	Actual Achievement
Procurement Services	Improve efficiency of procurement	Full installation of a modern, electronic-based bidding/price quotation system at all Procurement Service Centres and GSBs within the DOD	100% rollout	100% of the target was achieved.
	Promote/expand use of Alternative Service Delivery (ASD)	Contract managers as per ASD contract – authorities obtained to outsource	100%	88% of the target was achieved.
		Signed PPP agreements – appointment of transactional advisors	100%	SAMHS – 100% achieved. SA Navy – 70% achieved. SAAF – 0% achieved.
	Procure and dispose of required matériel	Percentage of in-service Category 1 (armament-related matériel) and Category 2 (commercial available matériel) contracts in place on time	90%	90% of the target was achieved.
			90%	75% of the target was achieved.
		Percentage of irregularities on all contracts placed	Less than 0,5%	100% of the target was achieved.
		Percentage of stock/transfer lists for disposal contracted	80%	75% of the target was achieved.
DMD Corporate Services (310801)	Efficient, effective and economic service delivery	Percentage of budget expenditure	100%	90% of the target was achieved.
	Support to Defence-Related Industry	Secured a number of tenders and possible tenders for the Defence-Related Industries	1	1 = 33.3% of the target was achieved.
			100%	90% of the target was achieved.
		Number of symposia	3	1 out of 3 = 33.3% of the target was achieved; the invited countries postponed their participation.
		Percentage increase in employment and outputs	2%	100% of the target was achieved.
Diplomatic relations	Number of outgoing foreign visits	15	100% of the target was achieved.	

Performance and Service Delivery Improvement (Special Defence Account Programme)

Details of the Special Defence Account Programme are reflected in Table 2.14.

Table 2.14 Special Defence Account Programme: Strategic Defence Procurement Performance and Service Delivery Improvement Outputs for FY 2007/08

Objective	Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement	Comments
To exercise greater control in the execution of acquisition	Improve the process for authorisation of projects	Implementation of the Matériel Division and revised Armaments Acquisition Policies and procedures Tightened control over functional performance and time compliance on all projects	Maximised operational capabilities delivered in a timely manner, with extended technological life available to Defence	In process	Refer to Table 2.10	In line with DOD policy prescripts, existing acquisition policies and directives are being reviewed in 2008 to ensure conformance to a Lifecycle Management approach adopted by the DOD.



Defence Industrial Participation Programme – Strategic Defence Packages: The achievement of milestones in terms of the Defence Industrial Participation Programme is included in note 12 of the notes of the financial statements of the Special Defence Account. With regard to the National Industrial Participation Programme, reference is

made to the Department of Trade and Industry’s Annual Report.

Conclusion: Despite a serious staff shortage and uncertainty in the Division, it has been able to deliver impressively and efficiently on its mandate. It has continued to support the South African

Defence-Related Industry in facilitating sales and has facilitated discussions, where necessary, with foreign roleplayers.

SUBPROGRAMME INSPECTION SERVICES

Overview

The Defence Inspectorate Division has successfully accomplished its mandate of providing independent, objective internal audits, inspections and perceptions surveys, as well as anti-corruption services which have added value to the DOD operation. The Defence Inspectorate Division has, during the year under review, complied with all legislative requirements in that:

- the Audit Committee was duly constituted and mandated;
- it has established a system of internal audit to ensure that departmental resources are utilised effectively, efficiently and economically; and
- it has compiled a rolling three-year strategic internal audit plan based on its assessment of key areas of risk in the Department.

To provide for the independence of the Defence Inspectorate Division, its personnel report administratively to the Secretary for Defence, who is also the Accounting Officer. The Inspector-General of the Department of Defence (IG DOD) reports functionally to the Audit Committee, which is responsible for approving the audit charter and the annual internal audit plan. The Services Inspectors-General are functionally under control of the Chief Audit Executive (CAE), who is also the IG DOD, but they are under administrative control of their respective Service Chiefs.

Internal Audit

Internal Audit consists of both compliance and performance audit, reviewing aspects of economy, efficiency and effectiveness. The Division followed a risk-based approach over three years, in accordance with the Rolling Three-Year Audit Strategy.

The effectiveness of the Internal Audit Division depends on the attitude and mindset of members of the DOD. The AMC was required in FY 2007/08 to act firmly against those managers and commanders who ignored the recommendations of the audit reports. As a result of audits conducted on performance incentives, the Accounting Officer was able to ensure that the implementation of the

system was in accordance with his guidelines and instructions. Audits were also conducted on the ineffectiveness of the disciplinary legal system in the DOD, where there are backlogs on sentences and court orders, and where members who had been charged were allowed to resign before being arraigned. Chief Defence Legal Services was able to implement measures to address the backlogs.

The DOD Annual Report for FY 2007/08 was audited and certain Services and Divisions were required to verify the performance information contained in their reports. The performance information as contained in the DOD First Quarterly Report for FY 2007/08 was also audited.

The Defence Inspectorate Division is required by law to be audited by external entities once every five years. This provided a holistic overview of the compliance by Defence Inspectorate Division with the International Standards for the Professional Practice of Internal Auditing (standards). The last external audit was in 2006.

The Auditor-General's audit qualifications were included in the Three-Year Rolling Plan as follow-up audits for FY 2008/09.

The Defence Inspectorate Division is subjected to an annual audit by the South African Bureau of Standards (SABS) with regard to the International Standards Organisation (ISO 9001: 2000) certification. A surveillance audit was conducted on 12 February 2008 and the Defence Inspectorate Division was able to maintain its Quality Management System certification. The International Standards for the Professional Practice of Internal Auditing (IIA) require quality assessment of all internal audit functions.

The Defence Inspectorate Division has engaged the Auditor-General with the aim of fostering closer cooperation on the scheduling of audits and the reporting thereof. The Division has had exploratory talks with a service provider who could assist in training members to effectively audit financial statements. The service provider will be contracted early in 2008.

The training of members of the Defence Inspectorate Division also received much attention, with members completing courses on financial management and internal auditing. The IG DOD has embarked on a mission to increase the current number of qualified Certified Internal Auditors (CIAs).

Anti-Corruption and Anti-Fraud

The Defence Inspectorate Division has satisfied these requirements and the Directorate: Anti-Fraud and Anti-Corruption is functioning in accordance with the prescripts of the Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004).

The anti-corruption and anti-fraud strategy is based on the three main outcomes of the National Anti-Corruption Summit of 1999, namely preventing corruption, combating corruption, and building integrity and raising awareness. In order to achieve the desired result, it was important to introduce a strategy to advise, direct and guide members of the DOD on their approach to the seriousness of corruption and fraud. The Departmental Corruption and Fraud Prevention Conference was held in Pretoria over the period 17 to 19 April 2007. This conference was the culmination of the regional workshops on corruption and fraud that were held in each of the nine provinces in 2007. The aim of the conference was to source inputs from members of the DOD on the compilation of an anti-corruption and anti-fraud plan. The Division has managed to permanently secure a slot to publicise the Anti-Corruption and Anti-Fraud Toll-Free Number on the paysheet of members of the DOD. The anti-corruption and anti-fraud awareness campaign of the DOD, which is spearheaded by the Defence Inspectorate Division, is now reaching all members. The Division investigated 24 cases of alleged fraud, of which eight were successfully prosecuted. The following cases were received from the Public Service Commission:

- Case no CA10/04/07 – Received from the Western MP Region, concerning the misuse of a military vehicle. Case was referred to MPD for investigation;
- Case no CA06/08/07 – Received from ASB Oudtshoorn, concerning allegations with regard to repairs of “B” vehicles. Case closed due to no fraud being detected;
- Case no CA06/08/07 – Received from 9SAI Bn, concerning an allegation relating to military rations. Case was referred to MPD for investigation;
- Case no CA09/10/07 – Received from DACAF, concerning fraud with regard to inland accommodation expenses. Case was referred to MPD for investigation;
- Case no CA10/12/07 – Received from ASB PE, concerning alleged fraud with regard to pension

benefits of a deceased member. Case is under investigation with the Humewood SAPS; and

- Case no CA07/12/07 – Received from MP School, concerning alleged fraud with regard to examinations. Case was referred to the MPD for investigation.

Fraud prevention measures that were put in place in FY 2007/08 indicate that the trends for fraud and corruption lie in the Logistics, Acquisition and Procurement, and Human Resources environments. The number of whistle-blowers who made use of the corruption and fraud hotline in FY 2007/08 increased to such an extent that it required a dedicated member to be assigned to monitor incoming calls. Corruption- and fraud-prevention bulletins were distributed to members of the DOD.

The emphasis for FY 2007/08 was on fraud awareness and 9 200 members of the DOD were addressed in this regard. The regions and number of members who were addressed are as follows:

- Limpopo – 2 111
- Free State – 1 959
- Western Cape – 1 204
- Gauteng – 1 726
- North West – 700
- Mpumalanga – 500
- KwaZulu-Natal – 500
- Northern Cape – 300
- Eastern Cape – 200

Audit Committee

The Audit Committee provided guidance in the Financial Year 2007/08 to the Internal Audit Division. Amongst many issues, it included the identification of shortcomings in the Internal Audit Plan and the lack of expertise by internal auditors. The external members of the Audit Committee made their services available to assist the DOD in identifying suitable candidates that can assist the DOD in bridging the gap. The Defence Inspectorate Division provided the secretarial services for all the Audit Committee meetings.

Composition of the Audit Committee: During the year under review, the Audit Committee for the Department of Defence (DOD AC) was duly constituted according to the PFMA. The Audit Committee consists of five external members and two internal members. The external members to the DOD were as follows, with their appointment dates indicated in brackets: Dr D. Konar (Chairperson) (27

May 2005); Mr D.S. Molapo (27 May 2005); Mr K.A. Ross (27 May 2005); Mr G.R. Witthöft (7 June 2005) and Ms J. Kumbirai (December 2007). The internal members were Lieutenant-General J.L. Jansen van Rensburg (DOD: Chief of Corporate Staff) (1 February 2006) and Mr T.E. Motumi (DOD: Chief Policy and Planning) (7 February 2006).

Responsibilities: The Audit Committee complied with its responsibilities arising from Section 38(1) (a) of the PFMA and Treasury Regulations 3.1.10 to 3.1.13. Four scheduled and one special meeting were held. Activities of the Audit Committee are formalised into a plan, allowing the coverage of the total spectrum of risk areas needing to be assessed and monitored, in accordance with the Public Finance Management Act (Act No. 1 of 1999), and National Treasury Regulations dated March 2005. The external and internal members, ex-officio officers, the Auditor-General, the Chief Audit Executive and the Accounting Officer formally assessed the DOD Audit Committee.

Activities: Audit Committee members had an opportunity in 2007/08 to be exposed to the Department of Defence's units through a physical visit and also accompanied audit team members in conducting audits. Mr Keith Ross, a member of the Audit Committee, accompanied IG Navy on an audit regarding an audit query that has long been outstanding on the *SAS Simonsberg*. It was found that most of the audit queries had been addressed and the Board of Inquiry awaits the conclusion of the police dockets. The Audit Committee had direct access to the Auditor-General, the Secretary for Defence and the Chief of the South African National Defence Force.

Internal Audit Coverage

The Division has successfully completed 27 performance audit reports (covered 24 risks) and 103 compliance audits (covered 32 risks).

Fifty-nine perception surveys were successfully concluded. It audited the FY 2006/07 DOD Annual Report, performance incentives and performance information as contained in the DOD First Quarterly Report of FY 2007/08. Follow-up audits on projects and SDPs were conducted.

Significant Achievements

The Defence Inspectorate Division has managed to permanently secure a slot to publicise the Anti-Corruption and Anti-Fraud Toll-Free Number on the paysheet of all DOD members. The anti-corruption and anti-fraud awareness campaign of the DOD, which is spearheaded by the Defence Inspectorate Division, is now reaching all members.

The drafting of the DOD Risk Register for Internal Audit was, for the first time, a combined effort by the members of the Division, the Auditor-General and Audit Committee. Therefore, the DOD Risk Register is covering the whole audit landscape because of the inputs of the Audit Committee members, who are the function controllers of the Internal Audit function, and the Auditor-General, who is the external auditor of the functioning of the Division.

The Defence Inspectorate Division conducted a verification audit on the DOD Annual Report and certain information was referred back to the relevant Services/Divisions for authentication.

Measurable Objective

To provide professional, legitimate and deployable legal services and support commensurate with the needs of the DOD.

Outputs

Details of the Inspection Services' outputs are reflected in Table 2.15.

Table 2.15 Inspection Services' Outputs for FY 2007/08

Output	Performance Measure	Target	Actual Achievement
Internal audit (performance and regulatory) and anti-fraud services to minimise corruption	Increased reliability on the information system in the DOD	Maximise the audit landscape coverage within the prescripts of the PFMA in order to add value to the command and management of the DOD	<p>Compliance with, and adherence to, policies and prescripts by Services and Divisions were verified and validated; 100% of the audits were achieved.</p> <p>Recommendations were submitted to the Secretary for Defence and presented to the AMC for implementation; 100% achieved.</p> <p>Plans are in place to ensure that the auditors of the Defence Inspectorate Division are able to audit FSEs before members from the AG arrive. Our audit landscape has been aligned with that of the AG.</p> <p>The Financial Year 2007/08 marked phase 1 of the three-year strategy: 27 Performance Audit Reports were completed. These audits covered 24 risks as delineated in the three-year internal audit strategy. Perception survey reports during the year totalled 59.</p> <p>A holistic audit was conducted on the DOD FY 2006/07 Annual Report. Three audits were conducted on external deployments. These audits covered a wide spectrum of risks and were submitted to the Audit Committee for consideration; 100% achieved.</p> <p>Completed 103 Audit Reports, of which six were audits conducted on Military Attachés' offices overseas. These audits covered a wide spectrum of 32 risks and were submitted to the Audit Committee for consideration.</p> <p>Projects FILTER, CYTOON, RAADSAAL and AMBITION were audited in this financial year.</p> <p>Audits were conducted on Strategic Defence Packages (Projects UKHOZI and CONTINENT). Follow-up audits will be conducted in FY 2008/09.</p> <p>A total of 24 investigations were conducted and 13 were referred to other institutions, including the NPA, for further investigation and prosecution. In one case, the accused passed away, one case was withdrawn and in another case, it was found that there had been no corruption or fraud.</p> <p>Fraud awareness campaigns were conducted, in which 9 200 members of the DOD participated.</p> <p>The long, drawn-out process of staffing exposes the directorate to losing potential candidates in the vacant specialised posts.</p> <p>The DOD Anti-Corruption and Anti-Fraud Toll-Free Number was displayed on the paysheets of all members in this financial year.</p>
	Increased reporting on fraud and corruption in the DOD	Increase awareness of the campaign	Nine regional workshops were held, in which over 14 749 members of the DOD participated. These workshops culminated in a Departmental Fraud Conference held in Pretoria, where more than 152 senior members of the DOD participated in committees to help identify ways and means of combating corruption and fraud.
Closing-down audits	Number of closed units	Close down units, HQs, Commando units and legacies that are no longer serving their purpose	<p>Conducted 86 closing-down audits, with 35 FSEs closed down.</p> <p>DOD facilities were not audited to confirm their ownership.</p>

Performance and Service Delivery Improvement

Details of Inspection Services' performance and service delivery improvements are reflected in Table 2.16.

Table 2.16 Inspection Services' Performance and Service Delivery Improvements for FY 2007/08

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement	Comments
Audit management, audit reports analysis, and resourcing activities	International Standards Organisation-certified Quality Management System being implemented	Improved quality of audit-related command information to the corporate leadership Enhanced credibility of audit reporting	Ongoing	Champions have been trained, customisation has been completed, the required IT equipment has been acquired and pilot tests have been done All stakeholders have agreed upon a user-friendly format The system has been installed and trial reports are being produced	The server needs to be upgraded, after which the final installation of the system will be completed. The current format of the reports needs further refinement. New members still have to be trained on the system.
Closing down of units	Phased closing down of units	Make resources available to the programmes	Ongoing	Appointed members have been trained but the process is ongoing	The challenge is to streamline and coordinate closing-down procedures amongst project mounting teams, Services and Directorate Integrated Management System.

SUBPROGRAMME LEGAL SERVICES

Overview

The newly-established Division that emanated from the integration of existing legal structures in the DOD has successfully achieved strategic objectives through innovative thinking and selective management interventions concentrated on in-service training, as well as the effective utilisation of Reserves. The Division achieved most of its objectives and targets as planned, despite various challenges. The Defence Legal Services Division (DLSD) has made much progress and has invested considerable resources towards improving its internal capability and preparing for future needs by focusing on its human resources component.

The Defence Legal Services Division participated in the execution of 20 exercises and provided optimal law support and legal advice to the planned 41 operations, 12 ongoing operations and 16 shorter deployments, and the drafting of 17 bilateral and multilateral agreements.

As part of the strategy of the Division, success was achieved in drafting three Bills that were approved by Cabinet for introduction in Parliament, namely the Defence Amendment Bill, the Castle Management Act Repeal Bill and the Prohibition of Mercenary Activities and Regulation of Certain Activities in a Country of Armed Conflict Act. Furthermore, the Division was instrumental in the drafting of the National Conventional Arms Control Amendment Bill. Also of note is the first South African Qualifications Authority-accredited Law of Armed Conflict Course that was presented to SANDF members by Defence Legal Services.

The lack of specialists manifested itself through the non-availability of trained interpreters, the shortage of military law practitioners, an insufficient number of support personnel and the shortage of representative Reserve Force support members. Management has made a concerted effort to recruit and staff experienced legal practitioners, skilled support personnel and representative Reserve Force members with the required legal experience. During this period, the Minister of Defence

appointed two additional High Court judges to act as chairpersons of the Court of Military Appeals, as well as 17 additional Regular Force members to act as members of the Court of Military Appeals. This ensured that the Court of Military Appeals reviewed 113 cases during the year, resulting in the clearing of the review cases backlog. As an additional measure, the Division focused its efforts on in-post training and the effective utilisation of Reserve Force members, while 27 interpreters and 24 court order/protectors posts were approved in July 2007 and the required funds have been allocated for FY 2008/09.

Furthermore, the Division has revisited its internal controls. The Strategic Business Plan is managed and executed as a control process to ensure that the performance measures and targets are met through reporting in the Annual Report, Quarterly Reports and by ensuring that the Performance Agreements and Management Directives are all aligned with

Outputs

Details of the Defence Legal Services' outputs are shown in Table 2.17.

Table 2.17 Defence Legal Services' Outputs for FY 2007/08 ⁶

Output	Performance Measure	Targets	Actual Achievement
Defence legal service capability and services	<p>The quality and availability of the legal support provided to the DOD</p> <p>The degree to which military justice inputs have been provided as prescribed in the Military Discipline Supplementary Measures Act and the Defence Act, 2002 (Act 42 of 2002) and other applicable legislation</p>	<p>All required inputs are delivered on time and accurately</p> <p>95% of the defence legal service output to the whole DOD – i.e. legal advice, completed litigation, valid trials, prosecution decisions, deployed operational support, evaluated investigations, law personnel and Courts of Military Appeals sittings – is delivered on time and accurately, as prescribed</p>	<p>The target was achieved as planned despite the late assignment of Acting/ Director Military Judges and other statutory directors within the Defence Legal Services Division, as well as structural limitations in relation to service rendering obligations that include the shortage of scarce skills (military law practitioners). Continuous liaison with prosecution and defence counsel soon after judgements assisted with the speedy finalisation of cases. The Defence Legal Services Division Reserve Force component was managed and utilised optimally within the allocated budget and guidelines.</p> <p>Of great concern is the shortage of scarce skills (military legal practitioners), insufficiently trained interpreters as well as the non-availability of members of Courts of Military Appeal.</p>

⁶ Performance measures and targets were adjusted after 3 October 2006 to meet the requirements of the new Defence Legal Services Division.

Table 2.17 Defence Legal Services' Outputs for FY 2007/08 (continued)

Output	Performance Measure	Targets	Actual Achievement
Defence legal service capability and services	Optimisation of Defence Legal Services' head office together with the legal satellite offices	Seven directorates and five legal satellite offices executed the required legal services throughout the DOD	Seven directorates and five legal satellite offices contributed to the achievement of the objectives of the Defence Legal Services Division as planned within the allocated budget, and 100% of the budget was spent during FY 2006/07.
	Completed litigation within the DOD	95% of facilitated litigation must result in optimum outcome for the DOD	The target was changed from 75% to 95% through the Project GEJIMA refinement process and the target is managed accordingly.

Performance and Service Delivery Improvement

Details of the Defence Legal Services' performance and service delivery improvement outputs are shown in Table 2.18.

Table 2.18 Defence Legal Services' Performance and Service Delivery Improvement Outputs for FY 2007/08 ⁶

Activities	Planned Management Interventions	Anticipated Benefits	Status	Actual Achievements
a	b	c	d	e
Risk and managerial challenges	The Defence Legal Services Division (DLSD) is to manage risk/managerial challenge treatment plans during FY 2007/08	Will improve service delivery, reduce costs and increase efficiency	Continuous	Risk and managerial challenge treatment worksheets were compiled of all the risks and managerial challenges identified. Feedback given weekly at DLSD Budget Control Committee and at DPBEC, as required.
Performance measurement and management	The DLSD is to actively implement the guidelines as prescribed by the DOD Planning Instructions and ensure total commitment by its members by means of their Performance Agreements (PAs) and Management Directives	Align DLS's Strategic Business Plan's (SBP) objectives and targets with the PAs and Management Directives of DLS's roleplayers	Continuous	Objectives and targets are analysed quarterly and the performance outputs of the objectives, KRA and targets are submitted quarterly.
Manage and execute DLSD's anti-criminality control process	The DLSD is to actively manage the guidelines prescribed in the DLSD Standing Order 31/2006 and 36/2008 to control and prevent crime	Accurate and in-time reporting of all crime-related matters Effective management of crime-prevention systems like boards of inquiry, crime incidents, and vehicle accidents	Continuous	Implementation of a DLSD Crime Prevention Plan as prescribed in DLSD Standing Order 31/2006.

⁶ Performance measures and targets were adjusted after 3 October 2006 to meet the requirements of the new Defence Legal Services Division..

Table 2.18 Defence Legal Services' Performance and Service Delivery Improvement Outputs for FY 2007/08 ⁶ (continued)

Activities	Planned Management Interventions	Anticipated Benefits	Status	Actual Achievements
a	b	c	d	e
Manage DLSD's quarterly and annual reporting process	The DLSD is to continuously manage the strategic control measures to ensure timeous and correct reporting. The quarterly and annual reports can be analysed to determine the level of implementation of the SBP and support plans	Timeous and correct progress reporting procedures	Continuous	DLSD Standing Order 18/2003 was compiled and requires roleplayers to submit their reports according to a checklist. Preliminary reports with the necessary requirements were distributed to all roleplayers quarterly to ensure that they report on the required issues. These are control measures.
Annual review of the DLSD's budget and compile guidelines to ensure better management and control of finances and expenditure	The DLSD is to annually analyse the previous FY's budget and to compile a feedback report of lessons learnt to assist DLSD's directors and GOiC/OiCs of Legsatos in their annual budget planning process. This feedback review document must also include financial management and expenditure control guidelines	Effective, efficient and economical use of the DLSD's allocated funds	Continuous	The centralised financial control committee enables DLSD to manage the budget closely and effectively. It also enables the committee to make changes to the financial control system if required.
DLSD's annual strategic planning and budgeting cycle	The DLSD is to do an environment analysis to determine the guidelines required for the Commander's Appreciation and planning and budgeting purposes	Planning guidelines with the required means to implement are issued to the Directors, General Officers Commanding, and Officers in Charge of Legsatos by the Chief Defence Legal Services	Annually	Compiled the Commander's Appreciation that also addresses the applicable MOD, Sec Def and C SANDF guidelines. Chief Defence Legal Services presented the Commander's Brief to Directors, Generals and Officers in Charge of Legsatos. Updating of the supporting plans that form part of the Strategic Business Plan.

SUBPROGRAMME HUMAN RESOURCES

Overview

The Financial Year 2007/08 was highlighted by the first year of existence of the newly established integrated Human Resources Division (HR Div) within the Department of Defence (DOD). Prior to this, the various subprogrammes of the Human Resources Division functioned within fragmented structures in the Policy and Planning and Joint Support environments of the DOD. During the past year, much time and effort was thus spent on

consolidating the efforts of, and capacity building within, the newly-established Division as a whole.

During the amalgamation process, the Human Resources Division was faced with a number of challenges pertaining to aspects such as low staffing levels within the initial temporary structures, function shifts to the new, approved structures, unbundling of functions within certain environments and the commensurate impact this had on the integration and repacking of the Division's total budget. Initially, the Chief Human Resources (CHR) was not a single budget holder but was responsible

⁶ Performance measures and targets were adjusted after 3 October 2006 to meet the requirements of the new Defence Legal Services Division.

for the management of a number of different objectives. Approval for the shifting of funds and the repacking thereof into a single objective was obtained during the second quarter of the year. This was preceded by the compilation of a single HR Division Medium-Term Expenditure Framework (MTEF) plan. Thereafter followed a process to recapture personnel onto the newly-established single HR Division unit code.

Despite the initial teething problems encountered, the Human Resources Division has successfully migrated from its many previous silos to become a fully integrated single entity. This then also heralded the compilation and submission of the first HR Division Strategic Business Plan (SBP) for the FY 2008/09 MTEF. Amongst the many other achievements, the following warrant specific mention:

- During the period under review the HR Division, through the offices of the Chief Directorate Transformation Management, conducted a number of roadshows that made a huge contribution toward promoting social cohesion in the DOD. Furthermore, a Transformation Management Workshop was conducted for members of the Defence Staff Council. The purpose was to provide the top leadership with an opportunity to reflect on the concept of transformation as well as the implications of non-compliance. Consensus was reached with regard to the fact that this concept should be understood as extending beyond race and gender quotas, but entails change that will result in the DOD becoming a just and better-performing organisation.
- As part of enhancing credible leadership, a Leadership, Command, Administration and Management Practice (LCAMPS) Committee was established in order to institutionalise LCAMPS throughout the DOD. Since the establishment of this committee, a number of outcomes aimed at institutionalising LCAMPS throughout the DOD were successfully achieved.
- In pursuance of the Minister of Defence's (MOD) instructions, the MOD's Transformation Advisory and Monitoring Board (TAMB) was established. The board consists of members from academic institutions, non-governmental organisations (NGOs), civil society as well as Section 9 organisations. This board's mandate is to advise the MOD on transformation issues with regard to policy, processes and strategy. The HR Division, through the office of Chief Directorate Transformation Management, is responsible for providing secretariat support to the board.
- The Chief Directorate Transformation Management hosted a successful Third National Conference on Women in Defence from 14 to 17 August 2007. The objectives of the conference were twofold, namely to facilitate dialogue and build consensus on the maximisation of women's role in peacekeeping missions; and to set realistic targets to strive for, taking into consideration the DOD's peculiar environment. The highlight was when a female officer exhibited how the gender divide could be broken by landing an Oryx helicopter at the conference venue, before the opening address by the Deputy Minister of Defence. The Women in Defence conference generated much media interest, with positive coverage being received during the commemoration of Women's Month in South Africa.
- The Chief Director Transformation Management, Major-General N.E. Motumi, was honoured by being named the winner of *CEO Magazine's* 2007 Women of the Year Award in the category for the SA Public Sector's Most Influential Women in Business and Government. This prestigious award was made after Major-General Motumi was independently nominated and proved herself worthy during the rigorous judging process that was facilitated by an independent panel with the likes of renowned South African businesswoman Dr Anna Mokgokong as chairperson, and Judge Willem Heath as member.
- Through the offices of the Chief Directorate HR Strategic Direction and Policy, an HR planning, budgeting and expenditure control service is rendered to the DOD. Through a concerted effort, the final HR expenditure for 2007/08 that was recorded was within 0,4% of the total HR budget, which is well within the target of 0,5% set for the 2007/08 financial year.
- During the handing-over process of the Naval Dockyard to Armscor during 2007, the Chief Directorate HR Strategic Direction and Policy successfully facilitated the transfer of employees

employed by the DOD to Armscor, with effect from 1 September 2007.

- Since the implementation of HR Strategy 2010 throughout the DOD, the rank-age compliance of privates has improved by 40,5%. This has had a major impact upon the medical fitness and combat-readiness of members within this rank group, specifically within the SA Army.
- A DOD HR Risk Management Committee was established under the auspices of the Chief Directorate HR Strategic Direction and Policy. Flowing from this has been the compilation of a DOD HR Risk Management Register.
- The Chief Director HR Management, Major-General L.S. Mollo, was appointed as the chairperson for the International Military History Congress that was held in Cape Town during August 2007. The congress was voted a huge success and was attended by delegates from all over the world.
- The HR Division, through the offices of the Chief Directorate Human Resource Development, is in the process of reviewing and implementing the Human Resource Development Strategy for the DOD, initiating the alignment of this strategy with Government's Resource Development Strategy as pronounced by the Department of Public Service and Administration as being the focus during 2007/2008. This strategy has, as one of its end states, the building of the DOD into a learning organisation, an end state that will be realised in the foreseeable future.
- The HR Division has engaged in various interventions to embrace and augment Government's ASGISA objectives. One of these interventions includes an intake of voluntary interns to provide unemployed graduates with between three and 12 months' relevant occupational work experience. A pilot project of eight interns was launched during 2007/2008. Two of the initial four interns were appointed in permanent posts in the DOD and a third is in the process of being appointed. The planned intake of interns for 2008/2009 is 60.
- As part of the newly-established HR Division, the Functional Competency Authority for Human Resource Practitioners and Education, Training and Development Practitioners was activated

with effect from 1 April 2007. Achievements of the Functional Competency Authority include awarding a first Human Resource Management Certificate to a core group of human resources practitioners to facilitate the accreditation of Personnel Services School. A competency profile for the Human Resource Practitioners Corps was also developed to assist with the acquisition of members into the corps. The syllabus for the training of human resources practitioners was expanded with new modules of training such as the service delivery module, thus enhancing service delivery improvement amongst human resources practitioners in the DOD.

- The fledgling Warrant Officers Academy achieved full accreditation status with the South African Qualifications Authority, which means that all training presented at the unit will be credit-bearing training, which is transportable to the civilian sector should members exit the DOD.
- The DOD Youth Foundation Training Programme gave the DOD the ability to create its own pool of suitable candidates for employment by lifting disadvantaged learners who did not qualify for initial entry into the DOD up to a level where they did qualify for entry into the DOD. The 2007 programme was successfully completed, with 240 learners completing the programme, of which 180 learners were taken into the full-time employment of the DOD, with the remainder being released into the open job market with a better chance of employment. For various reasons this programme was curtailed at the end of 2007 within the DOD, although the reinstatement thereof, perhaps in a different format, is currently under investigation.
- The Service Corps succeeded in achieving its objectives through providing portable skills to beneficiaries to enhance their employability and entrepreneurial competencies. The eight regional offices of the Service Corps facilitated training for DOD members who opted to take the Mobility Exit Mechanism (MEM), the Employee Initiated Severance Package (EISP), or departmental transfer to the South African Police Services (SAPS), as well as providing support to military veterans. The Service Corps provided and facilitated training for 2 380 beneficiaries.

- During the reporting period, the HR Division also experienced a number of challenges. Many of these revolved around structural and budgetary constraints that hampered the staffing process within the Division, resulting in generally low staffing levels. The low staffing levels also resulted in a significant underspending within the Item 10 (HR Budget) allocation. Further challenges of note include the following:
 - With the establishment of the integrated HR Division during 2007 and with the restructuring/reconfiguration thereof on the Structure Management Control System (SMCS), the Directorate Integrated Management Services (DIMS) removed unit codes, which existed in the former Joint Support mode (per Chief Directorate) on Level 2. A single Level 2 HR Division unit code was created and allocated to the office of the CHR. The implications of the foregoing were, and currently remain, an overwhelming challenge for the HR Division and it is feared that the lack of an efficient and effective accounting system within the HR Division could give rise to unnecessary negative audit reports.
 - With the envisaged increase in the intake of Military Skills Development System (MSDS) recruits, the HR acquisition process has been put under tremendous strain regarding its capacity to produce, given its present structures and budget allocation.
 - Due to budgetary constraints, the maintenance of facilities in all environments, but particularly within the training environment, is under severe pressure. This

situation is exacerbated by the inability of the Department of Public Works to carry out routine preventative maintenance, often resulting in facilities being declared occupational health and safety risks.

- The Military Bargaining Council (MBC) and Military Arbitration Board (MAB) are currently not functioning, resulting in a breakdown of communication between the DOD as employer and the military unions. Although there are two military trade unions of note, namely the South African National Defence Union (SANDU) and the South African Security Forces Union (SASFU), both do not comply with the requirements of the General Regulations in terms of membership numbers in order to be admitted to the MBC.

Purpose

The purpose of this programme is to ensure top-quality human resources that support successful operations through timeous services that put people first.

Outputs

The output of the HR Division is to direct, orchestrate, control and coordinate comprehensive HR services to the DOD. The outputs and achievements of the HR Division for FY 2007/08, per subprogramme, are appended hereunder in tabular format.

Details of the HR Support Services outputs are reflected in Table 2.19.

Table 2.19 HR Support Services' Outputs for FY 2007/08

7 Subprogramme Transformation Management			
Output	Performance Measure	Target	Achievement
Conduct programmes, advise on and monitor the implementation of human rights and equity legislation within the DOD	Promote a DOD culture aligned with the values and aspirations enshrined in the country's Constitution	All Level 1 and 2 organisations of the DOD	Transformation seminar conducted for Level 1 organisations and constructive engagements held with Level 2 organisations on the implementation of equity legislation.

⁷ *Subprogramme Transformation Management: Prior to FY 2007/08, the various subprogrammes of the Human Resources Division functioned within the fragmented environment of the Policy and Planning and Joint Support Divisions of the DOD. The past year was devoted to the functioning of the newly established Human Resources Division, with the Office of the Chief of Human Resources managing the following subprogrammes: Human Resources Support Services (funded within the Administration Programme), Service Corps and Joint Training.*

Table 2.19 HR Support Services' Outputs for FY 2007/08 (continued)

8 Subprogramme Strategic Direction, Policy and Planning			
Output	Performance Measure	Target	Achievement
HR strategy, plans and labour policy	Establish priorities of the DOD and ensure alignment with those of Government to ensure proper HR planning, policy development and information systems support, and sound labour relations	Compliance with DOD HR policy, strategy and plans	Target was 95% achieved. 75% of policies developed for further implementation. Underachievement due to policies not yet approved by PDSC. 100% of information system support was delivered. An approved Human Resources Environmental Analysis and Strategy was concluded. Human resources expenditure is within 0.5% of HR budget. Establishment of the HR Risk Management Committee in the DOD and compilation of a DOD HR Risk Register.
		An HR Information Technology support service rendered to the DOD and identified stakeholders	100% of information support delivered with major enhancements for consolidated incentives and acting allowances completed. 105 minor enhancements completed and implemented.
Subprogramme Human Resource Support Service			
Output	Performance Measure	Target	Achievement
HR acquisition service in the DOD	Number of selection boards across the country	31 selection boards	31 selection boards held throughout the country.
	Number of marketing drives at schools across the country	Nine marketing drives	Nine marketing drives conducted at schools across the country.
Personnel separation, support processes and redeployment service	Number of imbizos attended in nine provinces to address military veterans	Nine <i>imbizos</i>	Did not receive a requirement from the Minister. (A requirement in terms of Chapter 2 of the Strategic Business Plan 2007.) Director of Military Veterans Affairs to discuss the matter with CD HRM for further action by the appropriate higher authorities.
		Number of records updated on the Military Veterans Database	8 000

⁸ Subprogramme Strategic Direction, Policy and Planning: Prior to FY 2007/08, the various subprogrammes of the Human Resources Division functioned within the fragmented environment of the Policy and Planning and Joint Support Divisions of the DOD. The past year was devoted to the functioning of the newly established Human Resources Division.

Table 2.19 HR Support Services' Outputs for FY 2007/08 (continued)

Subprogramme Human Resource Support Service			
Output	Performance Measure	Target	Achievement
Personnel separation, support processes and redeployment service	Administration of separation through the MEM and through normal transfers, retirements and discharges	2 000 MEM separations	Although 2 000 MEM separations were planned for, only 1 154 members left the DOD via this exit mechanism.
		1 300 normal separations	1 847 members were exited through normal separation mechanisms.
Functional training to HR practitioners	Number of learners and courses	452 learners 37 courses	100% achieved.
Management and administration of labour relations functions in the DOD	Management of misconduct and grievance cases in the DOD	90% of cases managed	Target was achieved.
	Representation at conciliation and arbitration sessions	48 conciliations 16 arbitrations	Handled 27 conciliation and 38 arbitration cases on behalf of the DOD. Under- and over-achievement was due to the demand posed to the DOD.
Providing language services and advice	Number of short language courses presented	42 courses	Two courses were cancelled. There were fewer than five candidates nominated.
	Editing and translation of documents	Full compliance with requirements	28 378 documents edited. 3 423 documents translated.
Subprogramme HR Development			
Output	Performance Measure	Target	Achievement
Direct, orchestrate and control HR Development (HRD) in the DOD	HRD is established as a strategic partner	HRD obtained a 60% rating during a formal assessment as a strategic partner	Not yet fully achieved, as HR Development was only established in January 2007 and is still in the process of being established.
Formulate, obtain approval and implement the HRD Strategy	The HRD Strategy, aligned with the HRD Strategy for the Public Service, is compiled, approved and implemented	Strategy is approved by the PDSC	Still to be submitted for approval by the PDSC.
Present an annual HRD Conference to stimulate debate within the DOD on HRD	An annual HRD Conference to stimulate debate on the subject within the DOD is presented	HRD Conference presented	Successfully presented during March 2008.
Direct, orchestrate and control the provisioning of language services in the DOD	Provide language-training services for official languages of the RSA	Number of learners attending programmes in official languages: 250	Directorate Language Services supported the maintaining of a comprehensive Defence capability by improving language proficiency, in order to promote communication capability. A total of 82 learners were trained. Underachievement was due to the fact that only 82 members applied for this service.

Table 2.19 HR Support Services' Outputs for FY 2007/08 (continued)

Subprogramme HR Development			
Output	Performance Measure	Target	Achievement
Direct, orchestrate and control the provisioning of language services in the DOD	Provide language-training services for foreign languages	Number of learners attending programmes in foreign languages: 50	Directorate Language Services supported peace support operations by presenting French, Portuguese and Kiswahili language proficiency courses to 216 soldiers deployed in countries in Africa.
	Provide editing and translating services to the Integrated Defence HQ and Fleet HQ	Number of edited documents: eight Number of translated documents: 12	28 edited documents. 15 translated documents. Over-achievement because of a higher demand from the clients.
	Direct, orchestrate and control skills development of HRD and ETDPs	Workplace Skills Plan for Language Practitioners accepted by CHR	Not fully achieved. Skills gap identified, compilation of workplace skills plan in progress.
Manage the interface with SASSETA	The DOD is correctly positioned to optimise SASSETA as an obstacle remover and resource provider	Discretionary grant is 100% utilised	The DOD was allocated a discretionary grant of R7.5 million during FY 2007/2008. The DOD participated in all structures of SASSETA, viz: SASSETA Board, Defence Chamber, ETQA Committee and Learnerships Committee.
Subprogramme Joint Training			
Output	Performance Measure	Target	Achievement
Develop military professional members and employees of the DOD	Number of learners on Joint Military Professional Programmes	3 651 learners 165 programmes	3 545 learners were accepted and qualified. 139 programmes were presented. 26 programmes were not presented due to the inadequate facilities at Personnel Services School (10) and the numbers being less than minimum nominations per programme (16). Underachievement because 26 programmes were not presented.
	Number of learners on Youth Foundation Training Programme (YFTP) qualified to join the SANDF	250 YFTP learners	100% achievement. Of these 250 learners, 168 youths were accepted within the DOD as MSDS members.
Subprogramme Service Corps			
Output	Performance Measure	Target	Achievement
Reskilling advice	Compliance with customer requirements in terms of reskilling advice	100% compliance with all requests for skills development assistance	Target achieved. Serv C assisted 2 197 clients.
A reskilling capability	Number of learners at the Centre for Advanced Training (CAT)	340 learners	183 learners trained at CAT. Serv C could not achieve target, because of limited applications for this programme.

⁹ Subprogramme Service Corps: Prior to FY 2007/08, the various subprogrammes of the Human Resources Division functioned within the fragmented environment of the Policy and Planning and Joint Support Divisions of the DOD.

Table 2.19 HR Support Services' Outputs for FY 2007/08 (continued)

⁹ Subprogramme Service Corps			
Output	Performance Measure	Target	Achievement
A reskilling facilitation and employment assistance capability rendered by eight regional offices	Facilitation of accredited training to exiting SANDF members who opt for skilling benefits	Full compliance with the requirements	CAT is fully accredited from 06/02/2008 to 06/02/2013.
	Successful placement of the reskilled clients who requested employment assistance	65%	Target achieved.

Table 2.20 HR Support Services' Risks and Mitigation Actions for FY 2007/08

Risk	Mitigation Action	Actual Achievement
¹⁰ Subprogramme Joint Training		
Funding SAAB Cybersim SA Contract	Funds were reallocated within the Training Command to the amount of Rm 5.2 to fund this activity	SAAB Cybersim SA Contract was funded to the amount of Rm 5.2. The outstanding amount of Rm 1.4 was reported to the DPBEC and HR Division.
Funding of the Personnel Services School's privatised mess	Funds were reallocated within the Training Command to the amount of Rm 1.62 to fund this activity	The privatised mess at the Personnel Services School was fully funded.
Payment of the Stellenbosch University contract	Rm 1.6 was requested from HR Division through savings to settle this account	Stellenbosch University contract was paid by January 2008.

Table 2.21 HR Support Services' Additional Funding

Outputs of specific options where additional funds were allocated for FY 2007/08

Policy Option	Allocations (R'000)	Output Targets	Actual Achievement
Subprogramme HR Management			
Maintenance of Delville Wood	R100 000	Maintenance of Delville Wood	100%
	R500 000	Contractual obligations with regard to the SA National Museum of Military History	100%
Advertisements, transport and accommodation for MSDS recruits	R2 667 305	Marketing of the MSDS to the public	100%
	R2 503 190	Bus transport for MSDS candidates	100%
	R350 000	Accommodation for MSDS candidates	100%
Attend Defence Committee (DEFCOMs) meetings	R500 000	Attending five Defence Committee meetings	Attended eight meetings.

Policy Developments

The HR Division is continually involved in the process of policy development. Regarding new policies and legislation, as well as policy developments and legislative changes, the following can be highlighted:

- An interim instruction pertaining to additional measures to the Policy on Leave of Absence for SANDF members and DOD employees was promulgated during February 2008.
- The Department of Public Service and Administration (DPSA) introduced Policy and Procedures on Incapacity Leave and Ill-Health Retirement (PILIR) to the DOD for Public Service Act (PSA), 1994 (Proclamation No. 103 of 1994) employees only.
- An Administrative Instruction, No. 26/2007, regarding the administration and recovery of fines in the DOD was promulgated.

⁹ Subprogramme Service Corps: Prior to FY 2007/08, the various subprogrammes of the Human Resources Division functioned within the fragmented environment of the Policy and Planning and Joint Support Divisions of the DOD.

¹⁰ Subprogramme Joint Training: Prior to FY 2007/08, the various subprogrammes of the Human Resources Division functioned within the fragmented environment of the Policy and Planning and Joint Support Divisions of the DOD.

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- The current draft departmental policy on LCAMPS, which forms part of the Policy for Transformation Management in the DOD, has been submitted to the Services for their evaluation and additional inputs.
- The Minister of Defence and the Plenary Defence Staff Council approved the terms of reference and proposals for an SANDF-Unique Remuneration Strategy.
- The HR Division (CDTM) participated in the drafting of the Revised White Paper on South African Participation in International Peace Missions. The White Paper review was spearheaded by the Department of Foreign Affairs. The DOD's participation has resulted in the mainstreaming of gender in peace support operations.
- Resulting from the implementation of PSCBC Resolution 1/2007, changes were introduced within the following dispensations:
 - Occupational-Specific Dispensation for nurses;
 - Housing allowances; and
 - Changes to leave credits for nurses.
- A new leave dispensation system for the Military Skills Development System members was implemented.
- A revised DOD Performance Incentive Plan was implemented.
- An overarching policy for Labour and Service Relations in the DOD was promulgated.
- The DODI (DODIPERS/00041/2007, Edition 1) and JDP (JDP PERS/00024/2006, Edition 1) on the Management of Incapacity (Poor Work Performance) of Public Service Act Personnel (PSAP) (Including Senior Management Service Members) in the DOD, were implemented with effect from 1 October 2007.
- The C SANDF issued amended delegations for the call-up of Reserves.
- A new service system for civilian interns was put in place.

Table 2.22 HR Support Services that were Scaled Down, Suspended or Abolished During FY 2007/08

Reduction in Output (Quality and Quantity)	Reason for Scaling Down/Suspension/Abolishment	Implications	Actual Achievement	Reason for Deviation
Subprogramme: HR Management				
23 HR Support Satellites (HRSS) to be closed by end of March 2008	With the abolishment of General Support Bases, the HR maintenance support functions were also to be returned to the respective Services/Divisions	Services/Divisions would accept command and management responsibility for the HR maintenance functions at unit/formation and headquarters levels	Although pre-audits were concluded for 18 of the 23 HRSSes and they were thus ready for closure by 31 March 2008, the required IG DOD final closing audits have yet to be conducted	Lack of capacity within the IG DOD to conduct the final closing audits. Complexity and resource challenges prevented the completion of pre-audits at the remaining five HRSSes.

Achievement of Supporting Plans

HR Support Plan, including the Equal Opportunities and Affirmative Action Plan:

The Human Resources Division aligned with the guidelines issued by Cabinet as regards the composition of its uniform component. However, aligning the Public Service Act Personnel (PSAP) members with the guidelines has proved to be more challenging, as the turnover of this component is

stagnant. The Human Resources Division will, however, continue to strive to align the numbers in support of the guidelines promulgated. Although the representivity totals as indicated in the following table are not as might be desired, the HR Division will continue with its efforts to improve its overall demographic representivity.

Table 2.23 HR Achievement of Supporting Plans

Group	African	Coloured	Indian	White
DAP	61.30%	11.70%	1.40%	25%
PSAP	39%	6.40%	1.90%	52.60%
Total	50%	9.05%	1.65%	38.80%

Crime Prevention Support Plan: All instructions and guidelines were satisfactorily complied with. However, this did not prevent the continued theft of ICT equipment, for which boards of inquiry have been convened to investigate the individual cases.

Information and Computer Technology (ICT) Support Plan: All instructions and guidelines were satisfactorily complied with, which resulted in a 95% spending of the allocated budget. It will be endeavoured to improve upon this performance in the forthcoming year.

Occupational Health and Safety (OHS) Support Plan: Despite the physical relocation of a number of entities within the HR Division during the past year, instructions and guidelines pertaining to occupational health and safety issues were satisfactorily complied with. However, there remain a number of challenges within this environment, which will need to be addressed during the forthcoming year.

Physical Training, Sport and Recreation (PTSR) Support Plan: Despite the instructions and guidelines in this regard being complied with to a large extent, a more concerted effort will need to be conducted regarding overall participation in the quarterly fitness tests.

Logistic Support Plan: All instructions and guidelines were satisfactorily complied with, although asset management within the HR Division as a whole remains a challenge to be addressed during the forthcoming year.

Hereunder follows a consolidated assessment report on the achievements and progress regarding the aspects of HR Management, HR Development and Equity.

HR Management: With the establishment of the HR Division, a number of challenges were experienced within the HR management environment. Not least among these were the issues of budget management, and capacity regarding structures and the staffing thereof. During a number of work sessions, a strategy was compiled for this particular environment for implementation during the FY

2009/10 MTEF. Aspects to be addressed will include an investigation into the structures and staffing levels of the regional offices of HR Acquisition and Career Management in order to ensure that such environments are capacitated to carry out their expected mandates. The Director Military Veterans Administration has also been tasked to investigate the establishment of a Military Veterans Agency. This process has already commenced and it is expected to be completed in the foreseeable future. It is also intended to host a South African Military Veterans Association conference, at which a constitution for the effective functioning thereof will be tabled for consideration.

HR Development: The Chief Directorate Human Resource Development presented a Human Resource Development Conference to stimulate intellectual debate on the development of human capital. The theme for the conference was “Building a Learning Organisation”, aligned with the Human Resource Development Strategy that is unfolding in the Department. To empower the Department of Defence in implementing General Education and Training and Further Education and Training, the Department of Defence, in collaboration with the Department of Education, conducted a successful workshop during 2007, whereby 32 DOD personnel were trained as ABET Placement Assessors. Five learning interventions were presented to middle and senior managers in the Department, including members preparing for retirement, contributing significantly to the personal development and empowerment of these members.

Equity: In terms of gender representivity, the DOD seems to be doing well. In fact, since the advent of a democratic dispensation in South Africa, the number of women in uniform had increased to 19.6% by the end of 2007. However, women’s representivity in the decision-making structures of the organisation remains a challenge. In addition, there has been a significant increase in the number of people with disabilities serving in the organisation. This has increased to 0.64% and is mainly the result of the number of soldiers who have sustained injuries in the execution of their duties or during military training.

Achievements regarding specific matters under oversight by the portfolio committees are reflected in the following paragraphs:

Veterans: The Military Veterans Directorate is committed to quality service delivery directed at ensuring that military veterans are taken care of through the various military veterans associations. Equally, the DOD has a responsibility to ensure that its internal processes support these efforts. With the required budget and other resource allocations, the HR Division will be able to fulfil its mandate as prescribed in the Military Veterans Act, 1999 (Act No. 17 of 1999).

- **Military Skills Development System (MSDS):** A total of 1 882 MSDS members successfully completed their two-year MSDS contract periods in December 2007. During FY 2007/08, 1 648 MSDS members of the January 2006 intake accepted Core Service System (CSS) contracts after completion of their two-year contact periods. A total of 94 MSDS members of the July 2006 intake, as well as 100 MSDS members of the January 2007 intake,

have accepted CSS contracts before completion of their two-year MSDS contract periods. The intake of July 2007 is 779 members strong and 2 406 MSDS members reported for duty during the January 2008 intake.

- **DOD Service Delivery Improvement Plan in terms of the DPSA:** The DOD (HR Division) is in the process of replacing the current Human Resource Development Management Information System (MILQUAL) with an updated and more powerful system, capable of managing Human Resource Development more efficiently.

To empower Public Service Act Personnel in the functioning of the Department of Defence, a five-day in-house pilot Departmental Induction and Re-orientation Programme was successfully presented to 30 Public Service Act Personnel (PSAP) from diverse backgrounds on salary levels 9 to 13 during 2007. The programme was approved and will henceforth be presented on an annual basis.

Non-Statutory Force (NSF) Pensions: Progress regarding this project is appended hereunder in tabular format.

Table 2.24 Non-Statutory Force (NSF) Pensions

Financial Year	Funds Spent	Objective	Activities	Achievements
June 2005	R 155 491	Visit MK and APLA veterans associations Processing of all NSF applications received	Conduct presentations for former NSF members who have exited the DOD and assist with queries and disputes Capturing of applications on database Certified, verified and captured applications	Responded to all invitations from MK/APLA veterans associations. Submitted all applications received to Government Employees Pension Fund (GEPF) for processing and issuing of quotations.
July 2006	R 176 346	Roadshows to DOD units and formations Tracing of members without addresses Dispute resolution	Distributed NSF pension benefit quotations to serving members Conducted presentations to explain quotations Requested assistance from Home Affairs/veterans associations Disputes referred to Dispute Resolution Committee (DRC)	90% success with distribution of quotes. 10% of members without addresses were traced. 30% of disputes were resolved.

Table 2.24 Non-Statutory Force (NSF) Pensions (continued)

Financial Year	Funds Spent	Objective	Activities	Achievements
August 2007	R150 284	Tracing of members without addresses	Initiated procurement request for tracing company	MK and APLA veterans associations agreed to assist with tracing of members - no costs involved.
		Reprinting of expired quotations and the distribution thereof	Returned all expired quotes to GEPF	New quotes will be printed in early March 2008.
		Addressing policy issues with higher authority	Submitted name list to GEPF for new quotes to be generated	Cabinet Memorandum prepared on revised NSF dispensation for MOD to table in Parliament.
		Dispute resolution	Concerns with regard to NSF policy issues documented and referred to higher authority	35% of disputes resolved.
			Disputes referred to DRC	

Notwithstanding the challenges experienced regarding parity of the statutory provisions, auditable progress has been registered for the project during the period under review.

SUBPROGRAMME CORPORATE STAFF DIVISION

Overview

The Corporate Staff Division continued to provide a sound, centralised staff capability and service to the Chief of the SANDF. The service includes, inter alia, strategic direction, policy and strategic advice and support from the Military Policy Strategy and Planning Office, Defence Legal Services Division, Directorate Corporate Communication, Defence Reserve Division and the Chaplain Service. In addition, staff coordination was done of the Command and Management Information Systems, Logistics and the Military Police to ensure that the support services were delivered as directed by the C SANDF.

Most of the planned objectives and targets were achieved, despite some legacy challenges that were experienced. These challenges were mainly as a result of inadequate structures, a lack of capacity and a loss of skills, while support Divisions were hampered by the unavailability of vehicles and essential equipment. Various corrective measures were instituted and involved the effective coordination of responsibilities, the optimisation of performance control, continuous liaison with the Divisions, and the utilisation of Reserves and MSDS members. In addition, key corporate measures were implemented to improve performance and service delivery; these are the following:

- The implementation of the instruction to terminate the general support base concept and to migrate the general support function to a more effective, efficient and economical resource enablement system that is still in process;
- A Logistic Intervention and Realignment Programme (LIRP) has been established to address the issues that are hampering joint logistic services;
- The CSIR Facilities Section has been tasked to help with the development of a DOD Facilities Master Plan to assist in the management and improvement of the DOD's facilities; and
- The newly-established Protection and Security Section within the Military Police assists Services and Divisions in the conducting of surveys as part of proactive measures to prevent crime and contribute to asset protection.

The past year saw the Division focusing on three key strategic matters:

1. The confirmation of the force design and the costing of the Credible Force Design as confirmed in the Defence Update. Clear advice and direction to avoid inefficiencies and make the force design more affordable was provided;
2. Assistance with the reprioritisation of the Strategic Capital Acquisition Master Plan; and
3. Coordination in the development of the DOD Overarching Support Concept.

The Division's outputs were continuously visible in the international environment, where the quality of its activities and inputs during multinational Defence Committee meetings (DEFCOMS) had a direct impact on the image of the DOD and SANDF. The Division's achievements are highlighted below, while detailed performance and achievements are provided under the report of each subdivision.

- Chief of Corporate Staff's involvement in international cooperation through active participation in 17 bilateral and multilateral agreements or Defence Committee Meetings that took place during the Financial Year 2007/08.
- Revision of the Military Strategy that was approved by the Defence Staff Council.
- The assistance provided by the Military Policy Strategy and Planning Office with the development and support of the DRC Master Plan to reform the DRC Armed Forces.
- The seminar on the "Challenges of Religion in Peace and Conflict in Africa" that was successfully held at the SA National War College on 15 November 2007.
- Defence Legal Services' contributions towards the Prohibition of Restriction of Certain Conventional Weapons Bill that was passed by the National Assembly on 29 August 2007 and the Prohibition of Mercenary Activities and Regulation of Certain Activities in Country of Armed Conflict Bill that was promulgated and gazetted as an Act on 16 November 2007.
- The review of 113 cases during the year by the Court of Military Appeals, which resulted in a total cleanup of the backlog in review cases.

The Chief of the SANDF's requirements in terms of policy and strategic advice within the various corporate staff specialised Divisions were met. However, within the Corporate Staff Division the following challenges and needs continue to prevail:

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- The challenge in establishing an affordable and sustainable force design and force structure that can be operationalised within the Defence Budget allocation.
- The challenge in establishing a combat-ready Reserve Force component. Various initiatives to rejuvenate the Reserves were taken. These included:
 - the deployment of the Reserves in peace support operations to heighten the focus on the Reserves;
 - the submissions to the Defence Act, 2002 (Act No. 42 of 2002) for amendments that will guarantee the call-up of Reserve members; and
 - the utilisation of the MSD System as the primary feeder system.
- The challenge of maintaining DOD facilities that are in urgent need of renovation. DOD facilities remain in a poor state, due mainly to a backlog in the repair of old facilities requiring high maintenance. Although some progress was made, this was hampered by the delays caused by the fact that the Department of Public Works changed consultant/contractor procurement requirements.
- The challenge of preventing and combating crime within the Department. The anti-criminality strategy has been implemented and the newly-established structures within the Military Police Division will moderate this challenge.

Purpose

To provide a corporate staff capability and service.

SUBPROGRAMME CORPORATE STAFF OFFICE

Outputs

Details of the outputs of the Corporate Staff Office are shown in Table 2.25.

Table 2.25 Outputs of the Corporate Staff Office for FY 2007/08

Output	Performance Measure	Target	Achievements
Corporate staff capability and service for the Chief of the SANDF	The degree to which direction is provided to the Corporate Staff Division ensures that the Chief of the SANDF's expectations are met	Direction provided ensures that the expectations of the Chief of the SANDF are met	All the required outputs were achieved, despite the difficulties experienced and a lack in capacity within the Corporate Staff Office.
	The degree to which the Corporate Staff Division's policy and strategic advice meet the requirements of the Chief of the SANDF	Relevant and timeous advice	Detailed achievements under each subprogramme report.
	The degree to which the control and coordination, as delegated by the Chief of the SANDF, is executed and maintained	Control and staff coordination in compliance with the Chief of the SANDF's expectations	

SUBPROGRAMME MILITARY POLICY STRATEGY AND PLANNING OFFICE

Overview

The Military Policy, Strategy and Planning Office (MPSPO) achieved its planned objectives for FY 2007/08. These objectives have particularly contributed to the Department's support of multilateral initiatives as led by the African Union, the SADC Organ on Politics, Defence and Security, the African Standby Force, and the SADC Brigade. In addition, the activities of the office addressed the RSA Security Cluster's responsibilities and the Government's imperatives under the Programme

of Action. During this period, a number of improvements were made to enhance the departmental strategic planning, internal control and performance reporting. The strategic plans, their monitoring and evaluation through the DPBEC, as well as various requirements for SANDF reports, were met in full accordance with the timelines of Government and Parliament and the objectives of the DOD.

Among the many achievements made, the following warrant specific mention:

- The Military Strategy was revised and approved by the Plenary Defence Staff Council;

- The formulation and presentation of the Overarching Support Concept for the DOD was approved and adopted as part of the Military Strategy;
- The MPSPO was actively engaged in strategic planning related to determining the DOD Credible Force Design 2025 that is affordable and appropriate;
- The establishment of the SANDF Readiness Forum as a subcommittee of the Military Command Council;
- The MPSPO assisted the Balanced Scorecard Steering Committee in establishing the Balanced Scorecard as a tool to measure DOD organisation performance and strategic performance; and
- The MPSPO formulated and presented the strategic concept for the Defence Evaluation and Research Institute (DERI) for approval by the Defence Planning Board.

Purpose

To provide military policy, strategy and planning capability.

Measurable Objective

The Military Policy, Strategy and Planning Office (MPSPO) ensures that the South African National Defence Force has a valid and credible Military Strategy that is supported by an achievable strategic plan. This is accomplished through an accepted Strategic Direction Process.

Outputs

The output details for the MPSPO, in terms of core objectives, are given in Table 2.26 below.

Table 2.26 MPSPO Outputs for FY 2007/08

Outputs	Performance Measures	Targets	Actual Achievements
Military strategy and planning capability, advice and services for C SANDF	Achievement of SANDF strategic planning objectives and targets	Plans and reports are completed as prescribed by the planning cycle and instructions, in full alignment with the Government's timeline	Achieved. Plans and reports were completed as prescribed by the planning cycle and instructions, in full alignment with the Government's timeline. The further development and refinement of the GEJIMA planning tool is in process.
	Validity and alignment of the Military Strategy with National Security Strategy imperatives and the successful implementation thereof	Review fully aligned and approved Military Strategy with migration to an implemented force design and structure	Achieved. The fully updated Military Strategy was finalised.

Performance and Service Delivery Improvement

The detail of performance and service delivery improvement is reflected in Table 2.27 below.

Table 2.27 MPSPO Service Delivery Improvements for FY 2007/08

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement
Design and development of an electronic planning tool	Implementation of GEJIMA, an electronic tool to capture planning and reporting	Align planning and reporting with providing easier access to management information for decision making	Ongoing	Milestones for the project were achieved. The GEJIMA tool was further developed and was successfully utilised for the Level 2 quarterly reporting. A challenge is still experienced with regard to the bandwidth for the Local Area Network and the Wide Area Network. Phased training/retraining is being implemented.

SUBPROGRAMME RELIGIOUS SERVICES DIVISION

Overview

The Religious Services Division focused its ministry on a holistic religious approach and provided religious service support to all DOD members and their dependants by promoting spiritual growth, social support and ethical conduct. The past year was marked by strong services and support to members in the operational areas, Military Attachés as well as their dependants. However, of note are the strong relations being forged in the Region and on the Continent, as described in this report.

The importance of sharing a common vision on the Continent was further promoted when a total of 15 chaplains from SADC countries attended different learning opportunities in South Africa throughout the year, e.g. the “Chaplain in Peace Support Operations” course. South Africa, as the chair of the SADC Interstate Defence and Security Committee Spiritual and Moral Support Workgroup, led the chaplains in the Region during this time to give spiritual and moral support to all members and families. The workgroup efforts are derived at establishing the Africa Standby Force – SADC Brigade. This workgroup met twice to discuss “Reconciliation and Healing as Part of Post-Conflict Reconstruction” and the implementation of the “Spiritual and Moral Support to the Militaries of the Region” plan.

The programme “Combating HIV and AIDS Through Spiritual and Ethical Conduct” (CHATSEC) is considered to be one of the best programmes of its kind and was therefore again presented to 21 chaplains of the SADC countries and a special group of Namibian chaplain facilitators. Through these training activities, the Religious Services Division has helped to enhance and direct the functioning and output of SADC Chaplain Services and has indirectly given support to the execution of Government imperatives.

In promoting peace and stability within the African context, the Religious Services Division has played a

major role through the services that were provided by the externally deployed chaplains. In this vein, 16 foreign chief chaplains attended a very successful conference on reconciliation and healing.

Eight chaplains, including two Reserve chaplains, were deployed in peace support operations in the DRC, Burundi, the Comoros and Sudan, where they initiated various support programmes with local churches and communities and built good relationships with local pastors and community leaders.

At home, the spiritual care and support of the injured soldiers and the families of the deceased soldiers of the Lohatla accident in October 2007 received highest priority. Spiritual support was also provided to deployed members and their families during Operation BATA, the countrywide extended labour action by public servants. Furthermore, the Division focused its efforts during this time on the moral regeneration and ethical conduct of the military community, in support of the Moral Regeneration Programme of the Government. The CHATSEC programme was therefore also extensively presented within the DOD, with specific focus on the MSDS and training of Reserve chaplains. A seminar on the “Challenges of Religion in Peace and Conflict in Africa” was successfully held at the SA National War College in November 2007.

The development of chaplains is important and ongoing. For this reason, two chaplains attended a NATO chaplains course in Germany and one chaplain attended a Canadian Peace Support and Humanitarian Aid Course, thereby ensuring that the Chaplain Services Division remains abreast of the latest developments internationally. With regard to revitalising its Reserve component, the Division successfully recruited 75 chaplains according to the prescribed demographics of South Africa.

The Religious Services Division has throughout this reporting period supported the DOD by proactively enhancing the spiritual, moral and ethical milieu of the DOD members in order to maintain the defence capabilities of the SANDF for the people of South Africa.

Outputs

Details of outputs of the Religious Services Division are shown in Table 2.28.

Table 2.28 Religious Services Division Outputs for FY 2007/08

Output	Performance Measure	Target	Achievement
Religious policy advice and chaplain capability and service for the SANDF	Religious policy advice and chaplain capability and service for the SANDF	All policy on Chaplain Service in the DOD updated	100 % achieved. The reviewed policy was handed over to CPP during August 2007. Strong liaison developed in SADC. Spiritual care to DOD members rendered professionally. Details in overview.
	Relationship with Religious Bodies and Advisory Boards (RAB)	Good covenantal relationship through regular yearly meetings with RAB and visits to faith groups and denominations	100 % achieved. Two meetings were held and there is a constructive relationship between the Chaplain Services and religious groupings of all major religions in South Africa.

SUBPROGRAMME CORPORATE COMMUNICATION

Overview

Defence Corporate Communication (DCC) managed to achieve most of its outputs and objectives according to plan in FY 2007/08. DCC is continuing with the challenge of increasing and improving its corporate communication efforts in order to ensure stronger public awareness, understanding and support for Defence, with the focus on supporting operations in the Region and on the African Continent. DCC succeeded in the alignment and integration of communication with the Government Communication and Information System (GCIS), the Ministry of Defence and the Services and Divisions, by means of proactive and joint strategic planning.

There were a number of key achievements that enhanced the output of the Division. The chief executives of 40 top companies in the RSA were briefed on the need to support the Reserve Force Service. The broadcasting of radio and television commercials in support of the HR Strategy 2010 and the “Employer of Choice” marketing campaign was extremely well received. These broadcasts also coincided with the National Youth Day celebrations. The production process of the television commercial was also covered in an international audiovisual magazine, *AV Specialist*, during July and August as well as on the magazine’s website. Corporate

Communication participated in the Soweto Festival over the period 27 to 30 September 2007 and was awarded the trophy for the best of the large exhibitions. Directorate Corporate Communication also arranged the very successful *Nkungumathe* youth visit to the SANDF units in northern KwaZulu-Natal over the period 26 to 28 November 2007. On another occasion, Defence TV was awarded the National Government Communicators’ *Ubungweti* Award during the GCIS annual awards ceremony. The Defence entries included the productions on peace support operations and the recruitment (“Employer of Choice”) advertisements. This event also provided an excellent opportunity for the DOD to profile its role in peace missions and its support of Government programmes in terms of job creation and skills development.

The favorable media coverage received on the rejuvenation and re-equipping of the SANDF is gradually positioning the SANDF as the employer of choice for the youth of our country, i.e. to provide skilled and trained personnel for Peace Support Operations and to contribute to achievements with regard to the role of the SANDF in ensuring peace and stability in the Region. It furthermore profiles the SANDF as an instrument of Government in its commitment to service delivery and improving the lives of all South Africans.

The strategic function of Defence Corporate Communication is an integral part of the capabilities of the DOD – to support management processes

and functions in achieving the DOD's mission and vision. DCC received guidelines to increase and improve its corporate communication efforts in order to ensure stronger public awareness, understanding and support of Defence, and to develop and refocus corporate communication to be able to effectively support operations in the Region. The management of relationships between the DOD and its key stakeholders will focus communication efforts to address the credibility of the Department, with regard to financial management and defence spending. DCC is, however, still experiencing a major lack of capability regarding its ability to fully achieve its set objectives. This is mainly due to a lack of skilled and experienced corporate communication specialists and posts. One of the management interventions by Directorate Corporate Communication to overcome this challenge was the identification and employment of four interns for a period of one year, as part of Government's ASGISA incentives to reduce joblessness by providing job opportunities and skills development to unemployed graduates. Expanding its communication efforts in support of departmental objectives, however, remains a challenge.

DCC continues to focus its communication efforts on the achievement of consensus on defence among all its key stakeholders, i.e. to promote the role of the DOD and the SA National Defence Force (SANDF) in its commitment to peace and stability on the Continent. The overarching communication

challenge for DCC related to this objective remains to promote the role of the DOD, and in particular the SANDF, in a peacetime scenario, given its low level of visibility internally.

The establishment of the new DCC structures is still in process, in accordance and in alignment with the restructuring process of the broader Department. The effectiveness of internal communication in the DOD depends on the partnership between the command and management cadre at all levels and their corporate communication staffs. The role of corporate communication as a management function remains a key challenge to DCC at all levels.

Measurable Objective

Corporate Communication provided defence communication policy, strategy and plans in accordance with DOD policy and national (Government Communication and Information System) policy. It also provided a centralised corporate communication capability, services and products in order to enable effective, efficient, interactive two-way communication between the DOD and its publics/stakeholders.

Outputs

Details of the outputs of Corporate Communication are shown in Table 2.29.

Table 2.29 Outputs of Corporate Communication for FY 2007/08

Output	Performance Measure	Targets	Actual Achievement
Subprogramme: Corporate Communication			
Strategic direction in respect of corporate communication to the DOD by providing defence communication advice, policy, strategy and plans in accordance with DOD policy and national (GCIS) communication policy	Level of credibility of communication advice	Credible communication advice to the MOD and DOD	Fully achieved. The research findings from IG and GCIS continue to reflect growing public confidence in the performance of the DOD. Continuous communication advice and guidelines are provided at all management levels, e.g. DSC and PDSC.
	Level of coordination of communication efforts	Coordinated DOD corporate communication efforts	Fully achieved. The DOD Corporate Communication Strategic Business Plan and Strategy continue to serve as guidelines for the coordination of DOD communication efforts. Corporate Communication Staff Council is fully functional to ensure the coordination of communication plans and programmes.

Table 2.29 Outputs of Corporate Communication for FY 2007/08 (continued)

Output	Performance Measure	Targets	Actual Achievement
Strategic direction in respect of corporate communication to the DOD by providing defence communication advice, policy, strategy and plans in accordance with DOD policy and national (GCIS) communication policy	Relevance of corporate communication policy	Development of a draft Corporate Communication Policy	Partially achieved. The process of updating the Corporate Communication Policy has gained momentum with the establishment of a dedicated corporate communication task team to finalise the policy.
Corporate communication capability, products and services	Quality and timeliness of publication of DOD magazine	A high-quality monthly DOD magazine for internal and external stakeholders	Fully achieved. A magazine of high quality was produced and distributed to all the stakeholders according to plan. A monthly editorial board meeting is held to ensure the achievement of high editorial standards.
	Credibility, relevance and quality of DOD Internet website	Fully functional DOD Internet website	Fully achieved. DCC Internet website conforms to all Government guidelines and prescripts. A content management forum is in place to ensure credibility of information.
	Level of service and credibility of information provided to media	Full 24-hour media information service with high degree of credibility	Fully achieved. The DOD image in the media is favourable due to a sound relationship between the media liaison office and its internal and external stakeholders.
	Quality of corporate communication products, in alignment with Government branding guidelines	Corporate communication products (promotional material, shows and exhibitions, etc) as required	Fully achieved. DCC adheres to GCIS guidelines to ensure alignment in respect of branding and marketing products.

Performance and Service Delivery Improvement

The detail of performance and service delivery improvement is reflected in Table 2.30 below.

Table 2.30 Performance and Service Delivery Improvement

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement
Access to DOD information	Improve the DOD website	Improved access to DOD information on the Internet	Ongoing	i. DOD careers website: The careers website was established (in collaboration with DPACQ) during the past quarter. This resulted in a reduction of telephone enquiries to the DCC Info Centre. Enquiries relating to careers dropped by approximately 80%.

Table 2.30 Performance and Service Delivery Improvement (continued)

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement
Access to DOD information	Improve the DOD website	Improved access to DOD information on the Internet	Ongoing	ii. Support to the marketing of the DOD: DOD advertisements (i.e. the “Employer of Choice” series of advertisements) designed for national television broadcasting and other communication/marketing products are being published on the DOD website. This effort contributes to the profiling of the DOD/SANDF to internal and external stakeholders/public.

SUBPROGRAMME DEFENCE RESERVE DIRECTION

Overview

The Defence Reserves has had a successful year in terms of the attainment of its objectives. Many of these have contributed to, and will continue to contribute to, the establishment of a viable system and climate within which the Reserve Force may operate. The development of the Reserve Force into a transformed, viable and combat-ready component of the SANDF rests with the Services and Divisions, which command the Reserve elements of the force design and structure. However, the Defence Reserves is charged with coordinating and monitoring the execution of the Reserve Force Strategy and Project PHOENIX (renewal and transformation of the Reserves in the Services and Divisions) through the Defence Reserve Board.

The role of the Reserves was confirmed in the Defence Review/Defence Update. This clarity of role, as listed below, together with the finalisation of the Reserve Force Design, has enhanced planning and implementation of the “One Force” concept.

- Providing the majority of the Landward Conventional Capability of the SANDF;
- Supplementing peace support operations;
- Providing support to the people; and
- Maintaining a pool of specialist skills as required by the SANDF.

The rejuvenation process has maintained its momentum and the Reserves has continued the

process of becoming a viable and employable component of the conventional capability of the SANDF. This is confirmed by the fact that Reserve infantry companies and two engineer troops were successfully deployed to the DRC and Burundi in the past year. It is foreseen that further elements will be deployed in Sudan on peace missions in the coming year. Reserves were also successfully deployed in Operation BATA during the public service strike.

Furthermore, significant progress was made in strengthening the Reserves within the Services. The total strength of the Reserve is currently 17 749 out of a force design of 70 052. The largest component of Reserves, almost 90%, is within the SA Army. The SA Army Reserve strength currently stands at 12 264 (out of a force design requirement of 57 385), of which approximately 70% (an increase of 75% in four years) are from previously disadvantaged backgrounds. Similarly, the budget for 2007/08 was some Rm158, up from Rm22 in 2003. Of note are the following achievements:

- To date, 14 Reserve infantry companies and two engineer troops have been deployed in internal and external deployments;
- Some 7 900 Reserves were utilised during the past year;
- A total of 500 former Army Territorial Reserve members transferred to the Army Conventional Reserve and were retrained;
- The first meaningful exit from MSDS to the Reserves became available in December 2007 and some success was achieved in identifying civilian employment opportunities for MSDS members joining the Reserves. However,

difficulty has been experienced in motivating these members to join the Reserves as they are seeking full-time employment; and

- Infrastructure for the Reserves, such as at Fort iKapa in Cape Town, Lord's Ground in Durban and Kensington Garrison in Johannesburg is improving.

In addition, the SA Air Force, SA Navy and SA Military Health Service have also increased their focus on Reserves. The SAAF Reserve Squadrons now provide 148 aircraft for use by the SANDF. At any one time, 10% to 15% of the SA Navy Reserves are under call-up. The SA Navy has opened placement agencies that identify civilian job opportunities for Reserves. The SA Military Health Service has continued with the development of the University Reserve Training Unit (URTU). Furthermore, Reserves were used in the Divisions, including Defence Legal Services, Religious Services and the Military Police Division.

The Defence Reserves Division was actively involved in the review process of the Human Resource Strategy 2010, which will ensure the sustainable incorporation of the Reserve component in the transformation and rejuvenation processes. Progress has been made in appointing more Reserves members in the available posts at all levels.

Significant progress has been made in promoting the Reserve service to target audiences through various mediums: the website www.rfdiv.mil.za, advertisements, magazine articles, the publication twice per year of the *Reserve Force Volunteer*, briefing sessions as well as shows, exhibitions and open days.

Within the Division the re-staffing of the regional offices is progressing well. Improvements were made in the demographic composition, as seen by the staffing of three African members at the regional offices. This area remains a challenge in terms of reaching the set transformation figures, since new applicants are normally area-bound.

The Division's challenge is to manage strategic planning based on the projected increased MSDS intake in 2009, which is one of the 24 Presidential APEX priorities and which will subsequently augment the Reserves from 2011. The lack of budget for continuation training, which serves to retain trained Reserve members and maintain competency and readiness states in the Reserves, remains a challenge. Furthermore, there is also a risk that prior to 2011, the Reserve units in the non-infantry formations in the SA Army, which have been given limited budgets, will fall below critical mass.

In conclusion, the progress in the past year has been good. The mission of the Defence Reserves, "To direct the development and maintenance of the Reserve System, to provide specialist advice on Reserve matters and to promote/market the Reserves and the volunteer Reserve System", is being achieved with the active support of the Ministry of Defence, Secretary for Defence, Chief of the SANDF, Chief of Corporate Staff as well as Service and Division chiefs. However, Reserve budgets will have to be increased and ring-fenced if a fully transformed and employable Reserve is to be created. Nevertheless, it is clear that the SANDF and the Defence Reserves have made steady progress towards rejuvenating the Reserves and building the "One Force" concept, as evidenced by the pivotal role played in deployments during the past year.

Measurable Objective

The Defence Reserve Direction Subprogramme directs the development and maintenance of the Reserve system to provide specialist advice on Reserve matters and promote/market the Reserves and the Volunteer System.

Outputs

Details of outputs of the Defence Reserve Direction Subprogramme are shown in Table 2.31.

Table 2.31 Defence Reserve Direction Subprogramme Outputs for FY 2007/08

Output	Performance Measure	Target	Actual Achievement
Strategic direction to the development and maintenance of the Reserve system by providing specialist advice, policy, strategy, plans and doctrine, as well as promotional/marketing products and services	Implementation of Reserve Strategy	Advice on Reserve Strategy (50% based on weighted scale) implementation	Partially achieved. Implementation of the Reserve Strategy was monitored through the Defence Reserve Board. Guidelines based on the Reserve Force Strategy were included in the DOD Planning and Budgeting Guidelines for the MTEF.

Table 2.31 Defence Reserve Direction Subprogramme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement	
Strategic direction to the development and maintenance of the Reserve system by providing specialist advice, policy, strategy, plans and doctrine, as well as promotional/marketing products and services	Improvement of Reserve policies	Improved HR-, training- and preparation-related Reserve policies	Partially achieved. The Defence Reserve Division contributed to the formulation and updating of Reserve-related policies. Updated HR utilisation and remuneration policies are in process of approval. Complementary enhancement of the PERSOL system is in progress. The amendments to the remuneration packages of the Reserves have been implemented. The delegation of call-up authority from the Secretary for Defence and Chief of the SANDF to Service chiefs and Division heads is being implemented.	
		Rollout of policies regarding University Reserve Training Unit (URTU) training for all Services and Divisions	Not achieved. The final pilot project report is expected in September 2008. However, the development of the curriculum for rollout to Services is in progress through the Joint Training Command.	
	Relevance and robustness of Reserve legislation and regulations	Implementation by Services and Divisions of new enrolment form, service contracts and General Regulations	Partially achieved. General Regulations pertaining to the utilisation of Reserves have been finalised. Services and Divisions are implementing the new enrolment form and service contracts.	
	Extent and level of information being provided to internal and external stakeholders and support by employers	Effective information and marketing of the Reserves	The target was achieved. Two editions of the <i>Reserve Force Volunteer</i> magazine were published and distributed nationally to business and organised labour as well as internally in the DOD. Various mediums were utilised to market the Reserves, inter alia: advertisements, the website, magazine articles and open days. The Division enables opinion-former contact sessions hosted by Services and Divisions.	
			Commitment by 20 major companies (employers) to support Reserve Service	Partially achieved. The corporate system is actively engaged and has achieved 60% of target. Chief Defence Reserves briefed chairpersons and chief executive officers of the top 40 companies in the RSA on the Reserve System and received in-principle support for the Reserves from them.
			Opening of regional Councils for the Support of National Defence (CSND) per regional office	Partially achieved. The establishment of the regional CSND forums made progress. The Business Liaison Forum was successfully established in KwaZulu-Natal and is fully functioning in the region. The establishment of Business Liaison Forums in the other regions is set for completion in 2008.

Table 2.31 Defence Reserve Direction Subprogramme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
		Reserve website maintained	Partially achieved. The website is fully established; however, the lack of staff in critical posts impedes ongoing development and maintenance. The policy on the Promotion of Defence Reserves is under development and will be completed in 2008.

Performance and Service Delivery Improvement

Detail of the Defence Reserve Direction Subprogramme’s performance and service delivery improvement for FY 2007/2008 is reflected in Table 2.32.

Table 2.32 Defence Reserve Direction Subprogramme’s Performance and Service Delivery Improvement for FY 2007/08

Activities	Planned Management Interventions	Anticipated Benefits	Status	Actual Achievements
Reserves representation at all key decision-making forums in all Services and Divisions	To agitate for the finalisation and staffing of the Reserve structure in the Joint Operations Division	Optimal Reserve employment and representation within Joint Operations Division	Ongoing	Partially achieved. Progress has been made in appointing more Reserves members in the available posts at all levels. The Defence Reserve Board monitors this aspect.

Policy Developments

Proposed changes to the legislation, to authorise the call-up of Reserves in times other than war or in times of need, were approved by the Plenary Defence Staff Council and is currently before the Portfolio Committee on Defence.

Africa Agenda). The consolidated defence diplomacy achievements are reflected in Appendix B.

SUBPROGRAMME DEFENCE FOREIGN RELATIONS

The Minister of Defence approved the appointment of eight designated Defence Attachés for the normal changeover of existing Defence Attaché office personnel, as well as four SANDF members who have been earmarked to open new military offices in Canada, Tunisia, Vietnam and Sweden during FY 2008/09.

Overview

Defence Foreign Relations (DFR) contributed towards Government’s imperatives and the Plan of Action by increasing South Africa’s representation specifically in Africa, as seen by the opening of a Military Attaché Office at the South African High Commission in Uganda during June 2007. The subdivision was centrally involved in the arrangements of all bilateral international meetings. In Africa it was involved with continental and regional multilateral organisations’ defence and security structures, with special emphasis on the activities of the Southern African Development Community Organ and the Interstate Defence and Security Committee, as such giving impetus to the Government’s foreign relations initiatives (e.g. the

Defence Foreign Relations successfully presented the Third Defence Attaché Conference in Pretoria in June 2007, where the serving Defence Attachés were informed about the latest developments in foreign and defence policies, as well as the Defence Foreign Relations Strategy. The national strategic importance of this event was underlined by the personal involvement of the Minister of Defence, who opened the conference, and the Secretary for Defence, who closed the event. DFR contributed to the achievement of the Apex Priorities of the President by ensuring that the annual meeting of the Joint Permanent Commission on Defence and Security with Zimbabwe, and the support that the Defence Attachés afforded the SA Defence-Related Industry, contribute to the economic priorities of Government. A draft Service-Level Agreement

has been drawn up between the DOD, Command Management Information Systems and the Department of Foreign Affairs regarding telephone and Internet access at Defence Attaché offices in the various RSA Missions abroad, to ensure that the Defence Attaché Offices' communications are enhanced and incorporated into that of the mission.

High-level presenters from within the DOD, the Department of Foreign Affairs and academic institutions orientated Defence Attaché candidates during a Defence Foreign Relations course regarding defence foreign relations functions and the important aspects of defence diplomacy. To ensure that future foreign relations courses are properly accredited and that sound standards are maintained in the training of the military diplomats, the unit standards for the Defence Attaché/Advisor and Defence Foreign Relations course were submitted to SAQA at the end of October 2007 for accreditation.

The human resources composition of DFR closely reflects that of the country and is in line with the departmental goals of equity. Special care has also been taken in the appointment of Defence Attachés to ensure that the DOD is representing the face of South Africa abroad.

In an effort to streamline internal control measures, DFR has published the Defence Cooperation Plans on the DOD Intranet to provide an enhanced service within the DOD, in order to ensure that the DOD clients have easy access to the military-to-military relations between the RSA and relevant countries. In combating crime, DFR has updated and issued the vehicle control instruction to enhance the control of official vehicles and to minimise the misuse of those State assets under control of DFR. Anti-crime messages and code of conduct issues have been regularly communicated to DFR members.

DFR has managed the exponential increase in defence diplomacy activities in the DOD, despite the structure of the organisation not being aligned with the functions that it is expected to perform.

Purpose

Defence Foreign Relations manages and directs the defence foreign relations function and provides the related services for the Department of Defence.

Outputs

The subprogramme's output details and performance are indicated in Table 2.33.

Table 2.33 Defence Foreign Relations' Outputs for FY 2007/08

Output	Performance Measure	Annual Target	Actual Achievement
Defence foreign relations capability and services as directed by C SANDF	Achievement of representation (Defence Attachés)	32	32 achieved defence foreign relations capability: Achievement of representation (Defence Attachés).
	Management of consular services in such a way that the service is delivered accurately and on time	95% of all consular services are delivered on time and accurately	90% of consular services were delivered on time and accurately. Due to short notice in requesting consular services, there were difficulties in providing a fully professional service, resulting in human error in some cases. The following transaction outputs were realised: <ul style="list-style-type: none"> • Air tickets issued: 867 • Passports issued: 3 196 • Visas issued: 1 568 • Courier letters: 1 • Vehicle hire events: 19
	Management of the Military Attaché and Advisor Corps (MAAC) annual programme and activities to the satisfaction of the members within SANDF policy	95% of the activities in the MAAC programme are executed to the satisfaction of the MAAC members	95% achieved. The programme consisted of one major tour, six visits and activities in the DOD and the Defence-Related Industry, and four women's events were organised.

Table 2.33 Defence Foreign Relations' Outputs for FY 2007/08 (continued)

Output	Performance Measure	Annual Target	Actual Achievement
Defence foreign relations capability and services as directed by C SANDF	Quality of foreign relations advice to the stakeholders (Ministry of Defence, Department of Defence and the SA National Defence Force)	All foreign relations advice is timeous and useful for the Department's users	95%. Reason for deviation: The communication from Services and Divisions to assist DFR with the updating of the cooperation plans prevents DFR from delivering the required service to the DOD. The cooperation did, however, contribute significantly in terms of the advice given to DOD members in dealing with foreign visitors or when going abroad.

Risks and Mitigation Actions

The risks and mitigation actions are indicated in Table 2.34.

Table 2.34 Risks and Mitigation Actions for FY 2007/08

Risks	Mitigation Action	Actual Achievement
To realign the DFR structure in order to be able to function optimally and be able to structure it according to strategy and functions To have ministerial instruction on the DFR structure implemented	DOD organisational and structural development process had to address the issue with its implementation plan	Not achieved. The placement of DFR in the DOD and the structural alignment is still outstanding.
Existing DA offices are still operated at funding levels of several years ago and no additional funds have been allocated for increase in living conditions	It occasionally happens that the late submission of mission accounts funds the shortage in the operational expenses Submission was made to the DPBEC to address the problem and an additional Rm9.7 was allocated to DFR in November 2007	Achieved.

SUBPROGRAMME PROPERTY MANAGEMENT

The Chief of Logistics manages the Property Management Subprogramme within the Joint Support Programme. The budget is reflected in the Administration Programme.

Measurable Objectives

The management of the payment of accommodation charges, leases and municipal services as a direct result of the devolution of a portion of the budget of the National Department of Public Works to the national departments.

Outputs

Details of the Property Management Subprogramme outputs are shown in Table 2.35.

Table 2.35 Property Management Subprogramme Outputs for FY 2007/08

Output	Performance Measure	Target	Actual Achievements
Payment of accommodation charges, leases and municipal services	The degree to which accounts are paid on time	All accounts paid in full, on time and in accordance with Service-Level Agreements with Department of Public Works	Achieved. All claims for accommodation charges, leases and municipality services by NDPW were paid in full and on time by the DOD. However, 13% of the allocated amount for municipality services was not claimed for by NDPW and these funds were reallocated to assist in the financing of the Air Force Base Waterkloof runway.

Foreign Aid Assistance

Foreign aid assistance to the DOD is reflected in Appendix B.

Policy Developments

New Policies and Legislation: Defence Foreign Relations rendered assistance and support to the Policy and Planning Division with the compilation of a Ministerial Directive for procedures pertaining to the access of foreign military vessels and certain other vessels to the territorial and internal waters and ports of South Africa, and related multinational exercises.

Services to be Scaled Down, Suspended or Abolished During FY 2007/08

DFR had no scaling down planned for the financial year and none occurred, including no suspension, abolishment or Force Structure Elements being closed down. The Defence Foreign Relations function was, however, transferred from Corporate Staff Division to Defence Intelligence for command and control purposes and will be reported on under the Subprogramme Defence Intelligence in future.



Force Employment

CHAPTER 3

Programme 8: Force Employment

Overview

Through the Force Employment Programme, the command and control, as well as the coordination of all SANDF forces employed in various missions, is executed and directed.

The SANDF fully complied with all commitments in terms of missions ordered by the Government. The SANDF successfully employed mission-trained forces in terms of South Africa's policies and international obligations in order to promote peace, safety, security, stability and cooperation.

Defence actively supported peace, security and stability missions in Africa. Approximately 2 500 members, including Reserves, were employed in six peace support and six general military assistance operations in the DRC, Sudan, Burundi, Ethiopia and Eritrea, Uganda, Central African Republic (CAR), the Comoros and Mozambique. For the first time, the SANDF deployed personnel outside the Continent when five military observers were deployed in support of the UN mission in Nepal (Operation INDULI). In the DRC, the SANDF continued to support the ongoing peace operations. The SANDF contingent deployed in Sudan under the AU helped to stabilise the fragile peace process in the Darfur region. The UN/AU Hybrid Mission will see the strength of the South African contingent increase during the next rotation in May 2008. Military observers were also deployed in support of the AU peace initiative in Uganda. Furthermore, the SANDF has pledged force capabilities towards the establishment of the SADC Brigade (SADCBRIG) as part of the AU Standby Force. The SADCBRIG was formally launched on 17 August 2007 in Lusaka, Zambia.

In addition to the participation in peacekeeping operations, the SANDF participated in six general military assistance operations during the year under review. In contributing to post-conflict reconstruction activities in the DRC, the SANDF continued supporting the DRC Armed Forces with the integration process and by the end of March 2008, 164 729 Congolese combatants had completed the identification and registration process. In accordance with a bilateral agreement with the

Central African Republic (CAR), the SANDF deployed personnel to the CAR to assist with training and post-conflict reconstruction. CAR soldiers also received training in South Africa. With reference to humanitarian assistance, support was provided to Mozambique during the recent floods and technical assistance following the country's ammunition depot disaster. The SANDF assisted Mozambique with the destruction of 1 213 tons of unexploded ordnance as well as the Ugandan Government with the disposal of 280 tons of munitions.

Internally, several missions in support of other Government departments were conducted. Worthy of noting is Operation BATA in June 2007. Operation BATA saw the SANDF provide rapid and full response to the requirement by Government to support the people of South Africa during the public sector strike. This saw the SANDF deploy its members within 24 hours of receiving the order. The SA Military Health Service (SAMHS) was the lead Service during the operation, the details of which are described under Programme 5.

In support of the SA Police Service (SAPS), the emphasis was on borderline control and rural safeguarding operations. The phased withdrawal of the SANDF from borderline control and rural safeguarding and the handover to the Department of Safety and Security continued, with the international borders pertaining to Mozambique and Swaziland handed over to the SAPS for future safeguarding and management. This resulted in a reduction of internally deployed SANDF force levels. The handing-over and taking-over process between the SANDF and the SAPS will continue as a phased process until the end of FY 2008/09, in accordance with the approved SAPS Entry/SANDF Exit Strategy. Thus the number of personnel safeguarding the borders of South Africa has been reduced, which sees a concomitant decrease in the number of undocumented migrants from neighbouring countries being apprehended, as compared to the previous years. Close cooperation was strengthened, and the SAPS, the Department of Home Affairs and the SANDF assisted in repatriating undocumented migrants.

The Division adopted a holistic, joint and interdepartmental as well as multinational force preparation approach called the JIM. One interdepartmental exercise and nine multinational exercises took place. Joint planning for Exercise NDLOVU has commenced. In preparation for the FIFA 2010 World Cup Soccer tournament, the SANDF and SAPS participated in Exercise GREENPOINT over the period 13 to 19 March 2008 in Cape Town.

Concerted efforts were made by the SANDF to address the serviceability and sustainment of equipment in the DRC and Sudan. The deployment of the Mamba Armour Personnel Carriers in the DRC increased the serviceability and ability of SANDF forces. The SANDF experienced delays receiving authorisation of sustainment flights that impeded the sustainment of the SANDF contingent deployed in Sudan.

The SANDF will remain focused on achieving its mission to provide, manage, prepare and employ defence capabilities in accordance with the needs of our country as regulated by the Constitution and national legislation.

Purpose

The Force Employment Programme provides and employs defence capabilities, including an operational capability, to successfully conduct all operations, and joint and multinational military exercises.

Measurable Objectives

To contribute to national and regional security by initiating, planning, commanding and coordinating all operations and joint and multinational military exercises as directed, and meeting Government's requirements.

Outputs

The Force Employment Programme activities for the defence of South Africa and in support of Government initiatives in the areas covered by the subprogrammes are:

- Strategic Direction
- Operational Direction
- Special Operations
- Regional Security
- Support to the People
- Defence Capability Management

Details of Force Employment Programme outputs are shown in Table 3.1.

Table 3.1 Force Employment Programme Outputs for FY 2007/08

Output	Performance Measure	Target	Actual Achievement
Subprogramme Strategic Direction			
Internal Support Capability	Compliance with operational readiness of the divisional headquarters	100%	100% achieved. The percentage compliance with operational readiness of the divisional headquarters improved through a higher percentage staffing of personnel.
Planning Capability	Compliance with Force Employment requirements	100%	100% achieved. All planning commitments (16 existing and new operations) were maintained/ developed, resulting in effective employment of forces. The maintenance of the planning capability and the resultant force employment activities contributed directly to the achievement of Government's political initiatives in the external environment.

Table 3.1 Force Employment Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
Operations Development Capability	Compliance with whatever joint and multinational doctrine is developed to optimise operational requirements, as determined by C SANDF	100%	100% achieved. C SANDF's requirements were fully met with the approval of three Joint Warfare Publications that will optimise operational requirements. Maritime doctrine for the SA Navy has been adopted as a Joint Warfare Publication.
	Compliance with the nature of whatever battle space development is researched and analysed	100%	100% achieved. The SANDF Strategic Capital Acquisition Master Plan was reprioritised to meet DOD requirements. The African Battle Space Publication was approved.
Subprogramme Operational Direction			
Command and Control Capability	Compliance with DOD's policies, strategies and plans in respect of operational matters	100%	100% achieved. Full compliance with DOD policies, strategies and plans in respect of operational matters was obtained during the year under revision. Command and control of operations was conducted successfully during FY 2007/08. Bilateral sessions were held to enhance interoperability and jointness. Force requirements for external and internal operations as well as ad hoc tasks were met. However, the serviceability of equipment, the health of members and the lack of junior leaders remain a challenge to the effectiveness of operations. See details in Table 3.
Internal Support Capability	Compliance with the operational readiness of the operational headquarters	100%	100% achieved. Internal support services were provided as required. Reserves were utilised to fill critical posts. The restructuring of the operational headquarters will enhance interoperability during joint, interdepartmental and multinational exercises as well as joint operations. Insufficient reserves available in depots were supplemented through the procurement of mission-specific equipment. Over-flight clearances for sustainment flights posed a problem during the past year.

Table 3.1 Force Employment Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
Subprogramme Special Operations			
Special Operations Operational Direction	Compliance with C SANDF requirements	100%	100% achieved. All planned Special Forces operations were successfully executed according to requirements.
¹ Training Capability	Compliance with C SANDF requirements	100%	91% achieved in terms of operators qualified in accordance with requirements. Target set for the number of operators to qualify was 100%, considering that a number of modules must be successfully completed in order to reflect competency at different levels. As some students are still busy repeating certain modules at any given moment, the success rate for FY 2007/08 was 91%.
² Subprogramme Regional Security			
Operation MISTRAL Support to UN mission in Democratic Republic of Congo (MONUC)	The number of members deployed to comply with the MOU and letter of assist in providing Force Structure Elements/Individuals as stipulated	1 244 members deployed	On average, a total of 1 244 members were deployed, including one company of Army Conventional Reserves. A successful rotation was completed during April/May 2007. It is envisaged that the mission might not be terminated before 2009. The Joint Operations Division made recommendations to the UN Department of Peacekeeping Operations during its review of the operation in terms of force capability, structure and support.
Operation FIBRE Closing down of the UN mission in Burundi	The percentage with regard to backloading, repair and replacement of all equipment	100%	100% achieved in terms of backloading of equipment. However, repair and replacement of equipment is still in progress.
Operation CURRICULUM Support to the AU mission in Burundi	The number of members deployed to comply with the MOU and letter of assist in providing Force Structure Elements/Individuals as stipulated	1 200 members deployed	The deployment was effectively maintained, with an average of 750 members deployed as part of the AU Special Task Force protecting the leaders and combatants of the Palipehutu-FNL. Due to delays in the implementation of the peace agreement, not all SANDF forces were deployed. One company and an aviation element remained on standby in the RSA. Future deployment of the RSA contingent is currently under review.

¹ SA Army submitted changes to Plan: SBP FY 2007/08 on 11 June 2007 to DHQ as well as to SITA for capturing on GEJIMA, indicating the changes.

² These new operations were in-year changes to plan and were authorised by the PDSC/DSC and through a Cabinet Memo.

Table 3.1 Force Employment Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
Operation ESPRESSO Support to the UN mission in Ethiopia and Eritrea	The number of members deployed to comply with the MOU and letter of assist in providing Force Structure Elements/Individuals as stipulated	Six members deployed	Until December 2007, one capital liaison officer in support of OLMEE and five military observers in support of UNMEE were deployed. In January 2008, the UN reduced force levels of the mission, hence the return of five members to the RSA.
Operation CORDITE Support to AU Mission in Sudan (AMIS) Support to UN/AU Hybrid Mission in Darfur (UNAMID) (1 January 2008)	The number of members deployed to comply with the MOU and letter of assist in providing Force Structure Elements/Individuals as stipulated	732 members deployed	The deployment in AMIS was effectively maintained, with an average of 575 members deployed. On 1 January 2008, the UN/AU Hybrid Mission in Darfur officially replaced the AMIS. South African forces deployed in AMIS were planned under a UN mandate for employment in UNAMID and continued providing the required services to the new mission. Planning for desert orientation training for the leader group in Tunisia was completed and the first training schedule was planned for May 2008. The SANDF experienced delays receiving authorisation for sustainment flights. This impeded the sustainment, mobility and protection of the SANDF contingent deployed in Sudan.
Operation TEUTONIC I Support to the integration of the DRC Armed Forces (FARDC) in the DRC	The number of members deployed to comply with bilateral and donor nation requirements	30 members deployed	Currently, 16 members are deployed in the mission area. A total of 164 279 combatants completed the identification and registration process. Four SAMHS teams were involved in post-conflict reconstruction training and trained 8 300 Congolese soldiers. Fighting between the belligerents and the FARDC will continue delaying the integration process and extend the deployment of identification and registration teams. The mission was extended to 31 March 2009.
* Operation TEUTONIC III Support of multilateral arrangements in the DRC	The number of members deployed to comply with bilateral and donor nation requirements	10	A team of 10 SANDF members was deployed in the DRC to determine future assistance to the FARDC in respect of defensive chemical, biological and radiation needs.
New operations (contingency)	Percentage utilisation of funds	100%	100% achieved. Operations BONGANI, INDULI, VIMBEZELA, TSHOLO, BABISA and LITCHI II were funded from the "Contingency Fund".

(*)The abovementioned operations were not indicated in the Strategic Business Plan (SBP) 2007 as these operations were not foreseen at the time of planning, but were authorised and executed during FY 2007/08 as part of the contingency planning of Force Employment. These new operations were in-year changes to plan and were authorised by the PDSC/DSC and through a Cabinet Memo.

Table 3.1 Force Employment Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
* Operation VIMBEZELA Military assistance to Central African Republic (CAR) in terms of training and post-conflict reconstruction	The number of members deployed according to the bilateral agreement	85 members deployed	On average, a total of 64 members were deployed since October 2007. The contingent provided close protection to the President of the CAR. The SANDF renovated facilities in Bangui and Bouar for use by its mission members. An SANDF training team presented several courses in the CAR, ranging from high-risk protection to infantry platoon commanders and buddy aid. A total of 67 CAR Defence Force (FACA) members started with parachute and mechanised infantry training in Bloemfontein in January 2008. The number of 64 members deployed was sufficient to comply with the set requirements. The total (85) provides for fluctuation in the compilation of training teams.
* Operation TSHOLO General military assistance	The number of military personnel deployed according to the bilateral agreement	Six members deployed	Upon requests from the Government of Uganda, six SANDF explosive ordnance disposal personnel were deployed over the period 24 October to 9 November 2008, providing technical assistance in the destruction of explosives and ordnance. It also served as a practical training opportunity for the Ugandan explosive ordnance disposal personnel. A total of 280 tonnes of old ammunition were destroyed. The team needs to return to complete the task.
* Operation INDULI Support to UN political mission in Nepal	The number of military observers deployed according to the bilateral agreement	Two members deployed	Two military observers were deployed successfully.
* Operation BONGANI (southern Sudan/northern Uganda) AU mission in northern Uganda	The number of military observers and staff officers deployed according to the bilateral agreement	Five members deployed	Two military observers were deployed as the requirement was reduced, according to the bilateral agreement. The Special Envoy to the UN Secretary-General, Joaquim Chissano, requested the RSA to provide assistance to consolidate the ceasefire and revive negotiations between the Government of Uganda and the Lord's Resistance Army, in order to reach a comprehensive ceasefire agreement.

(*)The abovementioned operations were not indicated in the Strategic Business Plan (SBP) 2007 as these operations were not foreseen at the time of planning, but were authorised and executed during FY 2007/08 as part of the contingency planning of Force Employment. These new operations were in-year changes to plan and were authorised by the PDSC/DSC and through a Cabinet Memo.

Table 3.1 Force Employment Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
* Operation BAPISA Support to Mozambique Government in alleviating the disaster situation resulting from the explosion of the ammunition dump	Support to RSA Government departments' requests	100%	100% achieved. RSA provided assistance in respect of specialist skills in handling ammunition in the SANDF. The mandate of the operation changed from humanitarian assistance to military assistance. A total of 53 SANDF and six SA Police Service members were deployed from 26 March 2007 to 15 July 2007. Altogether 1 213 tonnes of unexploded ordinance were destroyed. An accident took place during demolitions on 23 June 2007, claiming the lives of four Mozambicans and one SANDF member. One SANDF member was injured.
* Operation LITCHI II Humanitarian assistance to Mozambique in the Zambezi valley as a result of cyclones and torrential rain	Support to RSA Government departments' requests	100%	100% achieved. A total of 80 members, in conjunction with the UN and non-governmental organisations, were deployed to Mozambique over the period 7 March 2007 to 16 April 2007. A total of 630 tons of food and 2.5 million litres of purified water were distributed to displaced people. The SANDF support directly contributed to alleviating the adverse humanitarian situation caused by the floods.
³ Subprogramme Support to the People			
Operation INTEXO Borderline control	Compliance according to standing agreement for borderline control operations.	100%	100% achieved. Borderline control continued and was executed along the Zimbabwe, Mozambique and Swaziland borders with SA. Seven companies and one engineer platoon (on average, 1 111 members) and one Army Conventional Reserve company were deployed. Successes include, inter alia: 31 weapons found, 2 752kg marijuana confiscated, 47 656 undocumented immigrants and 444 criminals arrested.
Operation INTEXO Borderline control	Compliance according to standing agreement for borderline control operations.	100%	Borderlines pertaining to Mozambique and Swaziland have been handed over to the SAPS for future management from 1 April 2008. Deployments along the Zimbabwean border continue for FY 2008/2009.
	Number of reductions in landward borderline bases	Three	Target was met and the number of landward borderline bases subunits was reduced as planned.

³ (*)The abovementioned operations were not indicated in the Strategic Business Plan (SBP) 2007 as these operations were not foreseen at the time of planning, but were authorised and executed during FY 2007/08 as part of the contingency planning of Force Employment. These new operations were in-year changes to plan and were authorised by the PDSC/DSC and through a Cabinet Memo.

Table 3.1 Force Employment Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
Operation INTEXXO Borderline control	Number of reductions in landward borderline companies	Nine	Nine achieved. The available force is decreasing on a continuous basis, in accordance with the agreed SANDF Exit and SAPS Entry Strategy between the SANDF and the SAPS.
Operation STIPPER Rural safeguarding in support of the SA Police Service	Compliance with supporting the SAPS with the rural safeguarding operations and selected crime combating operations	100%	100% achieved. The available forces are decreasing on a continuous basis, in accordance with the SANDF Exit and SAPS Entry Strategy. Ten SA Army Territorial Reserve platoons were available for deployment. The Joint Operations Division will not deploy Army Territorial Reserves for future operations, as these units are closed down as per the SANDF Exit and SAPS Entry Strategy. The SANDF directly supported the combating of crime within the RSA rural areas. Successes include, inter alia: 81 weapons found, 38 965kg marijuana confiscated, 2 997 undocumented immigrants and 1 351 criminals arrested.
	Progress in terms of the phasing out of Commando units	41	Joint Operations Division indicated that Army Territorial Reserve units are not requested for operational deployment in the year. The SA Army is closing down the units. The phasing out of Army Territorial Reserve units will be completed by end of FY 2008/09. The original plan of the SA Army was to close down 41 ATR units in FY 2007/08 and the last 11 ATR units in FY 2008/09. Joint Operations Division indicated that ATR units are not required for operational deployment in FY 2008/09. It was therefore indicated that the remaining units will be phased out during FY 2007/08 and will not be used for operational purposes. The SA Army will be responsible for closing down these ATR units.

Table 3.1 Force Employment Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
Operation HUMAN Support to Government departments	Compliance with ad hoc approved Government department requests	100%	100% achieved. The Air Force rescued 75 people from the Seaboard Hotel in Durban after a fire broke out on the night of 25 June 2007, in spite of adverse weather conditions. The SA Air Force assisted the Mpumalanga Department of Forestry with fire-fighting operations over the period 28 July to 5 August 2007. Three sea rescue operations were executed, namely the lifting of an injured crew member from the ship <i>Miral</i> on the West Coast on 18 August 2007; the rescuing of three survivors from a sinking ship as well as a drowned body that was hoisted from the sea off the coast of Port Alfred on 25 August 2007; and the lifting of an injured captain off the coast of KwaZulu-Natal on 25 September 2007.
Operation BATA Support to the Department of Health			Operation BATA, in support of the National Department of Health, took place over the period 2 June to 28 June 2007. The SANDF supported a total of 89 public institutions by contributing healthcare professionals, general assistants and protection forces. Gauteng, KwaZulu-Natal, Mpumalanga and Limpopo were the main areas of concern. More details are contained in the Military Health Support Programme Report.
Subprogramme Defence Capability Management			
Joint and multinational exercises	Compliance with Force Employment requirements for joint exercises	100%	100% achieved. Details contained in joint and multinational exercises.
	The number of joint exercises	One	One exercise executed successfully as planned.
	Compliance with Force Employment requirements for multinational exercises	100%	100% achieved. Exercises were executed successfully according to guidelines and instructions issued.
	The number of multinational exercises	Six	Six planned as well as three ad hoc exercises were successfully executed. However, seven additional planned exercises were cancelled for various reasons. The Joint Operations Division has no control over the availability of foreign forces.
Defence capability requirement	Percentage compliance with which the required defence capabilities are identified and developed	100%	100% achieved. Five high-level scenarios were developed and analysed in terms of objectives, military tasks, required effects, functional attributes and required defence capabilities. All the knowledge and insight gained from capability development was used to prioritise the SCAMP.

Table 3.1 Force Employment Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
Command and control capability	Percentage compliance with which command and control (C ²) is developed (Programme ERABUS)	100%	100% achieved. The cost-effective management of the C ² programme was ensured by means of coordination and close supervision by the Armscor Defence Institute. Research regarding C ² trends was conducted, and benchmarked the SANDF C ² capabilities and plans against appropriate international practices and standards. The attendance of the international C ² Research and Technology Symposium in Cambridge, UK, resulted in international liaison improving South African concepts.

Joint, Interdepartmental and Multinational Exercises

Details of SANDF Joint, Interdepartmental and Multinational Exercises are reflected in Table 3.2.

Table 3.2 Joint, Interdepartmental and Multinational Exercises for FY 2007/08

Exercise Name and Type	Actual Achievement
Joint Exercises	
Exercise MATHOLE: SANDF Joint Peace Support Operations' command post exercise to test and evaluate the SANDF doctrine on peace support operations	The exercises were cancelled due to time constraints and non-availability of Force Structure Elements. The focus was shifted to Exercise INDLOVU, scheduled for 2009 in terms of planning and force preparations.
Exercise INDLOVU (2009): To exercise conventional capabilities of the SANDF (SANDF joint reaction capability)	Planning for the joint exercise, planned for 2009, was completed in May 2007.
Interdepartmental Exercises (In Support to Other Government Departments)	
Exercise AFFIX: To render support to the Airports Company of SA in dealing with aircraft disasters at SA airports, as required by legislation	The National Department of Transport, as the lead department, did not require SANDF assistance during the planned exercise.
Exercise EMMEX: To render support to the National Nuclear Regulatory Authority in dealing with nuclear incidents at Koeberg Nuclear Plant, as required by legislation	The Nuclear Regulatory Authority conducted the exercise in November 2007 in the Western Cape. An SANDF member attended as an observer.
Exercise GREENPOINT: Exercise in preparation for the FIFA 2010 World Cup Soccer tournament, as part of Operation KGWELA	A combined exercise with SANDF and SAPS personnel took place over the period 13 to 19 March 2008 in Cape Town to formalise the air defence concept.
Multinational Exercises	
Exercise OXIDE: To conduct a combined search-and-rescue exercise between the DOD, National Department of Transport (NDOT) and French Armed Forces (FAZSOI). (Lead department: Department of Transport)	The exercise was cancelled due to the unavailability of French forces. The search-and-rescue exercise was upgraded to a maritime exercise after discussions between Joint Operations Division, SA Navy and French Armed Forces.
Exercise BOURBON (In La Reunion): To conduct a combined search-and-rescue exercise between the DOD, National Department of Transport and FAZSOI. (Lead Department: National Department of Transport)	The planning phase for the exercise was successfully completed. Exercise BOURBON will take place in 2008/09 in La Reunion.
Exercise AIRBORNE AFRICA 08: Airborne Forces Competition planning phase	The planning phase for the exercise was cancelled and rescheduled to take place during 2008/09. No host nation for the exercise-planning phase could be found.
Exercise TRANS OCEANIC: RSA and South American navies command post exercise (NCAGS Exercise)	The exercise took place over the period 13 to 24 August 2007. All objectives were fully met. A total of 10 SA Naval Reserves participated in the exercise. Participating countries were Brazil, Argentina, Uruguay and RSA.
Exercise in naval coordination and guidance	
Exercise BELL BUOY: Naval exercise to coordinate and advise shipping between the RSA and other navies in the Pacific Indian Ocean Rim	Planning conference took place in New York over the period 18 to 27 January 2008. The exercise is scheduled for 21 April to 2 May 2008.

Table 3.2 Joint, Interdepartmental and Multinational Exercises for FY 2007/08 (continued)

Exercise Name and Type	Actual Achievement
Exercise GOOD HOPE III: Naval and air exercise between the SAN/SAAF and the German Navy/Luftwaffe	After the planning phase in November 2007, the exercise successfully took place over the period 18 February to 18 March 2008 in the sea waters around the Cape.
Exercise ATLASUR: Maritime exercise between South Africa, Argentina, Brazil and Uruguay	Planning took place over the periods 6 to 10 August 2007 and 11 to 15 February 2008. The exercise will take place over the period 16 May to 1 June 2008.
Exercise UNITAS: Maritime exercise between the RSA, USA and South American countries	The exercise planned for the period 6 to 10 August 2007 was cancelled by the USA.
French RECAMP Series Exercise 2008: To be held in Namibia or Tanzania (operational/tactical level command post exercise)	Exercise was cancelled due to the fact that the French withdrew from the exercise.
Exercise FAIRWAY BUOY: SADCBRIG exercise in naval coordination and guidance of shipping in the SADC Region	SADCBRIG exercise took place from 11 to 24 June 2007. Participating forces were the RSA and five members from SADC states. All objectives were achieved, with three more officers qualifying.
Exercise INTER OP EAST & WEST: Naval exercise with African countries on the East and West Coast of Africa to build trust, capacity and capability in the navies in the SADC Region	The exercise was conducted as part of Exercise BOURBON over the period 28 August to 6 September 2007. Due to the operational commitments of the SA Navy, the force structures were changed at very short notice. The <i>SAS Protea</i> , <i>SAS Isaac Dyobha</i> and <i>SAS Galesheve</i> were deployed. The <i>SAS Mendi</i> visited Ghana over the period 21 to 25 September 2007. All objectives were met.
Exercise BOPHELO: SADCBRIG command post exercise	Exercise was planned but was cancelled due to the fact that the SADCBRIG is not yet operational.
Exercise MEDFLAG: USA/RSA exercise in command and control, disaster relief operations, flying operations and sustainment	The exercise planned for 3 to 5 December 2007 was cancelled by the USA.
Exercise INDUNDUMA: USA destroyer visit to the RSA	An ad hoc exercise requested by the USA took place over the period 24 September to 4 October 2007. The SA Navy and Air Force, as well as a medical task team, participated in the exercise.
Exercise IBSAMAR: Naval exercise. Naval and air exercise between the SAN/SAAF and the Brazilian and Indian navies and air forces	An SA Naval staff officer participated in the planning over the period 13 to 17 August 2007 and 4 to 8 February 2008 in the RSA. The exercise will be conducted over the period 5 to 16 May 2008.
Exercise AMAZOLO: Maritime exercise with NATO Task Group	An ad hoc maritime exercise between the SA Navy and a NATO Task Group successfully took place over the period 26 August to 6 September 2007. During the exercise, joint and combined maritime interdiction operations were conducted. The NATO Task Group consisted of elements from the navies of Canada, Denmark, Germany, Netherlands, Portugal and the USA.

Training Support to Other Forces

Details of SANDF's training support against repayment to foreign forces are reflected in Table 3.3.

Table 3.3 Training Support to Foreign Forces for FY 2007/08

Exercise Name and Aim	Achievement
Exercise DORSAY Singapore Armed Forces airborne training exercise	The SANDF successfully supported the Singapore Armed Forces airborne training exercise that took place over the period 30 April to 2 May 2007 in Bloemfontein.
Exercise LIGHTNING WARRIOR Singapore Armed Forces combat-readiness training	The SANDF successfully supported the Singapore Armed Forces combat-readiness training exercise held over the period 11 to 30 June 2007 at the SA Army Combat Training Centre, Lohatla.
Exercise AFRICAN THORN UK Armed Forces Infantry training	The SANDF successfully met all support requirements for the exercise that took place over the period 15 February to 8 March 2008 at the SA Army Combat Training Centre, Lohatla.

Additional Funding

Details of outputs of specific policy options where additional funds were allocated for FY 2007/08 are reflected in Table 3.4.

Table 3.4 Outputs of Specific Policy Options Where Additional Funds Were Allocated for FY 2007/08

Policy Option	Allocations (R'000)	Output Targets	Actual Achievement
Madimbo Training Area	1 000	Hiring of training area	Funds not utilised due to the fact that the land restitution claim is not yet resolved.
Recruiting, equipment and dynamic testing	6 365	Specialist training and testing of ammunition	Funds utilised according to plan.
Barracuda boat system	4 000	Replacement of Barracuda boat system	Funds utilised according to plan.

Performance and Service Delivery Improvement

Details of performance and service delivery improvement for FY 2007/08 are reflected in Table 3.5.

Table 3.5 Performance and Service Delivery Improvement for FY 2007/08

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement
Closing down of 14 dormant units	Quarterly progress reports	Reduction in unnecessary running costs	Ongoing	Final audit by Inspector-General of the DOD to be completed.
Self-auditing and self-evaluation system with rectification actions	Generic system developed and distribution with follow-up evaluations	Enhanced efficiency, accountability and productivity	Ongoing	25% (system developed and distributed, all roleplayers busy with self-audit)
Revisiting of structure as part of DODW process	Participation in projects with DIMS assistance	Streamlined structures for better integration with levels 2 and 4	Delayed due to higher-order DODW process	The structure is being revisited through Project KGOPOLO.
DEFCON agreements resulting in unscheduled multinational exercises and exercises not supporting own JFE goals	DEFCON management	Increased efficiency with regard to budget procedures Increased efficiency with regard to alignment with JFE goals	Ongoing	To be implemented. Close liaison between Joint Operations Division and Defence Foreign Relations Division takes place.

Services Scaled Down, Suspended or Abolished

Details of services scaled down, suspended or abolished during FY 2007/08 are reflected in Table 3.6.

Table 3.6 Services Scaled Down, Suspended or Abolished During FY 2007/08

Reduction in Output	Reason For Scaling down/Suspension/Abolishment	Implications	Actual Achievement
Gradual withdrawal from routine internal deployments with handing over of borderline control to the SAPS	Cabinet decision	Reduction of SANDF force levels deployed internally	The available force is decreasing on a continuous basis, in accordance with the agreed SANDF Exit and SAPS Entry Strategy between the SANDF and the SAPS.

Table 3.6 Services Scaled Down, Suspended or Abolished During FY 2007/08 (continued)

Reduction in Output	Reason For Scaling down/ Suspension/Abolishment	Implications	Actual Achievement
Closure of Operation FIBRE in Burundi	Tasks completed in terms of the AU MOU	SANDEF forces are redeployed as part of Operation CURRICULUM	Closure of the operation in progress for finalisation early in FY 2008/09. Awaiting final audit by Inspector-General of the DOD.



Landward Defence

CHAPTER 4

Programme 2: Landward Defence

Overview

The South African Army made a concerted effort at all levels to achieve its objectives to ensure that the SANDF honours its ordered commitments and thereby supports Government initiatives to promote peace, security and stability on our Continent and support the people of our country. Key processes to ensure the achievement of force preparation and readiness targets were instituted and refined. Audits by the Inspector-General (IG) Army, IG DOD and Auditor-General assisted in the process of continuously improving performance through accurate reporting and accountability. Performance management was integrated with other processes, especially the Strategic Management Process (SMP). Of note is the corporate SA Army Performance Review System, which enables performance information to be confirmed and progress to be tracked, as well as decisions to improve organisational performance and critical underperformance to be taken by the Army Council. Consequently, the past year saw the SA Army not only meeting the required force levels, but also instituting key management processes that enhanced its governance and controls. The achievements and challenges for the past year are highlighted in this report.

The SA Army remains the largest contributor of forces to the various missions by the SANDF. In this regard, forces were provided for nine external operations, while forces were simultaneously provided for three internal operations. The external operations in Burundi, the Democratic Republic of the Congo (DRC), Sudan, Eritrea, Uganda and Mozambique were supported by approximately 4 200 Army members within several rotations. Altogether, 24 Regular and six Reserve companies (approximately 3 000 members) were deployed in internal operations related to rural safeguarding and borderline control. In addition, 62 Regular and Reserve platoons (1 909 members) provided support to Operation BATA, the SANDF operation in support of the Department of Health during the public sector strikes.

Apart from deployment in peace support missions, contributions were also made to the development and

training of foreign forces. Arising from the bilateral discussions between the DRC and RSA and requests made to the SANDF, intensive training assistance was provided by 73 SA Army members to the DRC forces (FARDC). Similar assistance was provided to the Central African Republic by 14 members. Small SA Army teams participated in four exercises in support of foreign force training. The increased bilateral and multilateral interaction has not only strengthened relations between the African armies, but has also set a firm basis for interoperability and harmonisation towards the African Standby Force, the SADC Brigade.

Force preparation of landward capabilities remains the core business of the SA Army. Important exercises and tests were conducted during the year. The SA Army Air Defence Artillery Capability successfully fired the first Starstreak missile on South African soil at Overberg Test Range (OTR). The SA Army Armour capability has successfully commissioned and put into active service its new armour equipment, the 12 x Mk2 Main Battle Tanks and 13 x ZT3 missile systems. During Exercise SEBOKA the Rooivalk Attack Helicopter, in full observation of its new doctrine, fired live ammunition and manoeuvred with the ground forces for the first time and verifying the interoperability. Seven mortar simulators have been installed at various Regular and Reserve Infantry units. This has enhanced training and will bring about savings on mortar ammunition.

The January 2007 Military Skills Development System (MSDS) members successfully completed their training, which culminated in integrated training at the Combat Training Centre and De Brug Training Areas through Exercise SEBOKA and Exercise YOUNG EAGLE, respectively. It was during Exercise SEBOKA that the tragic training accident occurred, resulting in the loss of nine Air Defence Artillery (ADA) gunners and injury to 15. High-level investigations into the accident were concluded and rectifications will be instituted on conclusion of the findings. Regarding the January 2008 MSDS intake, 1 600 members are currently undergoing training in SA Army Training Centres/Centres of Excellence (COE). The targets of 24% white candidates and

40% female candidates were not achieved as only 2% and 32% in the respective categories were accepted into the MSDS programme.

The challenges faced in terms of sustainment were addressed through various initiatives. The continued employment of an Industrial Support Concept for Engineer C Vehicles in the DRC ensured that the vehicles maintained the highest percentage of serviceability and availability of all SANDF prime mission equipment. The Apex Base, home of ADA Reserves in Gauteng, which accommodates both Regular and Reserve courses, has been upgraded. The SA Army Engineers upgraded its own facilities at Bethlehem to enhance training of MSDS members and the SA Army contributed Rm22.4 from its own budget to address occupational health and safety (OHS) requirements and facilities for its MSDS. The SA Army Engineer Formation was granted the mandate by the Ministry of Defence to interact directly with the Engineering Council of South Africa (ECSA) in an effort to recruit capacity in the scarce skills environment of engineering. Remarkable progress was made in the human resources complement, in efforts to rebuild the Technical Service Corps Reserve units. During the past year, a total of 91 members entered this Corps, mainly by converting from the Army Territorial Reserve to the Conventional Reserve.

Army social responsibility initiatives to assist in reskilling members leaving the Service have also borne fruit. A total of 233 members successfully completed their Code 8 licence training and were transferred to the SAPS on 30 December 2007. An initial first contract was successfully negotiated with Imperial Holdings (Fleet Services) to train 500 Regular volunteers for the public/private transport industry towards a Code 14 heavy-duty driver's licence. The contract stipulates that the 500 members must be provided over a period of five years. The first pilot group of 31 volunteers commenced with their training on 15 November 2007 at 9 SAI Battalion. Liaison also took place with a private engineering company, Molukutho Engineering, with regard to a reskilling opportunity and employment on offshore oil rigs. The SA Army will provide the facilities, whilst the engineering company will provide the equipment and training.

As previously reported, facilities and equipment are in a state of decline due to the cost of maintenance and repair and extended lifecycle use, amongst other factors. Rm22 of the Army operating funds was utilised in the facility's recoverable environment

and limited amounts were utilised in the day-to-day maintenance. Various alternatives are being considered to address this situation, of which the allocation of additional funding by Parliament in future years to modernise the Landward Defence Programme is an overriding option. In preparation for this eventuality, and in order to ensure that such funding is used optimally and directed at the required landward defence needs, several expert seminars were held during the past year. Of note is the South African Army Seminar 21, held in February 2008. The seminar explored the landward capability and was aimed at conducting a future-oriented analysis to explore international and regional trends/threats/realities and their impact on peace, conflict and war. The seminar included expert presenters from Africa and almost all other continents. Participants included members from the Portfolio Committee on Defence. In tandem with the theme, an informative Technology Workshop was held in March 2008, during which the validity of the current SA Army technology strategy was confirmed and new trends and their applicability to SA Army requirements were identified. A comprehensive strategic scenario planning session, with a multidisciplinary team comprising members from the SA Army, Reserve Force Council, the Portfolio Committee on Defence and National Treasury, was also conducted during June 2007.

Some supply, support and services functions could not be implemented within the SA Army during the last financial year (FY 2006/07) due to the lack of capacity to execute these functions. The SA Army has received certain logistic delegations from the Secretary for Defence, which will be fully implemented once the command and control channels have been clarified. Although procurement delegations have been received, they will only be implemented once training of procurement personnel has been completed. Self-accounting status allocation to units within the Army could not take place due to non-adherence to self-accounting status requirements, i.e. structures and capability.

The SA Army was tasked to establish a "Works Regiment" on behalf of the DOD, as an initiative to improve the state of DOD facilities. A project team was established and is in the process of engaging the private sector to assist in the practical training phase of the members. One hundred members started training in January 2008 and another 200 are scheduled to start training in July 2008. Additional funding of Rm178 for this initiative was made available for the three years commencing FY 2008/09.

Although FY 2007/08 presented the SA Army with many challenges, the planned targets and outputs in the Strategic Plan were largely achieved. The past year is seen as a turning point for the SA Army as it commences a new trajectory, having a firm vision and clear concept of its renewed landward defence requirements.

Purpose

The purpose of the Landward Defence Programme is to provide prepared and supported landward defence capabilities for the defence and protection of the Republic of South Africa.

Measurable Objective

To defend and protect the RSA by maintaining and providing prepared and supported landward combat forces, services and facilities that meet the requirements of Government.

Outputs

Details of the Landward Defence Programme outputs are reflected in Table 4.1.

Table 4.1 Landward Defence Programme Outputs for FY 2007/08

Output	Performance Measure	Target	Actual Achievement
Strategic direction to the Landward Defence Programme	Landward defence policies, strategies and plans are implemented in respect of landward matters	Full implementation	80%. Due to limited financial resources, some services had to be scaled down and focused on the provision of landward forces for peace support operations in Africa and limited internal deployments.
Allocation and management of landward defence resources	Allocated budget has been expended as planned	100%	100%. All allocated resources were utilised.
Infantry Capability			
Training capability at School of Infantry	Number of learners on infantry courses	12 134 learners on 234 courses	9 388 learners qualified on 194 courses. Infantry courses were decentralised to other Infantry units (1 SAI Mechanised Battalion, and 44 Parachute Regiment in Bloemfontein). 16 courses still in progress and the rest (24) were cancelled due to lack of nominations.
Mechanised capability ¹	Number of units prepared according to force requirements	1 x battalion	1 x mechanised battalion (8 SAI Battalion). 1 x mechanised battalion (1 SAI Battalion). Achieved temporary status during Exercise SEBOKA. Reverted back to a lower readiness state after the exercise due to unavailability and serviceability of prime mission equipment.
		1 x battalion	1 x mechanised battalion (multi-role) (1 SAI Battalion). Achieved temporary status. Currently deployed in the DRC (Operation MISTRAL).
		4 x battalions (Reserves – core growth)	4 x mechanised battalions. Not all leader groups of 4 x Mech Bns could be trained as not all Bns were staffed in accordance with Establishment Tables.

¹ Performance targets were adjusted to meet the requirements of the readiness level by the Chief of the SA Army.

Table 4.1 Landward Defence Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
Airborne capability	Number of units prepared according to force requirements	1 x parachute battalion 1 x parachute battalion (Reserves)	44 Parachute Regiment. 1 Parachute Battalion. Pathfinder Platoon. 1 Parachute Battalion achieved temporary status during Exercise YOUNG EAGLE. Reverted back to a lower readiness state and 2 x Bns (1 x Reg and 1 x Res) provided after the exercise due to unavailability and serviceability of PME. 44 Parachute Regiment HQ and Pathfinder Platoon PME are incomplete.
Motorised capability	Number of units prepared according to force requirements	8 x battalions	11 x Motorised Infantry Battalions (2, 4, 5, 6, 7, 9, 10, 14, 15, 21 and 121 SAI Battalions). 6 SAI Battalion achieved temporary status during Exercise YOUNG EAGLE. 10 SAI Battalion achieved temporary status during Exercise SEBOKA. Units reverted back to a lower readiness state after the exercise due to unavailability and serviceability of Prime Mission Equipment. Support company structures have been approved. SA Army submitted Changes to Plan: SBP FY 2007/08 on 11 June 2007 to DHQ as well as to SITA for capturing on GEJIMA, indicating the changes from 8 x battalions to 11 x battalions. The reason was the CJOPS requirements for both external and internal deployments.
		14 x battalions (Reserves – core growth)	14 x battalions (11 x battalions provided a sub-unit each and 3 x sub-units for external deployments).
Light capability	Number of units prepared according to force requirements	3 x battalions 3 x battalions (Reserves – core growth)	None. The capability is closing down. All the light infantry capabilities have been converted into Motorised Infantry Battalions. With the approval of support company structures, the light infantry capability has ceased to exist.
Armour Capability			
Training capability at School of Armour	Number of learners on armour courses	2 869 learners on 90 courses	2 448 learners on 131 courses. 2 x Reserves Prime Mission Equipment (PME) courses cancelled (tank troop commander and armoured car troop commander) – learners accommodated on Regular courses.

Table 4.1 Landward Defence Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
Tank capability (including tank transporters)	Number of units prepared according to force requirements	1 x regiment	The target was revised to 0.33 x tank regiment. Achieved 0,33 (100%).
		1 x regiment (Reserves – core growth)	30% achieved. HR: Reserves not sufficiently fed by MSDS. Equipment: Insufficient product systems management support for PME.
Armoured car capability (including ATK MSL)	Number of units prepared according to force requirements	1x regiment	Achieved 0,33 (100%, but not sustainable).
		2 x regiments (Reserves – core growth)	30% achieved. HR: Reserves not sufficiently fed by MSDS. Equipment: Insufficient product systems management support for PME.
Armoured reconnaissance capability	Number of units prepared according to force requirements	1 x regiment (Reserves – core growth)	30% achieved. HR: Reserves not sufficiently fed by MSDS. Equipment: Insufficient product systems management support for PME.
Artillery Capability			
Training capability at the School of Artillery	Number of learners on artillery courses	2 404 learners on 95 courses	1 946 learners on 39 courses. School of Artillery had to present more courses due to the demand for leader group training, in anticipation of an enlarged MSDS Intake. Targets were refined by the SA Army Changes to Plan dated 11 June 2007.
Regular core growth capability (Composite artillery capability)	Number of units prepared according to force requirements	1 x artillery regiment	80%. The launcher sub-units are 100% equipped with Artillery Prime Mission Equipment but there are critical shortages with support and command and control vehicles, as well as funds to maintain all the Prime Mission Equipment.
Reserve core growth capability (Composite artillery capability)	Number of units prepared according to force requirements	2 x self-propelled GV 6 gun regiments 2 x towed gun regiments 1 x multiple rocket launcher regiment	50% provisioning of the required units target was achieved due to personnel being below critical mass. The Artillery Mobilisation Regiment will become the cornerstone of the “to be Artillery Prime Mission Equipment Warehouse”. Time scales in this regard are not yet finalised.

Table 4.1 Landward Defence Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
Reserve core growth capability (Composite artillery capability)	Number of units prepared according to force requirements	2 x self-propelled GV 6 gun regiments 2 x towed gun regiments 1 x multiple rocket launcher regiment	The Artillery Mobilisation Regiment was unfortunately never equipped to provide ready-to-issue Prime Mission Equipment to the School of Artillery. The serviceability of the Prime Mission Equipment currently on the inventory with the Artillery Mobilisation Regiment hampered the outcome of some of the courses presented at the School of Artillery. An example is Driving and Maintenance: the requirement to provide vehicles could not be met.
Air Defence Artillery Capability			
Training capability at School of Air Defence Artillery	Number of learners on air defence artillery courses	620 learners on 32 courses	933 learners on 28 courses. 4 x Regular courses cancelled. 18 x additional informal courses presented in preparation for Phase 1 commissioning of Ground-Based Air Defence System (GBADS).
Regular core growth capability (Composite air defence artillery capability)	Number of units prepared according to force requirements	1 x air defence artillery regiment	1 x air defence artillery regiment
Regular core growth capability (Mechanised air defence artillery capability)	Number of units prepared according to force requirements	Leader group for battery, from 3 x Reserves regiments as sources of manpower	The capability was decommissioned or phased out. This is in accordance with the refined SA Army Plan FY 2007/08.
Reserves core growth capability (Mobile air defence artillery)	Number of units prepared according to force requirements	1 x air defence artillery regiment (Reserves)	80% provisioning of required units. HR: Insufficient leader group . HR: Insufficient ADA troops converted. Equipment: Insufficient product system technical support for PME.
Engineer Capability			
Training capability at the School of Engineers	Number of learners on engineers courses	1 691 learners on 78 courses	972 learners on 71 courses. Eight in the process of being completed in April 2008. SA Army submitted Changes to Plan on 11 June 2007.

Table 4.1 Landward Defence Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
Field engineer capability	Number of units prepared according to force requirements	1 x regiment 3 x regiments (Reserves – core growth)	1 x field engineer regiment. 1 x troop + (Reserves). 1 x squadron (Reserves). The squadron was deployed in troops in three deployment cycles. The SA Army Engineers were funded to provide one squadron. Due to resource constraints, only 1 x troop (Reserves) could be provided. The Army Engineers were funded to provide only one troop, which was provided.
Engineer combat support capability	Number of units prepared according to force requirements	1 x Regular/Reserves squadron	1 x regiment Regular/Reserves squadron prepared according to force requirements.
Engineer intelligence capability	Number of units prepared according to force requirements	1 x tactical/terrain intelligence regiment 1 x tactical terrain intelligence squadron (Reserves) as core growth capability	A regiment was prepared according to force requirements. This included a multidisciplinary squadron plus MOGS for terrain intelligence, a static cartography section and 9 x GIS sections. The tactical terrain intelligence squadron (Reserves) must still be established. It could not be established over the reporting period due to lack of funding. It will be established in the next FY 2008/09 after the amalgamation of 1 SMPR and 4 SMR.
Operational construction capability	Number of units prepared according to force requirements	1 x construction regiment	1 x regiment prepared according to force requirements.
Operational Intelligence Capability			
² Training capability at the School of Tactical Intelligence	Number of learners on intelligence courses	835 learners on 30 courses	841 learners on 28 courses. Target: 28 courses and 778 learners (SA Army Changes to Plan, dated 11 June 2007), 88 more MSDS members and 25 students withdrawn.
Tactical intelligence capability	Number of units prepared according to force requirements	1 x tactical intelligence regiment 2 x tactical intelligence squadrons (Reserves core capability)	70% provisioning of required units. A and B Vehicles and signal equipment not sufficiently available for 1 x regiment prepared according to force requirements. Tactical intelligence capability target changed to one squadron (SA Army Changes to Plan, dated 11 June 2007). Variances due to lack of A and B Vehicles.

² Performance targets were adjusted to meet the requirements of the readiness level by the Chief of the SA Army.

Table 4.1 Landward Defence Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
Command and Control Capability			
A command and control capability for operational activities	The degree to which the force employment requirements are achieved	2 x brigade HQ, each structured to provide four tactical groupings for two groups to deploy annually; other two on leave and force preparation	Achieved command and control capability for operational activities according to force employment requirements.
Support Capability			
General support capability	Provision of General Base Support services	13 x General Support Bases (GSBs) 75% client satisfaction	13 GSBs were functional. 65% client satisfaction. Evaluation done as pilot project only, with three units. Evaluation tool will be fully implemented by May 2008.
Technical and logistic sustainment of deployed forces	Number of units prepared according to force requirements	2 x maintenance units	2 x maintenance units prepared according to force requirements. Unit structures not authorised.
		2 x maintenance units (Reserves – core growth)	Nil. Units not yet transferred from C Log.
		2 x field workshops	2 x field workshops prepared according to force requirements. Unit structures not authorised.
		2 x field workshops (Reserves – core growth)	2 x field workshops prepared according to force requirements.
Ceremonial services	Provision of ceremonial services	1 x national ceremonial guard services, in accordance with requirements VIP protection in accordance with requirements	100% provision of ceremonial services and ceremonial guard services, in accordance with requirements. VIP protection in accordance with requirements. New equipment was received. The unit is fully operational in all functions.
General Training Capability			
Command and management training at the SA Army College	Number of learners on Junior Command and Staff Development (JCSD) courses	200 learners on two JCSD courses	291 learners on four courses. 1 x course cancelled (OC-RSM course) due to lack of nominations. Targets were changed during SA Army Changes to Plan, dated 11 June 2007. Revised target: 5 x courses and 320 students. Command and management training: 1 x course cancelled.

Table 4.1 Landward Defence Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
Landward common training capability at the Combat Training Centre	Number of learners on courses	830 learners on 25 courses	967 learners on 19 courses. Some courses were cancelled due to lack of nominations and some were not presented due to lack of resources. For this reason, the targets were revised during short-term refinement. Revised target: 19 x courses and 1 010 students. Landward common training courses: Fewer learners attended than planned.
Common junior leader training at the SA Army Gymnasium	Number of learners on courses	1 825 learners on 18 courses	1 162 learners on seven courses. One course cancelled due to lack of nomination (NCO Form, 400 learners). One COLET Assessor course cancelled due to unavailability of instructors. Fewer learners attended courses than planned (NCO Form, Off Form). Due to resource constraints and revised training requirements with regard to common junior leader training during short-term planning, the target was revised from 18 courses to nine courses, out of which the two listed above were cancelled.
Basic military skills training at 3 SAI Battalion	Number of learners (Military Skills Development System) on courses	1 800 learners on one course	2 110 MSDS members on one course, due to higher MSDS requirements and allocation.
Common NCO training at 3 SAI Battalion	Number of learners on courses	1 200 learners on 12 courses	927 Regular members on eight courses. Due to resource constraints, the number of courses was reviewed during short-term planning and revised to nine courses. One leadership development programme for NCO (400 learners) was cancelled due to HR selection not taking place. Fewer learners attended courses than planned (NCO Form).

Planned Exercises

Details of the Landward Defence Programme's planned exercises for FY 2007/08 are reflected in Table 4.2.

Table 4.2 Landward Defence Programme Planned Exercises for FY 2007/08

Exercise: Name and Type	Actual Achievement
Exercise SEBOKA To do conventional integrated training with MSDS January 2007 intake	The Exercise SEBOKA took place as planned and it was successful. Venue: Combat Training Centre. Achievement: To develop a conventional capability and combat-readiness of the SA Army's MSDS intake for internal and external deployments. Performance Tool: Independent observers, planners and instructors from all participating SA Army FSEs, as well as other Services and Divisions, are used to perform the exercise in a CPX and practical live firing form.
Exercise YOUNG EAGLE Practical exercise to develop the airborne capability of the MSDS in the SA Army	The Exercise YOUNG EAGLE took place as planned and it was successful. Venue: Bloemfontein. Achievement: To develop airborne capability of the SA Army MSDS members during their integrated training. Performance Tool: Independent observers and planners from all participating SA Army units, as well as other Services and Divisions, are used to perform the exercise in a CPX, practical jump and live firing form.

Risks and Mitigating Actions

The SA Army's main risks, as reflected in the DOD Strategic Business Plan 2007, relate to the retention of scarce skills, particularly within the Engineer Corps and Technical Service Corps, the limited availability of ammunition for force preparation, the nearing of obsolescence of certain landward defence systems and the aging rank/age profile of its members.

Additional funding was provided by Parliament to specifically address the operational readiness of the Army's vehicle fleet, as well as for enlarged intakes of MSDS members to rejuvenate the SA Army with young and healthy soldiers. In both cases, these investments have started to bear fruit and this will be continued over the next number of years. The

conventional capability has been restricted to the minimum to make more funds available for ordered commitments. A monetary incentive scheme has also been developed for technical personnel and similar schemes are being investigated to retain scarce skills in other musterings.

Since no additional funding was provided to address the shortage of ammunition, the SA Army concentrated on utilising simulation. However, this can only partially compensate for training with live ammunition.

Outputs

Details of the Landward Defence Programme's outputs of specific policy options where additional funds were allocated for FY 2007/08 are reflected in Table 4.3.

Table 4.3 Outputs of Specific Policy Options Where Additional Funds Were Allocated for FY 2007/08

Policy Option	Allocations (R'000)	Output Targets	Actual Achievement	Reason for Deviation
Military Skills Development System Rm38				
Military Skills Development System	38 000	To maintain the 3 000 MSDS members who joined in 2006/07, to rejuvenate the SA Army with an additional 3 000 MSDS members and to fund capacity building to accommodate MSDS members at allocated units	The SA Army maintained an average 2 786 (January 2006 intake), 2 512 (January 2007 intake) and 1 612 (January 2008 intake) MSDS members during FY 2007/08	Insufficient funds were made available; therefore, the SA Army had to reduce its January 2008 intake to a planned figure of 1 500 members and the current reality of 1 612.

Table 4.3 Outputs of Specific Policy Options Where Additional Funds Were Allocated for FY 2007/2008 (continued)

Policy Option	Allocations (R'000)	Output Targets	Actual Achievement	Reason for Deviation
Military Skills Development System	38 000	To maintain the 3 000 MSDS members who joined in 2006/07, to rejuvenate the SA Army with an additional 3 000 MSDS members and to fund capacity building to accommodate MSDS members at allocated units	Total simultaneously in the system: April to December 2007 = 5 300 and January to March 2008 = 4 126 MSDS members 714 members were transferred to the CSS and the rest (1 667) were made available to the Reserves Funding was insufficient to include capacity building for the accommodation of a larger MSDS intake	Insufficient funds were made available; therefore, the SA Army had to reduce its January 2008 intake to a planned figure of 1 500 members and the current reality of 1 612.
Operational Vehicles Rm152				
Maintenance and repair of B Vehicles	123 000	To enhance the availability (80%) of B Vehicles	Order and payment completed. Current availability of the B Vehicle fleet (approved supplementary instruction) is 80%	
Maintenance and repair of C Vehicles	12 000	To enhance the availability of SA Army engineer vehicles	Order and payment completed Current availability of the C Vehicles is 85%	
Maintenance and upgrading of LWT facilities (D Army Log)	10 350	To enhance work environment where vehicles need to be repaired and maintained	Layman's scope of work has been conducted and certificate of essentiality submitted to DPW for approval DPW approval to commence with the work has been received	Due to the process with DPW, the work was unable to commence during FY 2007/08. Programmed to take place during FY 2008/09.
TSC rejuvenation	6 650	Enhance environmental requirements and capability to maintain and repair vehicles	Established and upgraded technical command and control infrastructure, including LAN/WAN and training manuals (Increase in capability from 45% to 95%)	

Performance and Service Delivery Improvement

Details of the Landward Defence Programme’s performance and service delivery improvement for FY 2007/08 are reflected in Table 4.4.

Table 4.4 Service Delivery Improvement for FY 2007/08

Activities	Planned Management Interventions	Anticipated Benefit	Status	Actual Achievement
Strategic Direction				
All chief directors, directors and general officers commanding participate in a learning opportunity facilitated by financial committee chair and SA Army budget manager, addressing PFMA- and NT-related financial aspects	Senior management learning opportunity (Fin) One-day learning opportunity, once a year during April	Senior members of SA Army able to implement relevant regulations and manage finances accordingly	Active	All SA Army Chief Directorates and formations have been taken through a one-day training programme on PFMA and NT regulations. The programme will be rolled down to units in FY 2008/09.
To enhance the vehicle serviceability of the SA Army to such a degree that it complies with force preparation and operational requirements	To implement a Vehicle Master Plan for the SA Army	Improvement of serviceability and optimised utilisation of available vehicles	Active	An amount of Rm123 has been spent and resulted in 80% availability of B Vehicles. Rm12 has been spent on maintenance and repair of C Vehicles, resulting in 85% serviceability. Rm10 has been earmarked to maintain and upgrade LWT facilities, resulting in a successful submission of certificate of essentiality to DPW. The work will commence in FY 2008/09.
Improvement of performance agreements	Review alignment of policies, performance management and performance agreements	Institutionalisation of performance management and allocated responsibility and accountability	Active	Performance Agreements (PAs) for SMS members have been done as prescribed in the policy (Public Service Handbook – Chapter 4), and were finalised by 30 April 2008 and handed in at DCM.

Table 4.4 Service Delivery Improvement for FY 2007/08 (continued)

Activities	Planned Management Interventions	Anticipated Benefit	Status	Actual Achievement
<p>Control system to confirm credibility of HR planning by subordinate budget holders</p> <p>Control system to prevent overspending by budget holders on items such as S&T and leave</p>	<p>Increased focus on Item 10 (personnel discretionary) management</p>	<p>Reduction in double budgeting</p> <p>Control over discretionary funds, thus savings incurred</p> <p>No surplus HR funds at end of financial year; if any, they can be utilised in operating budget</p>	Completed	<p>The SA Army overspent on its Item 10 budget.</p> <p>Annual change of MT/ST HR planning in terms of:</p> <ul style="list-style-type: none"> • Implementation of DODI 66/67; • Increased MSDS intake; • Approval for the implementation of technical allowances; • Restriction of CSS transfers; • 2% salary increase for privates serving longer than eight years in the same rank; and • Increased utilisation of Reserves. <p>90,76% spending of the SA Army operating budget and 99,82% commitment of the SA Army budget in the reporting period. This is through the SA Army Expenditure Coordinating Committee (AECC). The control measure contained the overexpenditure on IAE to a certain degree. Despite the above, the allocation for the Landward Defence Programme was fully (100%) expended.</p>
<p>To implement capability management in the SA Army</p>	<p>Map and implement a Capability Management Process</p>	<p>Integrated Capability Management that ensures development and maintenance in accordance with Army vision and required output</p>	Partially achieved	<p>Mapping of Capability Management (Cap Mngnt) Process completed, including interface with SMP.</p> <p>Capability Management will be updated after external design review and ratified by DODI and JDP for PSM and Cap Mngnt.</p> <p>PSM/Cap Mngnt-accredited training baseline is in the process of development.</p> <p>It is more or less five months behind schedule due to capacity (knowledge base).</p>
Engineer Capability				
<p>To ensure SA Army facilities comply with OHS prescripts and to maintain SA Army facilities</p>	<p>Establish an SA Army capability to maintain SA Army facilities</p>	<p>Critical maintenance done under SA Army control</p> <p>Reduction in OHS risks</p> <p>Limited funds maximally utilised according to priorities</p>	In process	<p>The capability is not yet established. Lack of resources and post baseline, as well as interface with DOD Works Regiment to be determined.</p>

Table 4.4 Service Delivery Improvement for FY 2007/08 (continued)

Activities	Planned Management Interventions	Anticipated Benefit	Status	Actual Achievement
Support Capability				
To enhance hospitality services in the SA Army	Re-establish previously outsourced hospitality services capabilities in the SA Army	Saving on contractor fees Control over function Increased support to all FSEs, both under training and deployed	In process	Hospitality service at ASB Kimberly and 3 SAI Battalion has been added to those services already established in previous years. The biggest cause is the delay in the establishment of structures.
To enhance efficient vehicle sustainment in the SA Army	Re-establish the technical service capabilities in the SA Army	Saving on contractor fees Control over function Increased support to all FSEs, both under training and deployed	In process	605 members have received training at the Centurion Technical College. Rm10 has been earmarked to be spent in FY 2008/09 on the upgrade of the LWTs to create a suitable environment for the functioning of TSC personnel. All processes with PWD have been concluded in FY 2007/08. Loss of skilled personnel and insufficient funds.

Services Scaled Down, Suspended or Abolished

The SA Army closed down 63 Area Territorial Reserve (ATR) units and two Group Headquarters. A total of 233 members were transferred from the SA Army to the SAPS with effect from 30 December 2007. All ATR deployments for Operation STIPPER (rural safeguarding) ceased on 15 March 2008. The 24 companies for Operation INTEXO (borderline control) were scaled down to 18 companies and will be further reduced to nine in the next financial year, according to plan. By all indications, the SA Army will adhere to its objective in terms of closing down the Area Defence capability and will hand over the function to the SAPS in 2009 as planned.

CHAPTER 5

Programme 3: Air Defence

Overview

During the past year, the South African Air Force once again proved to be a national asset and contributor to Government initiatives. Elements of air power continued to support contingents of the SA National Defence Force that were deployed abroad in pursuance of NEPAD and Government initiatives towards achieving a peaceful and stable Continent.

During the period under review, the SA Air Force was involved in a number of external operations on the African Continent. A total of 2 280 hours were flown in support of deployments in Mozambique (assistance during floods and munitions clearing-up), the Comoros (election support and support to deployed SA Police Service) and the Central African Republic (military assistance and training). These included regular logistic supply flights and tactical mobility within these and other areas of operation. In addition to air support, 138 Protection Service members assisted in supporting Government imperatives with deployments at various locations within Africa, including the Comoros.

The SA Air Force's support of Government initiatives also included local and international exercises with the SA Army, SA Navy, South African Police Service, the US Navy and the German Air Force. Exercises GREEN POINT and POLOKWANE formed part of a series of joint exercises to develop doctrine and to evaluate security plans in preparation for the Soccer World Cup 2010.

Air support within South Africa received priority, with a total of 559 hours that were flown in support of the South African Army, South African Navy and the South African Police Service during border control operations. A further 482 flying hours were flown in direct support of crime prevention in rural areas and 594 flying hours during the provision of humanitarian assistance. During maritime reconnaissance, 321 flying hours were flown in support of the South African Navy. Combined and multinational exercises accounted for 945 hours. The funding of air mobility for diplomatic missions remained a high priority for the Air Force during FY 2007/08. Various aircraft in support of very

important person (VIP) dignitaries flew a total of 1 460 hours, carrying 2 581 VIPs. A further 1 423 flying hours were used to transport other important persons, carrying a total of 2 902 passengers.

The transformation programme, especially in the core musterings of the Air Force, received high priority during this time. Two pupil pilot courses were completed during FY 2007/08, with a total of 42 pilots qualifying. Of these, 16,7% were female and 59,5% were black pilots. The Air Force Reserves played a valuable and growing role in augmenting the Air Force's capacity, delivering 64 241 man-days during the year under review. Reserve Force Squadrons contributed 8,5% of the force employment flying hours.

The integration and operationalisation of the Strategic Defence Package aircraft such as the Hawk, A109 and the Lynx continued through the year and good progress was made. Eight Agusta A109 helicopters were delivered during the reporting period, bringing the total received to 21 of the full complement of 30. All four Lynx helicopters and another four Hawks were delivered, bringing the total to 20, of 24 Hawks ordered. A highlight of FY 2007/08 was the successful establishment of the newly integrated Lynx helicopter on the Operational Support Information System (OSIS), providing support electronically and not on a manual reporting system. As in previous years, however, the under-funding of the operating budget continued to have a negative effect on the optimisation of the newly acquired systems and the continued decline of main air systems to conduct external operations. In an effort to overcome these challenges in the most efficient and economical way, senior management embarked on creating solutions, such as improved accountability, better efficiency and improved career management to effect skills retention.

The original planned human resources budget versus actual payments for the full year reflected only a 0.007% deviation, which is an indication of excellent human resources planning and budgeting in the South African Air Force. Recruitment during FY 2007/08 increased the number of Military Skills Development System members in the South African Air Force to 989. In this regard, overall black and

female representivity increased by 6,2% and 2,3% respectively during FY 2007/08. These figures are in line with the South African Air Force's Human Resource Medium-Term Strategy to bring about a 10% change in representivity over the Medium-Term Expenditure Framework period.

The deterioration of facilities remained a major concern. Insufficient funding and dolomite subsidence in the Pretoria area continued to contribute to the deterioration of operational infrastructure and facilities. Key units affected were the Air Force Base (AFB) Waterkloof, 68 Air School, the Air Force Gymnasium and the SA Air Force College. The rehabilitation of the AFB Waterkloof runway that was scheduled for commencement in July 2007 was delayed, after the National Department of Public Works (NDPW) announced a delay in the tender process for the appointing of a contractor to the project. Senior leadership is developing solutions for the other dolomite problem areas, such as relocating the Air Force Gymnasium to AFB Hoedspruit to overcome these problems.

National Treasury has made additional funds available for the AFB Waterkloof upgrading according to the special Repair and Maintenance Programme. Replacement of facilities at AFB Durban was put on hold pending a strategic decision on the possible relocation of the base to La Mercy, where the new King Shaka International Airport is to be sited.

As in previous years, the challenge in air system integrity, mainly due to underfunding, was exacerbated by the loss of specialised expertise during FY 2007/08. With regard to funding, it must be noted that inflation reached high levels, with the cost of aviation fuel rising by 96% in six years and the total aviation inflation being in the region of 15% per annum. Whilst modest escalation adjustments are made to the annual budget allocation, more than two thirds of the operating budget is affected by the high aviation-related escalation. With regard to skills and capacity, the rebuilding of the technical support capability of the Air Force was partially successful, but shortcomings in service delivery were mainly due to critical shortages of qualified technicians as a result of over 200 resignations in the financial year. The loss of pilots and technical ground crew due to resignations also hampers the implementation of the new aircraft systems. While some progress was made with retention through improving incentives for aircrew and technicians, the challenge remains due to the strong pull from the private sector, especially the aviation industry. During this period,

an increase in the attrition rate of SAAF members was experienced and the recruitment did not materialise as was planned.

As a measure of improving internal control in the SA Air Force, 21 closing-down certificates have been received and 38 codes are in the process of being closed of the 68 unit and base accounting codes. The clean-up of the Air Force's inventory has resulted in the reduction of 555 094 ledgers out of 1 360 000 over the past three years. The information communications infrastructure requires serious upgrades and replacements while priority is given to information technology support to the flying environment. An unresolved issue remains the funding of incentives from the operating budget, at the expense of operational output.

Despite the challenges and shortcomings, the DOD's strategic objectives were supported and elements of air power contributed to national security and Government initiatives. During FY 2007/08, the Air Force flew a total of 36 716 hours, of which 12 271 were force employment hours in support of Joint Operations. The dedication and determination shown by Air Force members was exemplary and contributed largely to successful outcomes.

Purpose

The Air Defence Programme provides prepared and supported air defence capabilities for the defence and protection of South Africa.

Measurable Objective

To defend and protect South Africa by maintaining and providing prepared and supported air combat forces, services and facilities that meet Government's requirements.

Outputs

The Air Defence Programme provides air defence capabilities for South Africa in the areas covered by its 11 subprogrammes, namely:

- Strategic direction;
- Operational direction;
- Helicopter capability;
- Air transport and maritime capability;
- Air combat capability;
- Operational support and intelligence capability;
- Command and control capability;
- Command post;

- Base support capability;
- Education, training and development capability; and
- Technical support services capability.

Details of the Air Defence Programme outputs are reflected in Table 5.1. Some of the targets for the year were adjusted in the period between publication of the plan and the onset of FY 2007/08. Adjustments were necessary due to changed requirements and the evolving external environment. Significant changes are explained in the output table.

Table 5.1 Air Defence Programme Outputs for FY 2007/08

Output	Performance Measure	Annual Target	Actual Achievement / Comments
Subprogramme Strategic Direction			
Strategic direction to the Air Defence Programme	DOD policies, strategies and plans are implemented with respect to air matters	Full implementation	Full implementation achieved of the DOD policies, strategies and plans in respect of air matters.
Allocation and management of Air Defence resources	Allocated budget has been expended as planned	100%	87% of budget expended.
Subprogramme Operational Direction			
Operational direction to the Air Defence Programme	Degree to which allocated funds have been expended	Allocated funds expended as planned	108% of budget expended.
	Degree of compliance with DOD policies and prescripts	Full compliance with DOD policies and prescripts	Full compliance achieved of the operational direction to the Air Defence Programme.
Combat-ready air capabilities	Compliance with Joint Operations combat-readiness state	100%	71% achieved. Deviation resulted from low aircraft availability, caused by funding restrictions and a shortage of aircrew and technicians.
Flight safety management ¹	Number of major accidents	No major accidents	Two major aircraft accidents occurred, with one fatality in each case. Boards of inquiry for both accidents have not been concluded yet. Local and international presenters and representatives attended a successful Executive Safety Management Seminar held in October 2007. The senior leadership of the SA Air Force and of the RSA aviation industry participated with a view to improving aviation safety.
	Transgression of civil or military aviation regulations	No transgressions	13 minor transgressions – not warranting formal investigation. Unit-level investigations were initiated to determine means to prevent recurrence of transgressions.

¹ Output requirement part of the “in-year” reprioritisation by Chief of the SA Air Force, to align with the Occupational Health and Safety prescripts.

Table 5.1 Air Defence Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Annual Target	Actual Achievement / Comments
Subprogramme Helicopter Capability			
Medium and light transport capability Combat support capability	Number of flying hours	13 600 flying hours	10 518 flying hours. Low Oryx serviceability and under-utilisation of the two helicopters in the DRC by the United Nations. Delay in the delivery of the A109, low A109 serviceability and fewer pilots available due to aircraft design problems. No force utilisation hours flown with Lynx as aircrew are still under training. Low Rooivalk availability.
	Aircraft availability according to force requirements	Four mixed (medium and light) squadrons	100% achieved; four mixed (medium and light) squadrons.
		One combat support squadron	100% achieved; one combat support squadron.
Training capability		One helicopter training school	100% achieved; one helicopter training school.
Subprogramme Transport and Maritime Capability			
VIP transport capability Medium and light transport capability Maritime capability	Number of flying hours	16 090 flying hours	12 324 flying hours. During the year, the C130 capability had to take over the B707 responsibility and overflew the planned hours. Tasking of Casa 212 aircraft was less than the allocated hours. Due to an accident, the Casa 235 flew 320 hours less than allocated. Utilisation of Reserve Force aircraft was less than optimal and will be addressed. Hours flown is a function of the aircraft type utilised (cost of aircraft). Thus the full budget may be utilised, but hours flown may be less due to the utilisation of a more expensive aircraft, as in VIP transport.
	Aircraft availability according to force requirements	Three transport squadrons (one VIP)	100% achieved; three transport squadrons (one VIP).
		One maritime and transport squadron	100% achieved; one maritime and transport squadron.
		One transport and training squadron	100% achieved; one transport and training squadron.
		Nine Air Force Reserve squadrons	100% achieved; nine Air Force Reserve squadrons.

Table 5.1 Air Defence Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Annual Target	Actual Achievement / Comments
Subprogramme Air Combat Capability			
Medium fighter capability ²	Number of flying hours	4 000 flying hours	2 488 hours flown. The Cheetah hours were reduced by 47 at the beginning of the year (change of plan submitted via D Plan) to release funds to cover B707 operating costs. The reduced flying hours on the Hawk was a direct result of the lack of funding, aircraft, aircrew and technical specialists' availability. Low experience levels were also a major contributing factor to the lower number of flying hours flown. The Boeing 707 system was withdrawn from service.
		One combat squadron	100% achieved; one combat squadron.
In-flight refuelling capability	Aircraft availability according to force requirements	One long-range transport and in-flight refuelling squadron	45% availability. Boeing 707 operations were stopped on 19 July 2007. Ministerial approval to withdraw the system from service was obtained on 24 August 2007.
Lead-in fighter training capability	Number of pilots trained	Eight pilots trained	Three Operational Training Course students were trained during the year. The first priority was the establishment of syllabi and the training of instructors as pilot attack instructors.
Subprogramme Operational Support and Intelligence Capability			
Protection service capability	Months of incident-free ground protection in support of air operations	12	Four months achieved. Incidents are related to theft at SAAF bases/units. Readiness inspections improved the effectiveness of protection measures.
	Number of successful access control violations	None	Seven violations. Intruders gained access by breaching static security systems at non-controlled points, e.g. cutting holes in fences. Readiness inspections improved the effectiveness of protection measures.
	Number of successful attacks on VIPs	None	Target achieved.

² The reduction of 47 Cheetah hours was submitted to DPBEC on 16 August 2008 and followed up in writing – CAF/DACP/C/504/3/1 (07/08), dated 26 August 2007.

Table 5.1 Air Defence Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Annual Target	Actual Achievement / Comments
Protection service capability	Number of members trained in aviation protection	485 learners	367 learners were trained. A number of Protection Course candidates did not meet course requirements. This did not affect operations and courses have been scheduled for 2008. External operational commitments and budget constraints limited the number of X-ray operator learners, but had no direct effect on operations as a compact version of this course is also presented as a module in the Aviation Ground Protection Course.
	Number of personnel days utilised on external deployments	20 748 personnel days	17 239 personnel days achieved. The J Ops requirement was less than the planned 20 748 personnel days.
Exploitation and provision of image intelligence capability	Serviceability of image exploitation and interpretation systems and equipment	100%	88% serviceability achieved. The Tactical Imaging Exploitation System was completely refurbished during the fourth quarter. Other unserviceable equipment is being repaired or replaced.
Intelligence training	Number of members trained: National Diploma in Applied Military Intelligence and functional intelligence courses	211	186 learners trained. One Current Intelligence System Course cancelled due to operational commitments of students and one cancelled due to lack of requirement. Two Introduction to Photo Interpretation Courses cancelled: no instructors and insufficient nominations. Marginal effect on operations but learners will be accommodated in FY 2008/09.
Counter-intelligence and safeguarding capability	Degree of improvement in SAAF personnel's military security awareness, compared to 2006/07 statistics	5%	370% increase in reported incidents, compared to FY 2006/07 statistics. The apparent negative trend may indicate that the more efficient reporting of incidents actually led to an improvement in military security awareness. The measuring criteria selected were not appropriate and will be improved in future years.
	Degree of reduction of military and criminal transgressions, based on 2006/07 statistics	15%	6% reduction in transgressions achieved. The improvement of only 6% could also be attributed to irregular reporting of statistics, which could indicate a reduced performance.

Table 5.1 Air Defence Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Annual Target	Actual Achievement / Comments
Subprogramme Command and Control Capability			
Air defence management capability	Number of mission-ready mission controllers	20 mission controllers	20 mission controllers available.
	Number of static control centres available	Two static control centres	98% mission-readiness of the two static control centres achieved as planned.
	Number of radar systems available	10 radar systems	89% of 10 radar systems achieved. Major component failure on reserve tactical radar system. Long lead time for delivery of component from supplier. Insufficient funds available to carry enough spares to avoid the lead-time problems and ensure the required availability.
Air traffic management capability	Number of mission-ready air traffic controllers, air traffic service units and availability of navigation aids	49 air traffic controllers	43 air traffic controllers available. Shortfall due to recruiting by other organisations.
		Seven air traffic service units	88% achieved. Due to the upgrade of Swartkop airfield during the financial year, the set target could not be reached.
		Two mission-ready mobile towers	25% availability achieved. The towers were being refurbished and were therefore unavailable for long periods during the year.
		95% availability of navigation aids	97% availability achieved. Better serviceability achieved than planned for.
Ground command and control management capability	Number of mission-ready command post officers and command post assistants	38 command post officers	37 command post officers available. Target not achieved due to attrition of personnel.
		83 command post assistants	83 command post assistants available.
	Availability of ground command and control management system	95%	95% availability of ground command and control management achieved.
	Personnel days for external ordered commitments	1 460 personnel days	1 881 personnel days achieved. Planned days exceeded due to requirement for members to deploy to Sudan.
Information Communication Technology management capability	Number of mission-ready telecommunication officers and operators	26 telecommunication officers	19 telecommunication officers available. The transfer of the functions from DOD level to the Air Force took place, though the posts have not been transferred yet. Target not achieved due to attrition of personnel.
		153 telecommunication operators	94 telecommunication operators available. The transfer of the functions from DOD level to the Air Force took place, though the posts have not been transferred yet. Target not achieved due to attrition of personnel.

Table 5.1 Air Defence Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Annual Target	Actual Achievement / Comments
Training capability at Airspace Control School	Number of members trained	365 learners on 28 courses	265 learners were successful on 26 courses. Output was reduced due to changed requirements that necessitated changes in curricula, with the resultant cancellation or extension of courses. There were also some failures and some candidates were withdrawn due to workload, resignations and prior learning.
Deployment support capability	Degree to which deployment support requirements are met	90 deployable days for 1 x 200-man Tactical Airfield Unit	86 deployed days achieved. Although the full 90 days were not operationally required, the capacity was created, maintained and was available to deploy for the full 90 days.
		56 deployable days for 3 x 50-man Tactical Airfield Unit	44 deployed days achieved. Although the full 56 days were not operationally required, the capacity was created, maintained and available to deploy for the full 56 days.
Subprogramme Command Post Capability			
Air Force Command Post	Degree to which planned flying hours are utilised	100%	90% achieved. A combination of lower than planned available air and ground crews, due to resignations, as well as higher than foreseen occurrences of maintenance events on aircraft, resulted in lower than planned aircraft availability throughout the year.
Air Operations Training Centre	Number of members trained	40 learners on two courses	Both courses were cancelled due to curriculum updating, as the curriculum was not appropriate for the required output. Staff paper was submitted for approval.
Subprogramme Base Support Capability			
Logistic support capability	Compliance with support services requirements	100%	84% achieved. Establishing and staffing of a Supply Support Directorate in process; vacant posts at bases/units/depots.
	Compliance with system groups' requirements	100%	98% achieved. The Air Force received late notification that one of the suppliers could not deliver on a contract due to the company filing for bankruptcy. The redistribution of Rm1,288 within the Air Force was hampered by the lengthy process for cancelling a contract.
Base operational support capability	Availability of air base operational services	24-hour availability	44% achieved. The low serviceability was due to this capability only being 29% funded.

Table 5.1 Air Defence Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Annual Target	Actual Achievement / Comments
Facilities/property management services	Suitability of working environment at all SAAF facilities	50%	50% achieved, as planned. Although the target was achieved by expending all allocated funds, only 50% of the total requirement was funded, and therefore the Air Force's total requirement was not met.
Supply support services capability	Compliance with requirements for uniform/specialised clothing	100%	82% achieved. Inability of manufacturers to deliver on time resulted in non-delivery, late delivery and contract cancellations. Contractors' inability to comply with specifications impacted on manufacturing lead-times.
Subprogramme Education, Training and Development Capability			
Advanced training, skills training, and full-time technical training capability	Compliance with planned training and syllabi requirements Number of members trained	350 part-time tertiary study learners	170 applicants (from FY 2006/07) qualified. No new applications for FY 2007/08 were processed. The administration of the training will be reviewed to improve utilisation of opportunities.
		2 500 development and skills training learners	600 learners trained. The figure of 2 500 is higher than the budget availability allowed for. The budget provided for 600 generic courses only. Specialist courses were addressed in functional areas.
		60 N4-N6 tertiary training learners	17 learners accommodated. Fewer people were recruited for N4 to N6 as the applicants did not meet minimum requirements. These courses are mainly for self-development.
		270 apprentice learnerships	145 apprentices recruited. Fewer apprentices were recruited than planned for, with the implication that the shortage of technical personnel in the SAAF is not alleviated. The Air Force will negotiate with the responsible entities at DOD level, with a view to increasing the number of recruits.
		65 full-time engineering learners	68 learners were in the system at the end of the year. The target reflects the number of learners in the system at any given time (sometimes slightly more or less), depending on the pass rate of students.

Table 5.1 Air Defence Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Annual Target	Actual Achievement / Comments
Basic flying training capability at the Flying Training School	Daily number of serviceable aircraft	34 aircraft	29,5 aircraft available daily, sufficient to meet the requirement. Lower aircraft availability due to system obsolescence.
	Number of qualified instructors	43 instructors	38 flying instructors available daily, sufficient to meet the requirement. Lower availability due to high attrition of aircrew through resignations.
	Number of flying hours	11 000 flying hours	11 387 hours. Flying hours exceeded the allocated hours due to the size of the pilot's wings courses that were selected. Additional training hours were also allocated to learners who initially did not achieve the required standard. Additional funds, re-allocated from elsewhere in the Air Force, were made available to cover the additional hours flown.
	Number of pilots trained	68 pilots on two courses	42 pilots qualified on two courses during the year, with another 56 students still on course. Funding and system capacity limitations restricted the number of pilots trained.
	Number of instructors trained	18 instructors on two courses	16 flying instructors qualified on two courses, with another two courses still underway. Low availability of flying crew available to train as instructors, due to attrition.
Navigator training capability	Number of navigation instructors	10 instructors	Eight instructors available. The 10 navigator instructors' posts were reduced to eight after the conversion of two posts to common posts to satisfy changed requirements.
	Number of basic navigator learners	12 learners on one course	Four students qualified. Eight students failed to meet the minimum requirements and were withdrawn. Two of the stronger candidates were rolled over to the next navigator course.
	Number of instructor learners	Two learners on one course	Three learners qualified. Attrition of aircrew created the additional requirement.
	Number of survival course learners	90 learners on four courses	122 learners trained. Other aircrew (flight engineers, flight attendants and electronic warfare operators) also participated in survival training, resulting in the number of learners exceeding the annual target.

Table 5.1 Air Defence Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Annual Target	Actual Achievement / Comments
Navigator training capability	Number of aviation orientation course learners	25 learners on one course	35 learners trained. To improve force preparation, other aircrew (flight engineers, flight attendants and EW operators) also participated in aviation orientation training. As a result, the number of learners exceeded the annual target, even though one module was cancelled.
	Number of parasail course learners	120 learners on five courses	42 learners trained on two courses. The number of learners trained met the requirement for the year. It was therefore not necessary to pursue the target of 120 learners.
Logistical training capability	Number of apprentices	450 apprentices	326 apprentices were posted out to units and bases in January 2008. 317 apprentices were recruited and started training in January 2008, bringing the total to 643 apprentices in the system during the year. The target was exceeded due to shortages of technical personnel, caused by resignations.
	Number of learners and courses	2 521 learners on 196 courses	887 learners trained on 96 courses. Eight office automation courses were cancelled due to the non-availability of an instructor and not all courses were fully manned. In-post training was utilised to meet the requirement. The estimated requirement of 1 418 learners on Air Force-unique courses was not accurately determined and only 792 learners could be accommodated on the 81 scheduled courses. The eventual requirement for the year was less than the planned figure of 792. Only two fire-training courses were presented (instead of 23) and 36 learners were trained (instead of 540). The initial target was set for the DOD as a whole, as all fire training was done centrally. The SANDF Fire Training School underwent transformation into an SAAF-unique Fire School, concentrating on aviation fire and rescue. Each Service is now responsible for its own training.

Table 5.1 Air Defence Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Annual Target	Actual Achievement / Comments
Personnel development capability	Number of learners and courses	1 119 learners on 29 courses	674 learners were trained on 24 courses. Two development courses (senior supervisors and junior command and staff courses) were cancelled due to insufficient demand. The Air Power Courses were under-subscribed due to a lack of capacity for the learners at the Air Force College. Two Law of Armed Conflict Courses were cancelled as the course had to be reworked by the instructors to gain SAQA accreditation. This was successfully completed and the course started again in the fourth quarter.
Basic military training capability	Number of learners and courses	770 learners on nine courses	552 learners were trained on six courses. The actual requirement was lower than the planned basic training course. The orientation courses were not presented as they have become obsolete and members are trained by base RSMs when required.
Technical Support Services Capability			
Aircraft servicing capability	Compliance with System Group requirements for serviceable aircraft	100%	73% achieved. Deviations resulted from additional servicing that were required and from spares requirements in the air transport environment, as well as long tasks (10-year wing inspections) on C47TP aircraft. In the combat environment, a shortage of personnel caused scheduled servicings to fall behind as priority was given to repairing unserviceable aircraft.
Armament support capability	Compliance with armament support requirements	100%	98% achieved. The supply of ammunition, pyrotechnics, squibs, bomb fuses, flying clothing, life rafts, survival aids, ejection seats, parachutes and life jackets was partially satisfied, mainly due to contract management and technical problems experienced by Armscor and at the suppliers.
Maintenance capability	Serviceability of support equipment in accordance with System Group requirements	100%	100% achieved. Contract expenditure in accordance with financial business plans.

Table 5.1 Air Defence Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Annual Target	Actual Achievement / Comments
Engineering support capability	Degree of compliance with all System Group internal engineering requirements	100%	66% achieved. The resignation of engineers was a major cause for concern, heavily impacting on the ability to perform the work required. Three uniformed engineers resigned in the last quarter, with a total of 16 during the past year (out of 60). Additional management interventions have been implemented which are aimed at increasing the inflow of personnel (amendments to selection and recruitment policies, as well as performance review processes), in an attempt to counteract the outflow of personnel. The national demand for engineers remains high and retaining engineers therefore remains a challenge.
Operational support and information systems	Effectiveness of aircraft systems information management	100%	71% achieved. Implementation in certain areas still in process. Slow progress due to manpower shortages. Management is intervening to ensure optimised utilisation of system and data integrity.
Support process integration	Effectiveness of aircraft systems policies and procedures	100%	60% achieved. The Technical Process Integration Section is less than 50% staffed. The lack of manpower is hampering finalisation of processes and procedures required to ensure an effective system. Approval of proposed posts is anticipated.

Air Defence Programme: Planned Exercises

Details of the Air Defence Programme's planned exercises are shown in Table 5.2.

Table 5.2 Air Defence Programme: Planned Exercises for FY 2007/08

Exercise (Name and Type)	Actual Achievement
Air capability demonstration	The biannual air capability demonstration were held successfully at Roodewal bombing range on 4 April and 13 September 2007. Air power presentations were given, followed by the demonstrations. The demonstrations were well attended by decision-makers, opinion-formers, captains of industry and representatives of the Executive National Security Programme courses at the SA National Defence College.
Electronic Warfare Camp	A very successful Electronic Warfare Camp was held over the period 6 to 24 August 2007. All objectives set for the camp were achieved. The standard operating procedures for operating in this environment were tested and remain valid.

Table 5.2 Air Defence Programme: Planned Exercises for FY 2007/08 (continued)

Exercise (Name and Type)	Actual Achievement
Infrared Camp	The Infrared Camp was cancelled due to the unavailability of new-generation flares from Chemring Countermeasures in the United Kingdom. These flares will be delivered in April 2008.
Exercise PEGASUS	The exercise was successfully conducted over the period 24 February to 8 March 2008. Two C208s from 41 Squadron and two CN212s from 44 Squadron were tasked to deploy at AFB Bloemspruit. The aircraft on deployment travelled on a daily basis to and from Maseru to execute missions planned for the exercise, together with Lesotho Defence Force air transport elements.

Risks and Mitigation Actions

One of the main risks is the declining numbers of suitably skilled and experienced personnel in all SAAF disciplines. While some progress was made with retention through improving incentives for aircrew and technicians, the challenge remains due to the strong pull from the private sector, especially the aviation industry. Reserve pilots have been appointed to supplement the loss of skilled personnel, but this has had only a limited effect on the overall problem. The loss of skilled personnel continued to hamper the implementation of the new aircraft systems. Coupled with prolonged underfunding, this situation has led to the operating of aircraft systems at levels far below the optimum.

Solutions such as improved accountability, better efficiency and improved career management to effect skills retention are pursued. Static and mobile navigation and surveillance systems are old and have become progressively difficult and expensive to maintain. This has affected aircraft system integrity negatively. The deterioration of Air Base operational support infrastructure and equipment has continued. RAMP contracts currently in force at AFB Waterkloof are all funded from the Defence capital expenditure budget, with lapsed/lapsing contracts at AFB Makhado and SAAF Headquarters Unit being extended for shorter intervals (one to 12 months) within the bounds of DOD cashflow limitations. A

special allocation received from National Treasury enabled the SAAF to continue planned maintenance actions on operational infrastructure at most bases.

Public-Private Partnership Agreements

A possible Public-Private Partnership (PPP) for the commercial co-use of Air Force Base Ysterplaat was registered at National Treasury on 8 February 2007. Advertisements for a transaction advisor were placed and a Compulsory Site Briefing was held at the base to brief prospective bidders. The SAAF raised concerns with the awarding of the contract, a matter that is now in the hands of the DOD senior management for possible resolution. The possible PPP for the commercial co-use of Air Force Base Overberg has led to a drafted co-use agreement that was distributed to all relevant stakeholders for perusal by the Overberg District Municipality's consultant. A new mayor and management staff have been recently appointed who are still to familiarise themselves with the concept. It is anticipated that once the new Overberg District Municipality management has bought into the co-use concept, an agreement will be signed, resulting in an envisaged reduction in the cost of ownership of the base.

Additional Funding

Details of the Air Defence Programme's additional funding are shown in Table 5.3.

Table 5.3 Air Defence Programme: Additional Funding for FY 2007/08

Policy Option	Allocation (R'000)	Output Targets	Actual Achievement / Reasons for Deviations
Base Support	18 000	Recovery/maintenance of operational infrastructure	More than the allocated amount was spent, as the total requirement of the Air Force far exceeded the additional allocation of Rm18, with the balance made good from the Air Force's operating budget. Total spent on operational infrastructure: Rm24 326.

Table 5.3 Air Defence Programme: Additional Funding for FY 2007/08 (continued)

Policy Option	Allocation (R'000)	Output Targets	Actual Achievement / Reasons for Deviations
Astra Avionics Upgrade	8 000	Astra Avionics upgraded to Instrument Meteorological Conditions flight standard	The PDSC approved re-allocation of the Rm8 to the air transport environment to create capacity to fly newly-qualified pilots. The Astra Avionics recovery has been covered by a multi-year additional allocation. Cessna C-208 maintenance and repair contract (Execujet): An additional Rm6,37 was allocated to the C-208 maintenance contract with Execujet, in order to increase the number of external servicings. This will allow the C-208 fleet serviceability rate to be improved to cater for an increased number of students. Aviation Fuel Budget: Aviation fuel cost increases caused a predicted shortfall of Rm4,8 on the air transport budget for FY 2007/08. The remaining Rm1,63 was utilised to alleviate part of this shortfall.
VIP Air Transport	23 716	Inkwazi operating cost	Bills for overflight, landing and navigational fees are normally received up to eight months after completion of the flight. Only 430 of the planned 645 hours were flown. Utilisation is dependent on Presidential requirements. The payments total Rm27,867.

Performance and Service Delivery Improvement

Details of the Air Defence Programme's performance and service delivery are shown in Table 5.4.

Table 5.4 Air Defence Programme: Performance and Service Delivery Improvement for FY 2007/08

Activities	Planned Management Interventions	Anticipated Benefit	Status	Actual Achievement
Human Resources Transformation	Implementation and monitoring of Air Force Board Focus Area to address the acquisition of representative members for the core functions of the Air Force, and career preparation of representative members for the SDP aircraft	Meaningful and measurable progress towards the objectives of the SAAF's medium-term HR Strategy and SAAF Vision 2015	Ongoing	Although the planned end strength for the 2007/08 financial year did not materialise, overall black and female representivity in the South African Air Force increased by 6,2% and 2,3% respectively during the 2007/08 financial year. This is in line with the South African Air Force's objectives to bring about a 10% change in representivity over the period 2006/07 to 2008/09. Reasons for the planned end strength deviation were an unforeseen increase in the attrition rate and recruitment that did not materialise as planned. This deviation did not, however, hamper planned representivity changes.
Review of contracts	Annual review of contracts to ensure cost-effective logistic support, and effect changes to those contracts where cost-effective support solutions are not found	Optimised service delivery and support that reflect a cost-effective balance between the operational requirement, the contracted work and the cost to the SAAF, thus assisting in reducing the overall cost of support	Ongoing	The Contract Review Committee reviewed a number of user requirement specifications of various systems' contracts to eliminate duplication (and resultant fruitless expenditure), and a number of contracts were reviewed to ensure compliance with the User Requirement Statement.

Table 5.4 Performance and Service Delivery Improvement for FY 2007/08 (continued)

Activities	Planned Management Interventions	Anticipated Benefit	Status	Actual Achievement
Logistic restructuring	To implement the redesigned logistic support concept in the SAAF in accordance with the approved SAAF Logistic Support Philosophy and the guidelines in SAAF Vision 2015	An optimised logistic support system that reflects a cost-effective balance between organic SAAF logistic support and outsourced support, thus assisting in reducing the overall cost of support	Ongoing	Directorate Base System Support Systems at Level 3 was restructured to create a separate Directorate Supply Support, which has had a very positive effect on the supply support environment within the Air Force. The SAAF Logistic Strategic Plan is under revision and the Air Force unit's structures are being reviewed for optimisation of resources. The DOD logistic realignment process has taken priority and may influence the future Air Force logistic restructuring.
Reduction of uniformed and PSAP personnel	Possible reduction of personnel in accordance with optimal force structure in the process of being determined	Possible reduction in personnel costs Retention of optimised HR complement in support of allocated roles and responsibilities/ functions	In process	The South African Air Force Human Resource budget strength will increase from FY 2010/11, instead of decreasing. In support of Government's initiative, the Air Force plans to recruit 650 Military Skills Development System members as part of the normal recruitment drive and 350 additional members as part of the Project 24 commitment.
Reduction of Aero Manpower personnel	Reduction of personnel in accordance with the optimal force structure, to achieve a ceiling number of 500 AMG members in support of flying operations	Reduction in overall personnel and contract costs	Ongoing	655 in January 2008. Contract renegotiation is presently in process. The AMG contract is to be reviewed and a new User Requirement Statement compiled to address reduction possibilities. Task complicated by resignations of uniformed personnel, resulting in higher demands on AMG personnel.
Optimising the cost of ownership of air bases	Implementation of an Air Base Strategy and Air Base Support Plan to ensure the optimal and cost-effective support of all air bases	Reduction in overall cost of ownership, resulting in enhanced maintenance of air bases	Ongoing	The Air Base Strategy has been incorporated into SA Air Force Vision 2015. The logistic element of this task is included in Ser No 3 (Logistic Restructuring). This requirement is included as an objective through the Air Servicing Unit Capability Plan.

Policy Developments

The amendment to the SANDF Promotion Policy (DODI/PERS/2/2001), promulgated via letter CHR/DHRSS/R/105/15/P dated 21 December 2007, is supported. The change in policy could result in an increase in natural attrition (specifically in the scarce skills musterings) and a slight decrease in the HR budget in the short term, and could have a negative impact on representivity in specific rank levels, unless fast-tracking is utilised. Progress has been made in benchmarking and investigating the establishment of a Military Aviation Authority. A proposal for the establishment of the Military Aviation Authority within existing SA Air Force organisational entities has been drafted for approval.

Services Scaled Down, Suspended or Abolished During FY 2007/08

The Boeing B707 aircraft were phased out on 19 July 2007 as the SAAF could no longer fund the system and it was becoming increasingly difficult to source the required spares. The Cheetah aircraft was phased out on 31 March 2008 because it was not affordable to operate both the Gripen and Cheetah systems simultaneously. The three Alouette III helicopters that were utilised for the support of naval operations on board the *SAS Protea* were withdrawn for phasing out, as was planned. The Cessna C185 aircraft are to be withdrawn from service and the fleet has been grounded since November 2006.

With the withdrawal of the Boeing 707 from service in July 2007, 60 Squadron ceased operations. The unit was not closed down but the personnel were transferred to other flying units, except for a small contingent that remained behind to manage the phasing-out process. This has almost been completed. The squadron will be re-equipped in the future with the new A400M transport aircraft that will be delivered to the South African Air Force.



Maritime Defence

CHAPTER 6

Programme 4: Maritime Defence

Overview

The financial year 2007/08 was a successful and challenging year for the South African Navy in meeting the requirements for force preparation and readiness, including finalising the integration of the Strategic Defence Packages on the one hand and strengthening its good governance regime on the other. Thus the year under review saw the SA Navy focusing on two major areas. Firstly, in terms of force preparation, the SA Navy maintained the approved Force Structure Elements and the associated Force Structure, including the personnel, at the required readiness levels in order to meet the maritime defence commitments in a sustained manner. Secondly, the SA Navy pursued the objective of inculcating a culture of selfless service delivery within the boundaries of moral and ethical conduct and values, including good governance and accountability, as well as pragmatically implementing the Department's Human Resource Strategy 2010. The DOD Strategic Plan for FY 2007/08 specifically provided for the maintenance of ordered naval defence capabilities; the establishment of capabilities needed to participate in multinational peace support operations; cooperation with counterparts throughout the Region with respect to combined exercises, training and the conduct of exchange visits; and playing an active role within the internal maritime sector with respect to the protection of marine resources/assets, combating maritime crime, search and rescue, hydrographic services and assistance with respect to disaster relief. To this end, several achievements are worthy of note, as are some challenges.

International cooperation was enhanced through staff talks with the navies of Argentina, Germany, India and Pakistan. These talks resulted in the exchange of information on varied maritime matters, the exploration of mutually beneficial training opportunities and participation in valuable multinational maritime exercises. The Chief of the Navy's attendance of the International Sea Power Symposium, held at the US Naval War College in Newport, Rhode Island, USA where the chiefs of the navies of Ghana, Kenya and Nigeria were also present, further enhanced maritime relations with countries on the Continent. Material assistance was

provided to Malawi and Namibia and the Chief of the Navy from Mozambique was hosted during the year. A significant achievement was the credible performance of the SA Navy with the NATO Task Group during Exercise AMAZOLO, held in South African waters, whilst Exercise GOOD HOPE III enabled the SA Navy to test its frigate doctrine, tactics and interoperability with the German Navy and Air Force.

Exercises held with the navies of Brazil, France, Germany, Ghana, Kenya, the Netherlands, Tanzania and the United States of America provided the opportunity to improve interoperability with modern and well-established navies. These exercises served to confirm the SA Navy as a competent and credible maritime force. The deployment of *SAS Amatola* to the United Kingdom and the successful completion of the Basic Operational Sea Training (BOST) work-up inspection, her participation in the 90th anniversary of the sinking of the troopship *SS Mendi*, as well as the deployment of *SAS Mendi* to Brazil and Ghana, provided opportunities to test deployment and support of maritime assets over long distances.

The *SAS Manthatisi* became the first submarine internationally to be fully classed in terms of Germanischer Lloyd's submarine rules. The first Submarine Officer Commanding Course in nine years was successfully concluded, with one officer qualifying as a Submarine Officer Commanding. This training initiative, as well as joint trials conducted with the SA Air Force's Hawk aircraft and successful missile firings, demonstrated the integration of the Strategic Defence Packages into service and their use in the training and qualifying of members.

During the year under review, the SA Navy thus focused on the operationalisation of the new ships and submarines, including the Lynx maritime helicopter, into the fleet, together with optimising its supporting elements. This process served to ensure that the higher-order user systems are able to attain the required levels of capability in a cost-effective and efficient manner. This has led to a careful appreciation of levels of capability, modelled against cost, with optimum solutions being derived for the short, medium and long term.

With regard to peace missions, the SA Navy provided forces in support of peace initiatives in Africa. Six members were deployed in Sudan. Staff officers and military observers were deployed in the UN mission in the Democratic Republic of the Congo. A Maritime Reaction Squadron platoon was deployed as a protection unit in Burundi. Training assistance was provided as part of the South African Military Assistance Training Team (SAMATT) initiative to the Central African Republic.

In terms of supporting other Government departments, preparatory exercises in support of the Soccer World Cup 2010 were conducted. Support was also provided during the team draw occasion in Durban. The SA Navy further participated in joint exercises to monitor the movement of air traffic, in preparation for the Soccer World Cup. Naval deployments in cooperation with the SAPS and in support of marine and coastal management in the Western and Southern Cape assisted in the enforcement of State authority and the protection of marine resources such as endangered shellfish. At the request of the Intergovernmental Oceanographic Commission – UNESCO, real-time tide-information satellite transmitters were installed by the SA Navy at the Durban, Port Elizabeth and Simon's Town naval bases. These transmitters contribute to international maritime safety, as they form part of the Indian Ocean Tsunami Warning System, with the data being used to monitor weather and tidal patterns.

The Maritime Log Support Plan (MLSP) has achieved notable successes in its support of the SA Navy's maritime assets. The recently established System Support Centre has made a positive difference in the ability of the fleet to maintain its assets and infrastructure. The SA Navy became the first Service to have a depot's accounting system successfully transferred from DIMS to OSIS. The MSLP has played a major role in the successful deployment of the frigates *SAS Amatola* to the United Kingdom and *SAS Mendi* to Brazil and Ghana. In the weapons support domain, the first locally designed and manufactured submarine berthing pontoon was put into operation, as was a fuel capture tap. With the implementation of the Strategy for the Management of Criminality in the DOD, the SA Navy created a positive contribution towards managing crime by adopting a zero-tolerance approach to offenders. The SA Navy has continued with the pragmatic implementation of the HR 2010 Strategy towards ensuring that the SA Navy achieves a workforce

that is representative in terms of gender and race, including the accreditation of training units. The SA Navy has initiated special recruitment and marketing drives in order to identify candidates for appointment in the Combat, Technical and Diver branches of the SA Navy. In this regard, all provinces were visited and 633 candidates were successfully recruited as MSDS members who could in future be appointed in the Combat, Technical, Diving and Submarine branches. A further 92 candidates who are partially technically qualified were recommended for employment in the MSDS and Core Service System.

The Military Skills Development programme enabled the rejuvenation of both Regular and Reserve components with young, fit and able sailors. Approximately 42 000 Reserve man-days were utilised to satisfy force preparation and force support requirements. The Reserve Management Centre has proved highly efficient in coordinating the call-up and utilisation of Reserve personnel. Representivity in terms of race and gender is progressing well, and a well-developed plan to manage people with disabilities is in place.

The loss of personnel within the combat and technical domains to the private sector remains an area of great concern. However, various initiatives are being pursued to turn this situation around. The intervention of targeting members with technical qualifications or partial technical qualifications to further their training and attain accredited qualifications has had a positive effect, with such members being staffed in technical posts.

Despite the constraints that continue to challenge the SA Navy's ability to comply with its constitutional mandate, it achieved its performance objectives in accordance with the DOD Strategic Business Plan for FY 2007/08. This bears testimony to the commitment of the men and women who serve in the organisation. The robust managerial intervention with clear strategic direction by top leadership has allowed the SA Navy to remain committed to pursuing its primary objective of providing a credible maritime defence capability to the people of South Africa.

Purpose

The purpose of the Maritime Defence Programme is to provide prepared and supported maritime defence capabilities for the defence and protection of the Republic of South Africa.

Measurable Objective

To defend and protect the RSA by providing prepared and supported maritime combat forces, services and facilities that meet Government's requirements.

Outputs

Details of the Maritime Defence Programme outputs are reflected in Table 6.1.

Table 6.1 Maritime Defence Programme Outputs for FY 2007/08

Output	Performance Measure	Target	Actual Achievement
Subprogramme Maritime Direction Capability			
Strategic Direction Capability	Implementation of DOD policies, strategies and plans in respect of maritime matters Expenditure of allocated budget as planned	Full implementation 100%	Achieved - implementation of DOD policies, strategies and plans in respect of maritime matters. 100%
Force Preparation Direction Capability	Compliance with force preparation requirements	100%	All requirements for force employment complied with, as planned.
Subprogramme Maritime Combat Capability			
Surface Combat Capability	Number of vessels prepared according to force requirements	3 x strike craft 4 x frigates	3 x strike craft were in the operational cycle; 2 were available during the period, with one in reserve. 4 x frigates were available in the operational cycle.
Submarine Warfare Capability	Number of submarines prepared according to force requirements	2 x submarines 1 x submarine undergoing post-delivery trials	2 x submarines were in the operational cycle. The delivery of the third submarine was postponed to FY 2008/09 due to delays in the project.
Combat Support and Sealift Capability	Number of vessels prepared according to force requirements	1 x combat support vessel	1 x combat support vessel.
Mine Warfare Capability	Number of systems prepared according to force requirements	2 x mine warfare systems	2 x mine warfare systems consisting of 3 x mine hunters in the operational cycle.
Hydrographic Services Capability	Number of units prepared according to force requirements	1 x vessel 1 x mobile hydrographic survey team	1 x vessel and 1 x mobile hydrographic survey team.
Maritime Reaction Squadron Capability	Number of Operational Boat Squadrons (OBS) prepared according to force requirements	1 x OBS	1 x OBS, prepared according to force requirements.
	Number of maritime reaction force platoons prepared according to force requirements	3 x platoons	3 x platoons, prepared according to force requirements.
	Number of operational diving teams prepared according to force requirements	3 x teams	3 x teams, prepared according to force requirements.
Patrol Capability	Number of inshore patrol vessels prepared according to force requirements	3 x patrol vessels	3 x patrol vessels in the operational cycle. Certain spares lead-times resulted in the vessels having a lower operational availability than planned.

Table 6.1 Maritime Defence Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
Subprogramme Maritime Logistic Support Capability			
Provision of Dockyard Capability: Fleet Maintenance; Publications Provision; Logistics Warehousing; Armament Warehousing; Command and Logistic Information Systems Capabilities	Provision of maritime logistic support services in accordance with stated operational readiness levels of the required force design and its utilisation	100%	80%. Dockyard capability was transferred to Armscor on 1 August 2007.
Subprogramme Maritime HR and Training Capability			
Formative Training Capability	Number of formative training course learners	1 554 learners on nine courses	847 learners on 11 courses. Target not achieved, as the number of learning opportunities is a function of organisational requirements, learner demand and operational exigencies.
Functional and Warfare Training Capability	Number of functional and warfare training course learners	2 185 learners on 169 courses	1 348 learners on 99 courses. Target not achieved, as the number of learning opportunities is a function of organisational requirements, learner demand and operational exigencies.
¹ Technical Training Capability	Number of technical training course learners	250 learners on nine courses	551 learners on 46 courses. The special recruitment drive initiated by SAN to identify potential candidates for appointment in the technical branch contributed to additional learners being trained in an effort to alleviate the scarce skills problem.
Staff Training Capability	Number of staff training course learners	100 learners on four courses	82 learners on four courses. Target not achieved, as the number of learning opportunities is a function of organisational requirements, learner demand and operational exigencies.
² Overseas Training Capability	Achievement of planned training schedule	Approved overseas training schedule	20 members were sent on foreign learning opportunities. The number of members sent on foreign learning opportunities reflects the number on the approved overseas training schedule. Nonetheless, this will be corrected in future reports to indicate the actual number of LO utilised on the pre-approved training schedule.
HR Reserve Planning Capability	Achievement of planned training and utilisation of Reserves	150 trained Reserves 40 000 man days	85 Reserves trained. 42 059 man days. Man days exceeded to satisfy the requirement and C Navy's strategy of a fully-utilised Reserve Force.
Subprogramme Base Support Capability			
Base Support Capability Simon's Town Durban Port Elizabeth	Compliance with client requirements	100%	All client requirements complied with.

¹ The target of the technical training capability, as indicated in the SBP, was amended during the period, with the relevant amendments being submitted to higher authority.

² According to the amended target, the actual achievement during the year was higher due to a special recruitment drive to alleviate the shortages in the technical environment due to unforeseen attrition rates.

Planned Exercises

Details of the Maritime Defence Programme’s planned exercises are reflected in Table 6.2.

Table 6.2 Maritime Defence Programme Planned Exercises for FY 2007/08

Exercise Name	Actual Achievement
Exercise RED LION: Annual Task Force exercise	Achieved all objectives according to exercise order. This is a Fleet Force Preparation Exercise in order to integrate the various FSEs and raise the readiness level of the fleet.
Escort S102: Escort the second submarine from Germany	<i>SAS Drakensberg</i> successfully escorted <i>SAS Charlotte Maxeke</i> from Germany. Both vessels arrived in Simon’s Town on 26 April 2007.
Escort S103: Escort the third submarine from Germany	This was postponed to FY 2008/09 due to delays in the project.
Exercise DEEP BLUE: Naval control of shipping exercise	This exercise was cancelled due to lack to availability of key external roleplayers.
Exercise TRANSOCEANIC: Naval control of shipping exercise	This exercise was conducted during August 2007 with countries from South America. It is a paper-based Naval Command and Guidance of Shipping Exercise using the Internet.
Exercise BELL BUOY: Naval control of shipping exercise	This is an international Naval Command and Guidance of Shipping Exercise. Participation was limited to observers in order to improve local expertise in preparation for local exercises.
Exercise BOURBON: Annual search-and-rescue exercise with the French Navy and SADC countries	This exercise was cancelled due to lack to availability of key external roleplayers.
<i>Exercise OXIDE:</i> Annual search-and-rescue exercise with NDOT and FAZSOL	This exercise was cancelled due to lack to availability of key external roleplayers.
Basic Operational Sea Training (BOST): Deployment to UK to undergo work-up training	Transit to Plymouth for inspection and training by BOST team. The ship was inspected in terms of her operational systems and achieved this international standard.
Exercise ATLASUR: Biannual Task Force exercise with South American countries	The exercise is scheduled for FY 2008/09.
Interop East: Visits to, and exercises with, African navies	<i>SAS Drakensberg</i> visited Tanzania and Kenya in order to cement diplomatic relations. Objectives included improving interoperability, conducting patrols as well as assisting with training.
Interop West: Visits to, and exercises with, African navies	<i>SAS Mendi</i> visited Ghana on her return from Brazil. Objectives included improving interoperability, conducting patrols as well as assisting with training.
Interop North/East: Visits to, and exercises with, African navies To coincide with the Sea Power Symposium to be held in 2007	This did not take place due to the symposium being rescheduled.
Brazilian Navy Bicentennial: Participate in bicentennial anniversary	<i>SAS Mendi</i> participated in the bicentennial anniversary in order to cement diplomatic relations.
West African Training Cruise (WATC): Training cruise to West African countries	The exercise was cancelled due to organisational requirements and operational exigencies.

Risks and Mitigating Actions

The risks and managerial challenges identified have been partially mitigated through management interventions and receipt of additional funding, thereby minimising the impact on the achievement of the SAN’s objective of defending and protecting the RSA by maintaining and providing prepared and supported maritime combat forces, services and facilities.

Additional funding of Rm13 was used specifically in the maritime logistic capability subprogramme to prepare the requisite frigate and submarine support considered critical to the successful integration of the SDPs into the SA Navy.

The SAN’s turnaround strategy to recruit technically qualified, skilled personnel from within the SAN through special recruitment initiatives is proving to be effective.

Public-Private Partnerships (PPPs)

The SA Navy has made good progress with the PPP for a Sea Safety Training Centre in FY 2007/08. It is planned that the feasibility study will be completed by the end of May 2008, with the project going out on tender in FY 2008/09. The SA Navy has also initiated staff actions for a possible new PPP in order to obtain a new Navy Headquarters.

Outputs

Details of the Maritime Defence Programme outputs of specific policy options where additional funds were allocated during FY 2007/08 are reflected in Table 6.3.

Table 6.3 Maritime Defence Programme Outputs of Specific Policy Options where Additional Funds were Allocated for FY 2007/08

Policy Option	Allocations (R'000)	Output Targets	Actual Achievement
Strategic Defence Packages (SDPs)	R 13 000	Qualification and acceptance into service of the frigates and submarines	100% committed. All funds were committed to support contracts, facility upgrades and spares procurement.
Technical Training	R 40 000	Upgrading and establishment of specialist training infrastructure (Project SCREWDRIVER)	100% committed. Money was used for the upgrading of training facilities. This amount has been spent on new facilities and the maintenance thereof.
Operational Boat Squadron (OBS)	R 14 000	To assist with the setting-up costs of the OBS capability	100% committed. Funds were committed for items related to the establishment of an OBS.

Performance and Service Delivery Improvement

Details of the Maritime Defence Programme's Performance and Service Delivery Improvements during FY 2007/08 are reflected in Table 6.4.

Table 6.4 Maritime Defence Programme Performance and Service Delivery Improvement for FY 2007/08

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement
Naval Order on Organisational Excellence Through Improved Service Delivery	Institutionalisation of Naval Order on Organisational Excellence Through Improved Service Delivery; encompasses full spectrum of organisational functioning	Increased service delivery; optimised interface management	Achieved	Achieved. In the process of institutionalising the Naval Order on Organisational Excellence.
Project CLARINET	The construction of the new Fleet Command HQ building will enable key fleet management entities to be co-located	Co-location of top fleet management will enable a significant reduction in costs due to a reduction in the use of transport and other services	Achieved	Achieved. The new Fleet Command Headquarters building has been completed and occupied.
Balanced Scorecard	Implementation of the Balanced Scorecard	A more effective, efficient and economical organisation	Continuous	Partially achieved. The SAN is in a process of rolling out the implementation of the Balanced Scorecard.

Table 6.4 Maritime Defence Programme Performance and Service Delivery Improvement for FY 2007/08 (continued)

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement
Optimise ETD practitioner training	Establishment of Fleet ETD Centre, containing curriculum facilitation, evaluation and media facility sections; the centre will also train ETD instructors (ongoing evolution)	Members returning from overseas and local project-related learning opportunities will obtain assistance in translating newly-acquired knowledge and skills into learning opportunities and will be integrated at the appropriate level into existing learning opportunities	In process	The optimising of ETD practitioner training is still an ongoing project. Good progress has been made in terms of the training of ETD practitioners and skills development practitioners, as part of the Skills Development Plan and the introduction of ETD quality systems at units.

Services Scaled Down, Suspended or Abolished

Details of the Maritime Defence Programme Services scaled down, suspended or abolished during FY 2007/08 are reflected in Table 6.5.

Table 6.5 Maritime Defence Programme Services Scaled Down, Suspended or Abolished During FY 2007/08

Reduction in Output (Quantity, Quality)	Reason for Scaling Down/ Suspension of Service	Implications	Actual Achievement
Closure of Armaments Depot in Durban	Reduction in costs and improved efficiency through consolidation and concentration of facilities in Simon's Town	SANAD Simon's Town will be the only ammunition storage facility available to the SA Navy	Premises vacated - conducting closing audit.
Closure of Strike Craft Training Centre in Durban	Reduction in costs and improved efficiency through consolidation and concentration of facilities in Simon's Town	The remaining strike craft are to be phased out of service by the end of FY 2007/08	Premises vacated - conducting closing audit.
Investigations launched in terms of DOD Planning Instruction 07/02 regarding the rationalisation of SA Navy training units (Project SCREWDRIVER)	Increasing efficiency, effectiveness and economy through proposed reductions in and adjustments to DOD Force Structure	It is envisaged that this action will result in savings due to the consolidation of training units in Simon's Town	All preliminary – full funding required to execute.



Military Health Support

CHAPTER 7

Programme 5: Military Health Support

Overview

The 2007/08 financial year was a watershed year for the SA Military Health Service (SAMHS) and the SANDF in showing their direct support to the people of South Africa. The public sector strike that affected essential hospital services saw the rapid and effective reaction of the SANDF. This report reflects on the performance of the SAMHS during the past year, in which internal and external deployments as well as new key initiatives were taken towards effecting a world-class military health service, professionalism and governance.

During the financial year, the SAMHS supported all external and internal deployments. The RSA experienced the impact of labour action in the public health sector over the period 2 to 28 June 2007. The SAMHS was appointed as the lead service for Operation BATA to ensure the continuation of essential health services during the labour action. This saw the SANDF deploy its members within 24 hours upon receiving the order from Government and the Department of Health. At the height of the operation, 2 946 SAMHS members were deployed, supported by 1 909 SA Army, 179 SA Air Force and 60 SA Navy members. Thus, altogether 5 094 SANDF members were deployed to support the Department of Health at 89 installations across the country. The SANDF “One Force” concept was fully implemented, as the members employed included Reserves.

The SAMHS fulfilled its international obligations through a set of activities ranging from participation in defence committees to international visits, both to and from abroad. The quality of SAMHS inputs was enhanced through the new initiative to manage this environment with dedicated foreign desks. These desks contributed to continuity and an increase in the quality of the information available.

As a common enemy, infectious diseases were an area of specific focus during the year. The initiative to host the first Defence HIV and AIDS Conference in the SADC region was concluded successfully in November 2007. Most SADC countries were in attendance. On the last day of the conference,

an SADC military workshop was held and various resolutions were considered for utilisation towards the development of a joint comprehensive strategy for HIV and AIDS in the SADC region. The Surgeon-General and his team were an integral part of the consultative process adopted in the development and official launch of the National Strategic Plan for HIV and AIDS in South Africa. A Directorate HIV and AIDS was established in the Office of the Surgeon-General to provide policy guidelines on HIV and AIDS to all commanders.

The different managerial areas in the SAMHS were guided by the updated Surgeon-General’s Intent for the financial year. This resulted in a reviewed approach to the recruitment and training of healthcare practitioners, as well as a new drive to increase the benefits to military healthcare professionals. In addition, results were also achieved in the following:

- The implementation of the new dispensation for the nursing profession;
- An increase in training capabilities;
- The upgrading of different SAMHS healthcare facilities such as the military hospitals;
- The review of management control mechanisms across the different staff compartments; and
- The implementation of change initiatives to renew the SAMHS as an organisation that is able to answer the needs of the future.

A feasibility study to centralise health services and provide a one-stop health service to the SANDF was undertaken in Tempe Military Base area in Bloemfontein. This initiative resulted in positive outcomes on service delivery and appreciations would be extended to other metropolitan areas.

The SAMHS has allocated funds to phase in a new ambulance fleet over a period of three years. The procurement process of the first ambulances was started and delivery is expected in the first quarter of FY 2008/09. The SAMHS has, through the Strategic Capital Acquisition Master Plan, started with a renewal process of all main medical equipment. Identified new equipment has been procured as part of the first phase.

The SAMHS increased recruitment and training of operational emergency care practitioners as a priority over the next five years. The required 1 000 hours' practical training of operational emergency care practitioners has also benefited the provincial hospitals where they do their practical training, thus contributing to alleviating the national shortages of health practitioners. The effectiveness of the SAMHS specialised training, inter alia Battlefield Advanced Trauma and Life Support, was illustrated in non-combatant circumstances. The SAMHS members' professional training and applicability of associated military training was proven. The value of managing healthcare professionals with a proper command and control system and discipline was paramount in operations, as provided during the public service labour action. The ability of the SAMHS to stabilise this situation was acknowledged by Cabinet and Parliament. The Minister of Public Service and Administration stated: "The SANDF proactively shapes the future of our nation in accordance with the South African Constitution." The Minister of Defence praised those who took part in rendering humanitarian aid during the labour action in his address at the SANDF medal parade on 2 November 2007.

The activities of the financial year reflect the Government imperatives as interpreted in the guidelines of the Minister of Defence, the Secretary for Defence and the Chief of the SANDF for the financial year. The result is a clear contribution to the Government action plans, including the Accelerated Shared Growth Initiative for South Africa. As an integrated conclusion, it can be stated that the

SAMHS has shown growth and development during FY 2007/08 compared with previous financial years.

Purpose

The Military Health Support Programme provides prepared and supported medical combat support elements and services.

Measurable Objective

To provide prepared and supported military medical health capabilities, services and facilities that meet the requirements of Government in support of the defence of South Africa.

Outputs

The Military Health Support Programme provides medical combat support and other medical services. It maintains military health and training facilities, including specialist facilities such as the Institutes for Maritime and Aviation Medicine. There are seven subprogrammes:

- Strategic Direction
- Mobile Health Support
- Area Military Health Service
- Specialist/Tertiary Health Service
- Product Support Capability
- Base Support Capability
- Military Health Training Capability

Details of the Military Health Support Programme's outputs are shown in Table 7.1.

Table 7.1 Military Health Support Programme Outputs for FY 2007/08

Output	Performance Measure	Target	Actual Achievements
Subprogramme Strategic Direction			
Strategic Direction Capability	Implementation of DOD policies, strategies and plans in respect of military health matters	Full implementation	The target was fully achieved as all policies, strategies and plans were implemented as specified. A Directorate HIV and AIDS was established in the Office of the SG to provide policy guidelines on HIV and AIDS to all commanders.
	Expenditure of allocated budget as planned	100%	The allocated budget was 100% spent.

Table 7.1 Military Health Support Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievements
Subprogramme Mobile Health Support			
Mobile Health Support Capability	Number of units prepared according to force requirements	One medical battalion group	Achieved. 8 Medical Battalion Group met the requirements despite a lack of healthcare professionals, specifically operational emergency care practitioners, and serviceable equipment. Healthcare professionals were deployed in all external and internal operations by deploying forces from the SAMHS as a whole.
		One specialist medical battalion group	7 Medical Battalion Group achieved most of its objectives despite a shortage in healthcare practitioners, including those with specialist skills. The critical shortage in parachute-qualified operational emergency care practitioners is a great concern. An additional number of parachute-qualified members were identified and are undergoing operational emergency practitioner training. 7 Medical Battalion Group successfully executed a Chemical Biological Radiation Defence exercise (Exercise WAYSIDE) over the period 27 August to 7 September 2007.
		Three Reserve medical battalion groups	During Operation BATA, 1 Medical Battalion Group provided Reserves to strengthen Area Military Health Unit KwaZulu-Natal and 6 Medical Battalion Group provided support at Mmamathlake Hospital in Mpumalanga. The low level of staffing of key personnel and the loss of skills in the three Reserve battalions had an impact on readiness. Although large numbers have been recruited into the three Reserve battalions, the level of military skills is low and training opportunities are restricted. Modular distance training is being assessed as possible solution. SAMHS reflected the actual achievement of the three Reserve Force battalions in terms of the outputs and outcomes for the purpose of the public report. The indicated achievement was a description of what has been achieved by the three Reserve Force battalions in spite of the challenges posed by human resource shortages. The State of Readiness Report, which is a confidential report, contains the details of the state of readiness of the three Reserve Force battalions in terms of human resources, prime mission equipment, sustainment and support, facilities, and force preparation. The three Reserve Force battalions are operational, but the state of readiness of all three battalions is low, as was indicated in the confidential State of Readiness Report according to the R state of readiness grading.
	The degree of compliance with statutory norms and regulations	100%	Full compliance with statutory norms and regulations was achieved.

Table 7.1 Military Health Support Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievements
Subprogramme Area Military Health Service			
Geographic Military Health Service Capability	Number of units providing military health service in accordance with client requirements	9 x area health units 28 x health centres 28 x sickbays 3 x base hospitals 6 x oral health clinics 34 x military medical clinics 3 x community centres 5 x occupational health and safety centres 4 x Phidisa clinics	<p>All units provided military health service as required. The two base hospitals at Hoedspruit and the ward that is used in the Potchefstroom Hospital are operational as base hospitals. The third base hospital at Langebaanweg is not operational due to human resource shortages and 2 Military Hospital is utilised instead. Two Phidisa satellites are fully operational in Durban and Ladysmith respectively. The preparation of a third Phidisa satellite in Grahamstown has been completed and the facility will open early in the new financial year. A new ARV clinic was successfully accredited and is operational in Potchefstroom.</p> <p>The SAMHS has one operational base hospital at Hoedspruit. The target for FY 2007/08 was to maintain the capability of 1 x base hospital. The SBP of FY 2007/08, however, furthermore indicates that the target for FY 2008/09 and FY 2009/10 is to have 3 x base hospitals in place. The SAMHS has a service agreement with the Potchefstroom Hospital to utilise a ward as an inpatient facility for the DOD-approved patients. During the process of finalising the SAMHS operational doctrine, the strategic decision was taken to regard the inpatient facility at the Potchefstroom Hospital as the second base hospital, as part of the management intervention to meet the target of 3 x base hospitals that was set for FY 2008/09 and FY 2009/10. It was therefore indicated in the public report.</p> <p>The military health facility at Langebaanweg was previously regarded and utilised as a base hospital. This capability has not been operational due to a shortage of human resources. During the process of restructuring the SAMHS, the feasibility of reactivating the military base hospital at Langebaanweg will be considered.</p>

Table 7.1 Military Health Support Programme Outputs for FY FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievements
Geographic Military Health Service Capability	Number of units providing military health service in accordance with client requirements	A multidisciplinary military health service for the SANDF	SAMHS has provided a multidisciplinary military health service for the SANDF and other patients as authorised. The target has thus been achieved. The actual achievement indicates the outputs and outcomes of the multidisciplinary military health service for the SANDF and other patients as authorised, in spite of challenges, i.e. the human resource shortages, that have been experienced. Achieved despite shortages of healthcare practitioners and serviceable ambulances. Service delivery increased as only 8,4% of consultations were outsourced. Only 2 085 (0,8%) of a total of 254 336 patients seen were admitted to non-military facilities. The formation provided healthcare practitioners for deployments; however, insufficient numbers of medical officers were available for external deployments. A total of 67 859 assessments, concurrent health assessments and pre-employment assessments took place.
	Number of patients treated (number of consultations)	701 500	A total of 254 336 patients were seen during 725 343 consultations. The increase in the number of Military Skills Development System members contributed to a higher number of patients.
Subprogramme Specialist/Tertiary Health Service			
A tertiary military health capability for the SANDF, Government, and approved patients and VIPs	Compliance with operational readiness requirements of military hospitals in Pretoria, Cape Town and Bloemfontein	100%	The three military hospitals did not meet all set requirements. A total of 24 383 inpatients were seen during 313 061 consultations. The number of healthcare practitioner contacts was 483 797. The shortage of healthcare practitioners and non-availability of specific equipment at hospitals negatively affected achievement. Due to the impact of the Repair and Maintenance Programme at the three military hospitals, more inpatients were admitted (1 813) or referred (7 906) to non-military facilities. A 90% serviceability of equipment was achieved through the acquisition of new equipment. 1 Military Hospital provided a Level 4 facility, as required by the United Nations. The upgrading of facilities nears completion, and it is foreseen that fewer inpatients will be referred or admitted to non-military facilities.
		1 x Presidential medical team	The Presidential medical team met all set requirements in spite of an insufficient number of personnel and a structure that does not align with the demands. A preliminary investigation was completed for the new structure of the Presidential medical team. The final restructuring of the Presidential medical team will form part of the total restructuring of the SAMHS.

Table 7.1 Military Health Support Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievements
A tertiary military health capability for the SANDF, Government, and approved patients and VIPs	Number of inpatients	29 000	24 383. There was a decrease in the number of inpatients that were treated at the military hospitals due to the Repair and Maintenance Programme that is taking place at all three military hospitals. Outsourcing took place with regard to the patients that could not be treated at the military hospitals. All the demands were met.
	Outpatient consultations	440 000	305 899. There was a decrease in the number of outpatient consultations due to the Repair and Maintenance Programme that is in progress at the military hospitals and the subsequent downscaling that had to take place in some of the departments. Outsourcing took place and all the demands for health services were met.
An aviation health capability and service for the SANDF	Number of aviation medical confirmations for the SA Air Force and South African Civil Aviation Authority	22 000	All registered demands and requests were met, representing 91% of the planned 22 000 medical confirmations. As indicated, certain aviation qualifications are only reconfirmed every three years, clarifying the 9% deviations.
	Availability of air evacuation teams	24-hour availability	Achieved. Air evacuation teams were available on a 24-hour basis.
Psychological assessments and Research and Development (R&D) capability	Number of units providing psychological assessments and R&D capability	One military psychological institute	The Military Psychological Institute is operational. The demands and requirements were not all met due to the shortage of psychologists. The development of the combat-readiness instrument is still in the initial research phase. A draft product has been presented and further development is in process after inputs were obtained from SAMHS stakeholders. The initial module is being tested and further development will follow.
	Conformance to Code of Good Research Practice and Ethical Conduct	100% compliance with research requirement issued by Surgeon-General and clients	50% achieved. There is a shortage of healthcare practitioners, especially psychologists. 90% of test and measuring instruments were found applicable to the DOD.
A maritime health capability and service for the SANDF	Availability of a medical officer at SA Navy decompression facility	24-hour availability	Achieved. A medical officer was available on a 24-hour basis. Five dedicated health support actions took place to naval surface and subsurface elements.
	Compliance with required number of health assessments	600 diving and submarine medicals	Institute for Maritime Medicine (IMM) was in a position to handle diving submarine evaluations. The demands of the client have been limited because of the present staffing in the environment. The SAMS achieved the target with capacity to spare. The total demand for submarine and diving medicals was 199. All these demands for diving and submarine medicals were met.
A veterinary health capability for the SANDF and SA Police Service as required	Number of units providing a veterinary health service in accordance with client requirements	2 x Animal Health Centres	Achieved. The two Animal Health Centres in Potchefstroom provided the necessary capabilities for the SANDF and SA Police Service canine requirement. A total of 42 veterinary medical supports took place to deployed SANDF forces, and 867 to SAPS forces. The number of members (dogs and members) trained in specialist courses was 351.

Table 7.1 Military Health Support Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievements
Subprogramme Product Support Capability			
Pharmaceutical and sundries warehousing capability mobilisation and unique stock warehousing	Number of units providing a product support capability in accordance with SANDF requirements	1 x military health depot 1 x military health procurement unit	Achieved. The two units provided product support as required.
	Readiness and availability of unique stock	80% within six months	80%. SAMHS drew up weekly management reports to determine the stock levels and procured accordingly.
SAMHS-unique products, materials and services procurement capability and electro-medical equipment asset management	Availability of depot items	100% within 10 weeks	70,3% achieved. Problems were experienced in obtaining certain pharmaceuticals from the suppliers. The challenges with the suppliers were resolved during the fourth quarter. SAMHS has brought this issue to the attention of the cluster manager at the Department of Health that is responsible for the management of affordable pharmaceuticals.
	Degree of compliance with statutory medical equipment service requirements	100%	100% compliance was achieved with statutory medical equipment service requirements and asset management. An updated asset management register is in place and scheduled follow-up visits took place to perform and control asset management. The new main medical equipment was put onto the register. Lifecycle management was applied according to a set schedule.
Subprogramme Base Support Capability			
A general base support capability at one general support base	Compliance with performance standards as contained in service agreements	100%	61% achieved due to a shortage of personnel. Training and experience levels of personnel are low due to high turnover. Reserves were called up to assist while recruitment is being expedited.
Subprogramme Military Health Training Capability			
Trained SAMHS personnel in specialist areas	Compliance with the SAMHS training plan	56 courses 4 360 learners	251 courses presented. More courses were planned and presented by the SAMHS due to an increase in the demand for training and the fact that modular training took place.
			The number of learners that reported for the modular courses was 7 168. The average pass rate of the courses was 83,5%. The total number of MSDS members that have undergone training was 509, with a pass rate of 98%. A total of 322 learners reported for the Physical Training, Sport and Recreation training courses. 244 of these members qualified. 23 did not qualify and 45 learners were still on course at the time of compiling the report.

Table 7.1 Military Health Support Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievements
Trained SAMHS personnel in specialist areas	Compliance with the SAMHS training plan	56 courses 4 360 learners	Accredited nursing training: A total of 216 learners of the planned 280 diploma students (year one to four) qualified. The pass rate for the group that completed their studies in December 2007 was 95%. Twelve learners did not qualify. The number of pupil-enrolled nurses was 85, with an average pass rate of 94%. The percentage and number of specialised nursing diploma students was not available at the time of compiling the report. The results from the South African Nursing Council are expected in April 2008.

SAMHS-Specific Exercises Conducted During FY 2007/08

Details of the SAMHS-specific exercises conducted during FY 2007/08 are reflected in Table 7.2.

Table 7.2 SAMHS-Specific Exercises Conducted During FY 2007/08

Exercise (Name and Type)	Actual Achievement
Exercise LANCET Military Health Support to the SA Army Exercise SEBOKA	The exercise was successfully executed over the period 27 September to 11 November 2007 at the SA Army Combat Training Centre in Lohattha. Valuable training took place and lessons learned will be implemented.
Exercise WAYSIDE Chemical biological radiation defence	The Chemical Biological Wing of 7 Medical Battalion Group executed the exercise at the Ditholo training area near Bela Bela over the period 27 August to 7 September 2007. The exercise was successfully executed. The testing and evaluation of equipment under development took place.

Risks and Mitigation Actions for FY 2007/08

The report on the Military Health Support Programme's risks and mitigation actions, as contained in the Strategic Business Plan FY 2007/08, is reflected in Table 7.3.

Table 7.3 Military Health Support Programme: Risks and Mitigation Actions for FY 2007/08

Risk	Mitigation Action	Actual Achievement
Deterioration of hospitals, facilities and equipment	Repair and Maintenance Programme (RAMP) at three military hospitals	Progress has been made at the three military hospitals.
	Increased activities to address upgrade of facilities in Area Military Health Units	Increased funds were aligned in other units and Force Structure Elements to repair and upgrade facilities.
High rate of medical inflation	The utilisation of Military Medicine Code Lists	100% implementation of the Military Medicine Code Lists.
	Participation in National Treasury rate term contracts for pharmaceuticals and medical consumables	Full participation in the National Treasury rate term contracts for pharmaceuticals and medical consumables.
	Replacement of original trade-name products with generic products	Increased utilisation of generic pharmaceuticals and products. 55% of brand-name pharmaceuticals were replaced with generic pharmaceuticals.
	Request to the National Department of Health for revision of the Uniform Patients Fee Schedule (UPFS) and the SAMHS revenue management account	Letter was forwarded to the National Department of Health on 22 February 2008.

Table 7.3 Military Health Support Programme: Risks and Mitigation Actions for FY 2007/08 (continued)

Risk	Mitigation Action	Actual Achievement
Unacceptably high workload of health professionals	Collaboration and liaison with Directorate Human Resources Acquisition	The SAMHS initiated several consultations with the Directorate Human Resources Acquisition in an effort to shorten and expedite the appointment of healthcare practitioners who had been recruited and who had applied for employment in the DOD. SAMHS statutory career managers have initiated marketing and recruiting strategies by means of presentations at, e.g. universities. These interventions are ongoing.
	Recruitment drive and marketing	
	Centralisation of health services at identified service points after performing feasibility studies	A feasibility study was performed at Area Military Health Unit Free State, Bloemfontein, to centralise health services and provide a one-stop health service in the Tempe Military Base area. An identified facility was upgraded and the implementation of this management intervention had positive outcomes on service delivery amidst initial apprehensions of the stakeholders and clients.
	Extended working hours to accommodate increased demands for health service amidst healthcare practitioner shortages	Several health facilities have instituted working hours for their personnel in shifts to meet the current demands for service delivery. This management intervention has ensured that pre-identified health facilities are open for extended hours to cater for the needs of clients.
	Utilisation of healthcare practitioner managers to perform clinical duties	Due to the shortages of healthcare practitioners to perform clinical work, the managers/staff officers are also performing clinical duties.

Public-Private Partnership Agreements

The SAMHS registered a Public-Private Partnership (PPP) directed towards identifying suitable health facilities where the SAMHS can admit patients at its own discretion for surgical procedures and/or as inpatients for consultation by SAMHS healthcare practitioners. The project is in its Treasury approval phase IIA, and the request for Treasury approval was submitted to National Treasury during December

2007. The SAMHS also registered two new PPPs during January 2008, namely for the new SAMHS Headquarters and new facilities for the Military Health Training Formation.

Additional Funding

The report on outputs of specific policy options where additional funds were allocated for expenditure in FY 2007/08 is reflected in Table 7.4.

Table 7.4 Military Health Support Programme: Additional Funding for FY 2007/08

Policy Option	Allocation (R'000)	Output Targets	Actual Achievement
Comprehensive care, management and treatment plan for HIV and AIDS (antiretroviral rollout)	32 000	Personnel development and monitoring of ARV processes	Directorate HIV and AIDS was established. The International DOD HIV and AIDS Conference was hosted by the SAMHS. The USA's National Institute for Health (NIH) was the original host but withdrew.

Table 7.4 Military Health Support Programme: Additional Funding for FY 2007/08 (continued)

Policy Option	Allocation (R'000)	Output Targets	Actual Achievement
Comprehensive care, management and treatment plan for HIV and AIDS (antiretroviral rollout)	32 000	Comprehensive treatment of HIV-infected patients	Procured drugs for treatment of opportunistic diseases, immune modulators and supplements, as well as quick tests for randomised testing. More funds were spent on drugs due to the fact that the planned upgrading of buildings did not take place as a result of delays within the NDPW.
		Early detection of HIV infection	
		Improved access to patients and their families by healthcare professionals (vehicles)	Procurement of vehicles. The delivery of the ordered vehicles could not be totally secured in FY 2006/07 and a first liability was paid in FY 2007/08.
		Equipping new hospice at Lenz and new sickbay at Middelburg	The SA Army and the SAMHS have established a team to initiate the opening of a hospice facility at Lenz Military Base. The initial discussions are that the SA Army will provide a suitable venue and that SAMHS will provide funds for the upgrade and equipment for the venue. Slow progress has been made with the facility at Middelburg due to the process that has to be followed as part of the initiation of the entire 4 SAI Bn by the Public Works Department. Allocated building at 2 Military Hospital found to be inadequate. New space is to be identified.
		Upgrading and expanding ARV clinic at 2 Military Hospital	
		Upgrading of 1 and 2 Military Hospitals to establish molecular lab and repository, ensuring effective monitoring and management of patients on ARVs through a diagnostic capability	Currently under construction and equipment being installed. Completion of the process has taken longer than planned and is to be completed in the next financial year.
		16 accredited ARV treatment facilities	Six accredited ARV treatment facilities. The prolonged Department of Public Works process (± 18 months) and human resource shortages have impacted negatively on the process and ARV rollout process.
Improve prevention of TB in healthcare facilities by installing UV blue lights at all Area Military Health Formation sickbays and military hospitals	Installation of the UV blue lights was completed in most of the sickbays and military hospitals in nine provinces. Three facilities to be completed in the next year. A request was submitted for new requirements to be re-evaluated.		

Table 7.4 Military Health Support Programme: Additional Funding for FY 2007/08 (continued)

Policy Option	Allocation (R'000)	Output Targets	Actual Achievement
MSDS	14 600	To provide health care for 6 000 MSDS members	Healthcare provided to all MSDS members as required and funded.
Compliance with health legislation and support to Government initiatives	14 000	Upgrade of the SAMHS depot to the correct standard Acquisition of equipment and infrastructure of the presidential medical support	Planned activities for the upgrade of the SAMHS Depot during FY 2007/08 were completed. Drawings and planning for the new depot were completed. Actual renovations on the building to start and being funded from SAMHS operational budget. Presidential medical health team equipped to the required standard during the financial year with the Treasury allocation.

Performance and Service Delivery Improvement

Details of the SAMHS performance and service delivery improvement are reflected in Table 7.5.

Table 7.5 Military Health Support Programme: Performance and Service Delivery Improvement for FY 2007/08

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement
Healthcare	Generic medicine	Reduction in healthcare cost	Ongoing	55% of brand-name pharmaceuticals were replaced with generics in FY 2007/08, in comparison with 37% in FY 2006/07.
	Project MEDSAVE	Reduction in healthcare cost	Ongoing	Project MEDSAVE, which entails the couriering of chronic medication to members 50 km and further from a military health installation, was expanded to more service points in order to decrease outsourcing and save cost.
	Section 38A nurses	Reduction in healthcare cost	Ongoing	Due to a shortage of pharmacists, 33 Section 38A nurses are currently utilised for dispensing medication.
	Increased training of operational emergency care practitioners	Increase in healthcare coverage	Ongoing	The SAMHS has adopted the strategy to drastically increase the recruiting and training of operational emergency care practitioners over the next five years. The required 1 000 hours' practical training of operational emergency care practitioners under training has also benefited provincial hospitals.
	Medicine Code List	Reduction in healthcare cost	Ongoing	Only medication on the Military Medicine Code List is prescribed and dispensed. Adherence to no buy-outs, except in exceptional cases. Financial delegation to officers commanding was decreased.

Table 7.5 Military Health Support Programme: Performance and Service Delivery Improvement for FY 2007/08 (continued)

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement
Provision of services in under-serviced areas	Discounts on service delivery against prescribed benefit scales	Reduction in healthcare cost	Ongoing	SG instituted further control measures in terms of outsourcing and delegations were centralised. Regional meetings with national and provincial administrations continued to improve and sustain inter-sectoral and collaborative relationships.
Continuous learning and development	Continuous professional development programme	Client satisfaction and improved processes	Ongoing	School for Military Health Training is in the process of developing further programmes. General officers commanding and officers commanding underwent an orientation course.
Resources management and control	Inspector-General's audits	Enhancement of effective, efficient and economical management	Ongoing	Initial and follow-up audits. Inspector-General audits took place at several units. The SAMHS Inspectorate grouped related risks together under appropriate audit topics, allowing the Inspectorate to audit 136 risks under the audit topics, covering the risks indicated in the Three-Year Rolling Internal Audit Strategy of the DOD, as well as depicted in the SAMHS Three-Year Rolling Internal Audit Strategy, at scheduled SAMHS Force Structure Elements.
Collaboration and liaison with Directorate Human Resources Acquisition	Enhancing the acquisition process	Improved staffing figures of healthcare practitioners	Ongoing	The SAMHS initiated several consultations with the Directorate Human Resources Acquisition in an effort to shorten and expedite the appointment of healthcare practitioners who had been recruited and who had applied for employment in the DOD. Currently, the natural attrition of the healthcare practitioners in the SAMHS is higher than the acquisition of this group.
Collaboration and liaison with national and provincial Departments of Health	Meetings with the national and provincial Departments of Health	Decreased healthcare cost Strengthening of relationships Building of capacity	Ongoing	The SAMHS initiated meetings with the national and provincial administrations to promote and sustain inter-sectoral and collaborative relationships. The initiative of the SAMHS in KwaZulu-Natal is a good example of the outcomes of these initiatives by the SAMHS.

Policy Developments

The DOD HIV and AIDS and Sexually-Transmitted Infection (STI) Strategic Plan 2007-2011 has been aligned with the National Strategic Plan. The DOD policy on the management of the DOD HIV/AIDS Programme is being developed.

Other DOD health policy documents being developed are, inter alia, TB Management in

the DOD, Provision of Emergency Medical Services in the DOD, Fundamentals and Rules of Pharmaceutical Service Productivity Improvement, and SAMHS Healthcare Delivery.

The policy informing the provision of military healthcare services needs to be expanded to incorporate funding for the military veterans.

CHAPTER 8

Programme 6: Defence Intelligence

Overview

The past year saw the Defence Intelligence Division making significant contributions towards advancing the African peace and security agenda and supporting the Government's peace initiatives. As the premier intelligence organisation in South Africa, strong cooperative relations were forged with countries in Africa. On the home front, the Division was pivotal in deepening the inter-agency collaboration amongst the intelligence community, which yielded many successes. In addition, the Division invested considerable resources towards improving its own intelligence capacity and preparing for future needs by focusing on skills development. The Division's achievements and challenges for the year under review are highlighted in this report.

Defence Intelligence participated in critical peace processes in Africa. In particular, assistance was rendered during the peace processes in the Democratic Republic of the Congo (DRC), Burundi, Côte d'Ivoire and Sudan. Critical advice and support were provided towards the multilateral and bilateral efforts to promote peace and security in those countries and on the Continent. Of note was the request made to the SANDF by the Democratic Republic of the Congo during the August 2007 bilateral meeting between the two countries, to assist with the training of its armed forces, the Armed Forces of the Democratic Republic of the Congo (FARDC). In line with this request, Defence Intelligence commenced with a military intelligence training programme in November 2007 and this is continuing. This interaction will serve to strengthen interoperability within the African Standby Force as well as military-to-military relations between the two countries.

Cooperation with African countries was strengthened during the year under review. Defence Intelligence undertook several cooperation visits to African countries over the past year. These visits led to the establishment of intelligence contact points on the Continent that will benefit SANDF missions and deployment into various operational theatres on the Continent. In addition, Defence Intelligence provided training opportunities for continental participants. In September 2007, Defence

Intelligence presented a foreign intelligence course at the South African Defence Intelligence College (SADIC), which was attended by 24 participants from 17 different countries. Furthermore, two SADIC instructors supported the Southern African Development Community (SADC) Intelligence course, which was conducted in Tanzania during September and October 2007. The instructors provided significant subject material and were key facilitators during the SADC course. Such activities underscore the significant contributions made by the SANDF towards promoting the African peace agenda.

Within South Africa, Defence Intelligence is a key roleplayer in the intelligence community. The Division was part of the establishment of a Border Integrity Intelligence Centre that has the purpose of sharing information related to border integrity with the relevant State departments. The Border Integrity Intelligence Centre serves as a mechanism to ensure the exchange of vital intelligence between State departments to enhance territorial security. The Division continued with general intelligence exchange conferences, both national and international. These exchange conferences provided a platform for confidence building with other intelligence services. It also provided exposure to analysts and brought them in contact with alternate perspectives on intelligence issues. Defence Intelligence also contributed inputs for amendments to the Protection of Information Act, 1982 (Act No. 84 of 1982). Relations with clients in terms of counter-intelligence have improved due to internal control measure changes. The collection of information has improved during the past year in all the collection environments to the extent that a more reliable intelligence picture can be created with respect to the security situation for the SANDF.

Defence Intelligence has worked closely with the Joint Operations Division in the planning of operations in support of other governmental departments, especially with regards to borderline security and major events, as well as in the updating of the African Battle Space analysis. The African Battle Space document provides strategic guidance on Africa and serves as a baseline document for the analysts, the Military Strategy as well as all strategic

and operational planning. Defence Intelligence provided an improved geospatial service for force preparation and the conduct of intelligence. The improvements were specifically in the fields of database development, quality assurance initiatives, map-data acquisition, the development of training programmes, commercial satellite data and an improved technological base.

Defence Intelligence has made a concerted effort during the past year to improve its human resource composition. This included a recruitment drive that concentrated on rejuvenation and improvement of representivity. Progress was made when two African female Colonels were appointed to the rank of Brigadier-General within Defence Intelligence, whilst a recommendation has been made to promote all qualified black Lieutenant-Colonels within Defence Intelligence (both male and female) to the next rank level of Colonel in available posts. These promotions will greatly improve the race imbalance in the Colonel rank level. The Division has continued to experience an outflow of specialist staffs and an initiative was instituted under Chief Human Resources to investigate the remuneration packages amongst various national intelligence services in order to counter this outflow. The investigation into the SANDF's remuneration packages in order to retain scarce skills within the SANDF is a key concern factor to Defence Intelligence's rejuvenation strategy. The reduction in personnel has resulted in a reduction of the required skills levels of Defence Intelligence staff members. This last-mentioned reduction impacted on service delivery, where objectives that were set by the different subdivisions could not always be fully achieved. Personnel development programmes that address the shortcomings in personnel skills have been implemented, but in some instances the non-availability of members due to other training commitments further aggravated this situation.

During the past year, progress was made in the empowerment and professional development of members. The long-term project to improve the analytical ability of desk-level intelligence analysts saw 41 learners attending an introduction to analysis programme. This was expanded to the strategic level, where 34 members attended a Strategic Analysis Course presented by the Intelligence Study Centre of Australia in South Africa and 19 members attended an intelligence management programme. Much progress was made with the revision of the registration of the National Qualifications Framework (NQF) at Level 4. The intention is to

enhance the competency of intelligence functionaries at the junior level while the National Certificate in Statutory Intelligence on NQF Level 5 was revised. The certificate will enhance the proficiency of intelligence functionaries at the junior levels. The Further Education Training Certificate at NQF Level 4, as well the three diplomas (Analysis, Counter-Intelligence and Collection) on NQF Level 6, were re-registered for the next three years, providing the ETD providers with the opportunity to develop the required learner programmes.

Project MOSOLA, the project to optimise Defence Intelligence's structure, was initiated and will be finalised by September 2008. The condition of the Defence Intelligence Headquarters infrastructure continued to deteriorate as only day-to-day maintenance was conducted due to the reprioritisation of allocated funds. This increases the risk that the permanent infrastructure would not adhere to Occupational Health and Safety (OHS) requirements in the near future.

The Counter-Intelligence doctrine is in the final draft stage and will be submitted for approval. The Division is challenged by the need to train its members in various languages spoken on the Continent. Members who deploy on the Continent are required to be conversant in key locally-spoken languages in the operational area. Members were identified for training and have already started to undergo specific language training to address this need.

Clearly, Defence Intelligence has played a pivotal role in several national and continental initiatives to promote peace and security and will continue to do so, aided by the strong networks built within Africa and with other State structures.

Purpose

The Defence Intelligence Programme provides a defence intelligence and counter-intelligence capability.

Measurable Objectives

To defend and protect South Africa by providing military intelligence and counter-intelligence products and services that meet the requirements of Government.

Outputs

Details of the Defence Intelligence Programme's outputs are reflected in Table 8.1.

Table 8.1 Outputs of the Defence Intelligence Programme for FY 2007/08

Output	Performance Measure	Target	Actual Achievement
Subprogramme Strategic Direction			
Strategic direction to the Defence Intelligence Programme	Degree to which the DOD's policies, strategies and plans are implemented in respect of Defence Intelligence matters	Full implementation	Full implementation
Allocation and management of Defence Intelligence resources	Degree to which the allocated budget has been expended as planned	100%	100%. The negative personnel growth caused underspending on the HR budget. At the end of FY 2006/07, DI overspent on the HR budget due to a better-than-expected recruitment figure, but only managed to attain a staffing average of 65% on the SMCS. In order to improve DI staffing levels, the HR budget was increased for FY 2007/08. Provision was made to staff 20 additional members. The additional staffing was specifically aimed at the rejuvenation of the DAP and improvement of the PSAP race and gender representivity. DI is totally dependent on the Services for the staffing of its SMCS. Although more than 90 members on various rank levels were recruited, more members exited DI by means of various exit mechanisms, including MEM, interdepartmental transfers, resignations and natural attrition. As a result of the above, staffing of the DI's SMCS remained at approximately 65%, resulting in an underspent FY 2007/08 HR budget.
Subprogramme Provide Intelligence			
Provide an intelligence process for early warning to inform, warn and advise clients	Number of Defence Intelligence products (studies, reports, digests, briefings, etc)	626 products	1 340 products. The changing security situation in Africa required more products than originally planned for.

Table 8.1 Outputs of the Defence Intelligence Programme for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
Subprogramme Provide Counter-Intelligence			
CI services	Number of formulated CI policies that have been promulgated	Two policies	No policies. Due to the priority of work and insufficient staff, the target was not met. The Subdivision Counter-Intelligence has started a restructuring process to ensure that it is structured correctly and to improve its efficiency and service delivery. It is expected that the structures will be completed with Project MOSOLA in the next financial year (FY 2008/09).
Subprogramme Provide Divisional Support Service			
Divisional support services	Number of learners on courses presented at the South African Defence Intelligence College (SADIC)	310 learners on 18 courses	192 learners on seven courses. The lack of qualified instructors resulted in fewer courses that could be presented.

Risks and Mitigation Actions

Details of the Defence Intelligence Programme's risks and mitigation actions are reflected in Table 8.2.

Table 8.2 Defence Intelligence: Risks and Mitigation Actions for FY 2007/08

Risk	Mitigation Action	Actual Achievement
Loss of skilled personnel and the staffing of posts with intelligence-qualified personnel	In order to retain skills, a workgroup has been appointed by Chief HR to investigate the viability of an intelligence dispensation as well as to investigate the salary disparities between the different intelligence organisations, as instructed by National Treasury	The planned new dispensation was not achieved in the current financial year and the work will continue in the new financial year.
The collection environment is challenged by technological advances that require expensive solutions	Funds were made available by the National Treasury to alleviate the problem	The project was stalled on the instruction of MOD.
The poor and deteriorating condition of the Defence Intelligence Headquarters building will remain a challenge until Defence Intelligence is relocated	Defence Intelligence was involved in the preparation for a PPP process to work towards a new headquarters building	The current PPP process was halted and the process for a new headquarters building will start over.

Defence Intelligence Performance and Service Delivery Improvement

Details of the Defence Intelligence Programme's performance and service delivery improvement are reflected in Table 8.3.

Table 8.3 Defence Intelligence: Performance and Service Delivery Improvement for FY 2007/08

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement
Intelligence analysis and processing	Introduce measure to improve analysis skills	Improve quality of intelligence products	In process	Members attended intelligence courses, seminars and workshops. This allowed for new exposure that was relayed into improved products.
A system where all intelligence activities work together seamlessly	Reorganisation and strengthening of capacity	Improvement in the planning of operations	In process	Project MOSOLA (the project to optimise DI's structure) will investigate the subdivision's requirement of expanding a Directorate (Directorate Intelligence for Operations) from Directorate level to a subdivision level.
Interest profile training of all clients to ensure the most productive and effective open source information feed to clients	Training schedule to be developed	Less feed to clients, but data 90% usable	To activate	Profile training is currently being conducted on an ad hoc basis. There is a lack of personnel who can carry out the task. Members do this as an over-and-above task.
		Higher productivity		
Advanced training research	Establish R&D capability	Technologically advanced CI to meet the 2015 demands	Planned	Two members were staffed. Internet research is in process. Insufficient personnel and awaiting financial approval for a data-capturing system, MEMEX.



Joint Support

CHAPTER 9

Programme 7: Joint Support

SUBPROGRAMME JOINT LOGISTICS SERVICES

Overview

Reporting on the Joint Support Programme is done according to the DOD Strategic Business Plan for FY 2007/08. Prior to FY 2007/08, the various subprogrammes of the Human Resources Division functioned within fragmented structures in the Policy and Planning and Joint Support environments of the DOD. The past year was devoted to the functioning of the newly-established Human Resources Division, with the Office of the Chief of Human Resources managing the following subprogrammes:

- Human Resources Support (funded within the Administration Programme);
- Joint Training;
- Service Corps; and
- British Peace Support Training Team (BPST) – managed by Joint Training.

These reports are no longer reflected under Joint Support but are now reflected under Chapter 2 – Programme 1: Administration.¹

The Chief of Corporate Staff administered the services of the following subprogrammes:

- Joint Logistics Services;
- Command and Management Information Services;
- Military Police; and
- Property Management (funded within the Administration Programme) for more details refer to Chapter 2 – Programme 1: Administration.

The three subprogrammes indicated below are managed as financial subprogrammes². The performance is reflected in Chapter 2 – Programme 1: Administration:

- Acquisition Services
- Assistance
- Departmental Support

Purpose

The Joint Support Programme provides joint support capabilities and services to the Department.

Measurable Objective

To support departmental activities by providing joint logistic, technological and military policing capabilities, services and facilities that meet Government requirements.

Outputs

The Joint Support Programme provides common support capabilities, facilities and services to the Department. It establishes, provides training in, and maintains the following areas: joint logistics, Information Communication Technology and Military Police.

The Logistics Agency met most of its STFE and other requirements, namely logistic management, supply support and services, facilities management, engineering support services, and logistic training and development. During the past year, the Logistics Division made satisfactory progress, with many noticeable achievements. The progress and achievements are spread across the wide span of responsibility of the Division, as highlighted in this report.

Strategic Direction

The Division made significant progress, notwithstanding the challenges, in terms of achieving its core objective of delivering integrated logistic services to the DOD. Top management established a Logistics Intervention and Repositioning Programme (LIRP) to address critical issues within SANDF logistics that needed immediate intervention. The LIRP is intended to reposition logistics and facilitate a quantum improvement to achieve effective and efficient logistic support in the DOD and set the basis for continuous improvement. To this end, a LIRP Steering Committee was established with 16 sub-workgroups. All workgroups made good progress

¹ For details on Human Resources Support, Joint Training, Service Corps, refer to Chapter 2 - Programme 1: Administration.

² For details on Acquisition Services, Assistance, and Departmental Support, refer to Chapter 2 - Programme 1: Administration.

in the areas of environmental analysis, regulatory framework analysis, and strategy development. The philosophy development and business process analysis phases have started.

The services of the CSIR were acquired to advise Chief Logistics on how to address the qualifications in the Auditor-General's report for the FY 2006/07. This intervention by the CSIR in its development and streamlining of the supply chain concept for the SANDF coincided with a DOD Asset Management Seminar that took place over the period 4 to 7 March 2008. This seminar, which emanated from the LIRP, is expected to result in a number of interventions, e.g. an effective DOD Stock Verification Programme. A further investigation into a DOD motor vehicle tracking and monitoring system commenced, which will greatly assist in maintaining good asset management capabilities.

In the endeavour to address the lack of a single, optimised integrated logistic management information system for the DOD, the Logistics Division was made part of the National Treasury initiative of implementing the Integrated Financial Management System (IFMS) within the State. A project structure and its responsibilities have been submitted for approval in order that a full-time organisation can be established to execute the planned migration to IFMS and to manage the DOD-unique Integrated Resource Management System (IRMS). This will enable integration of information as well as critically accurate reporting in financial statements.

The RSA military standards defining acquisition specifications and computer ergonomics have been promulgated, thereby improving the acquisition integrity and human-computer interaction within the SANDF.

Facilities

The upgrading of the runway at Air Force Base Waterkloof was a major project during the past year. Progress in the upgrading of the runway was slow due to changes introduced by the National Department of Public Works (NDPW) in its acquisition requirements process. No construction work was undertaken, which impacted negatively on the planning and performance of the DOD. The project was rescheduled to start in FY 2008/09. Concerted efforts were made to repair and maintain facilities within the SANDF. The Repair and Maintenance Programme (RAMP), which

was submitted to NDPW in 2006 and 2007 for execution, met with mixed success. Within the RAMP, altogether 37 DOD units were prioritised and funded with the additional funds received, for repairs and maintenance to take place over the MTEF period. As in the case of the Air Force Base Waterkloof runway project, full execution of the RAMP did not take place as planned due to NDPW's changes in its consultants'/contractors' acquisition requirements. The funds that were allocated to the RAMP were not expended as budgeted, with the result that the maintenance of SANDF facilities did not progress according to plan.

A water services RAMP project in Thaba Tshwane for the replacement of all mainline water reticulation systems was implemented and completed. This forms part of the SANDF's and NDPW's effort to contain the dolomite risk of sinkholes in this particular area.

The Council for Scientific and Industrial Research (CSIR) was appointed to assist the DOD in compiling a strategic plan for immovable assets that will align the DOD with the requirements of the Accountant-General of National Treasury and NDPW. The plan will ensure that the DOD receives the necessary resource support to enable it to provide correct and appropriate accommodation in support of DOD strategic objectives.

The Castle of Good Hope was to be transferred from the Department of Defence to the Department of Arts and Culture, according to the Castle Management Act Repeal Bill. The transfer will entail the management and administration of the Castle while the ownership will be retained by the DOD. A prerequisite for the transfer to take place is the upgrading of effective governance and asset management of the Castle. This is, however, a stumbling block as there are different interpretations regarding the conditions of transfer, which are being addressed at ministerial level at the moment.

The Presidential Priority of speeding up land and agrarian reform was heeded. Good progress was made with the Wahlmansthal land claim and with the terms of agreement that were agreed upon. This will contribute to the finalisation of the restitution claim in the near future. The restitution claims for the Hell's Gate and Madimbo areas have been finalised to the point where they will be concluded once these areas have been cleared of unexploded ordinance.

One of the major challenges that the Division had to face is the maintenance of facilities throughout the SANDF. While every effort was made to improve and ensure that NDPW was put in a position to assist the DOD in this regard, the expected results were, for various reasons, not forthcoming. Monthly meetings were conducted with NDPW officials to address the situation and to ensure that sound infrastructure project management was in place. The DOD is addressing this matter.

Education, Training and Development

A major achievement in the improvement of employees was the promulgation of an instruction on apprenticeship in the DOD, which will make SANDF apprentice training compliant with the South African Qualifications Authority (SAQA) Act, 1995 (Act No. 58 of 1995) and will facilitate recruiting, as qualifications will be recognised and portable. This will greatly contribute towards the objectives of the Joint Initiative on Priority Skills Acquisition and the Accelerated and Shared Growth Initiative (ASGISA). The formalisation of a good relationship with the Engineering Council of South Africa (ECSA) is progressing well. This will enable the SANDF to attain the ECSA registration for its technical engineering personnel.

Ammunition Disposal

As part of the SANDF's ammunition risk reduction effort, the over-and-above functions of the demolition of ammunition, ammunition handling and firebreak capabilities were enhanced. The ammunition disposal capability had been improved and was expanded. The De Aar ammunition demolition range was requalified to conduct disposal through open demolition and was also the last of the planned requalifications. A total of 1 500 tons of dangerous ammunition have been identified for further mass disposal through open demolition.

In Africa, support was readily provided to countries that required logistic expertise in ammunition disposal. As requested by the Government of Mozambique, 1 213 tons of unexploded dangerous ammunition was demolished in Maputo, after the massive explosion in an ammunition storage area. It took over 56 tons of serviceable explosives to carry out the task safely. A request was also received from the Government of Uganda to assist in the destruction of 460 tons of ammunition, of which

only 280 tons of old ammunition was destroyed. The full need could not be met due to insufficient serviceable explosives to undertake the disposal, as well as a lack of the continued sponsorship from the non-governmental organisation engaged in the task. International recognition of SANDF capability and expertise was evident as a member of the Logistics Division was requested to present a paper on the disposal of ammunition at the International Disposal Conference in Argentina.

Social Responsibility

Within the country, a poverty relief initiative was undertaken, with a further partnership between the SANDF and the Working for Water Programme of the Department of Water Affairs and Forestry, to utilise military veterans to eradicate alien and invasive vegetation on Defence Force-controlled properties. This effort was named Operation VUSELELA and has been extremely successful. Using the relatively small sum of Rm14, a total of 5 000 hectares of invasive vegetation had been eradicated.

The Division has, in support of the Government's goal of sustainable utilisation of natural resources, embarked upon an Energy Efficiency Campaign in order to reduce the demand for electricity through participating in the National Energy Response Team of the Department of Minerals and Energy. Over and above this, the Division has also been partnering in various Government initiatives on renewable energy such as biodiesel, wind and solar energy.

A cooperative governance initiative was undertaken to assist the Gauteng Provincial Government in its Dinokeng Blue IQ Project to aid in the socio-economic development of the Dinokeng region. The SANDF's role in this project was to provide a part of Ditholo Training Area for co-use in the establishment of the Dinokeng Game Reserve. The SANDF has in the process donated game with an estimated value of Rm1,7 to the project and will further enter into a co-use agreement in order to contribute to the management of the Dinokeng Game Reserve.

A number of other cooperative governance initiatives have been initiated with local government in the Gauteng Province through the establishment of cooperation agreements for addressing biodiversity and sustainability issues on Defence-controlled areas. Amongst others are the Eeufees and Swartkop Park training areas in Pretoria.

Risks

A critical risk that was, and is still, experienced is the underfunding of equipment maintenance throughout the SANDF. This, together with the loss of technical competency (engineers, technical officers and artisans) through all the rank levels, continues to have a major impact on the readiness capability of the DOD. The challenge of maintaining scarce skills is not only an SANDF matter, but has become a problem at national level as well.

During the past year, the Logistics Division made satisfactory progress, with many noticeable achievements. The progress and achievements are spread across the wide span of responsibility of the Division, as highlighted in this report. The SANDF forces deployed in peace support operations and internal operations were well supported and

sustained by the Division. In Africa, support was readily provided to countries that required logistic expertise in ammunition disposal.

Purpose

The purpose of the Joint Logistics Service Subprogramme is to establish an effective, efficient, economical and transparent logistic support system for the DOD.

Measurable Objective

The Joint Logistics Service subprogramme provides integrated logistic support to the DOD.

Outputs

Details of the Joint Logistics Services Subprogramme's outputs are shown in Table 9.1.

Table 9.1 Joint Logistics Services Subprogramme Outputs for FY 2007/08

Output	Performance Measure	Target	Actual Achievements
Integrated logistic support and services in accordance with client and force employment requirements	Number of units prepared according to force employment requirements	1 x joint logistic operational support group 1 x joint technical maintenance group 1 x main ordnance depot 2 x ordnance sub-depots 3 x ammunition depots 1 x air supply unit 1 x mobilisation centre 1 x technical service unit 5 x maintenance units (Reserve) 6 x field workshops (Reserve) 1 x transit maintenance unit (Reserve)	Achieved. The units were prepared according to force employment requirements. However, units did not meet all targets in terms of force employment requirements due to understaffing. Preparations were made for the planned transfer of the 101 Air Supply Unit to the SA Army in the next financial year.
	Serviceability of equipment	90% serviceability of deployed equipment	Partially achieved. Deployed equipment was only 67% serviceable due to obsolete equipment and lack of spares that affected the readiness levels during operations.
	Provision of general base support services	3 x Joint Support Bases	Partially achieved. Although the Joint Support Bases were understaffed, good effort was made to support units. A service delivery target of 65% was achieved. The support bases are in the process of being transferred to the SA Army and SANDF Corporate Office.

Table 9.1 Joint Logistics Services Subprogramme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievements
Codification capability	Provision of codification service	National Codification Bureau (NCB) established by 31 March 2008	Partially achieved. Codification within the Services is going well, while the central NCB is experiencing challenges due to staff shortages. The decentralisation of codification to Services was approved at the LIRP, which has led to the repositioning of future codification structures throughout the SANDF. This will greatly assist the RSA NCB in attaining Tier 2 status within the NATO National Codification System.
Training capability	Number of learners and courses at the Technical, Ammunition and Hospitality Training Schools	2 600 learners on 170 courses	Partially achieved. Only a total of 2 237 learners were trained, due to a shortage of accredited facilitators, and 15 courses were cancelled.
Repair and maintenance service	Achievement of repair and maintenance targets	Repair and maintenance according to the Repair and Maintenance Programme (RAMP)	Unacceptable progress was made during the financial year due to NPWD in executing the plans for the 37 units in the RAMP prioritised for repairs over the MTEF. For FY 2007/08, only 50,3% of the allocated RAMP budget was unspent due to changes by NDPW in acquisition requirements of both consultants and contractors. NDPW indicated in a progress report dated 14 March 2008 that: "This programme (DOD) faced enormous challenges which are not normally associated with standard building contracts but will hopefully not hamper the success of the RAMP in future." That notwithstanding, good progress was made in repairs at 1 Military Hospital, 2 Military Hospital, 4 SA Infantry Battalion, Air Force Base Waterkloof and 35 Engineer Support Regiment. These multiyear projects will continue into the next financial year as scheduled. The DOD is convinced that the RAMP will, once executed sufficiently, address the maintenance backlog.

Table 9.1 Joint Logistics Services Subprogramme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievements
Disposal and environmental management service	Achievement of disposal and environmental management targets	Management of disposal and the environment according to client requirements	This was due to delays in the appointment of the auctioneer as well as the lengthy disposal investigations. A total of 300 tons of aged own ammunition was destroyed during the year. The De Aar ammunition demolition range has been re-qualified for disposal through open demolition. Environmental management targets were only 80% achieved due to insufficient project managers. This did not have a major impact on environmental services delivered to the DOD. Ammunition was demolished on behalf of Mozambique and Uganda. Good progress made with land claims in the Wahlmansthal and Madimbo areas. Two further restitution claims on areas at Air Force Base Hoedspruit and General Ben Viljoen Training Area were investigated by the Land Claims Commission, but are yet to be finalised.

Performance and Service Delivery Improvement

Details of the Joint Logistics Services Subprogramme's performance and service delivery improvement are reflected in Table 9.2.

Table 9.2 Joint Logistics Services Subprogramme Performance and Service Delivery Improvement for FY 2007/08

Objective	Activities	Anticipated Benefit	Status	Actual Achievement
Integrated logistic management capability	Single point of responsibility for logistics in the DOD Rationalisation of supply chain activities within the DOD (April 2007 to December 2009)	Reduction of the duplication of supply chain activities in the DOD	In process	The LIRP was established to prepare integrated and aligned appreciations, intervention plans and implementation plans on the way forward for logistics as a whole. Monthly progress reports are submitted to the PDSC.
Integrated supply support capability	Establishment of a codification training facility to train DOD members to execute the codification functions at all levels in the DOD	Services will be able to execute this core function themselves.	In process	The training facility has been established. Since its establishment, a total of 70 members have been trained.

SUBPROGRAMME COMMAND AND MANAGEMENT INFORMATION SYSTEMS

Overview

The rapidly changing technological environment has placed increasing demands on the Command and Management Information Systems (CMIS) Division to provide a comprehensive, as well as a single-point service to the DOD. Despite the challenges, the Division provided satisfactory information- and computer technology-based solutions and capabilities as well as support to peacekeeping operations in Africa. The Division successfully supported 11 peace support operations and 10 joint and multinational exercises during the reporting period, in accordance with the force employment requirements. CMIS support included the provisioning of rear link satellite communications, as well as Information and Communication Technology and generator maintenance support to the DOD.

The CMIS Division participated in the following workshops: African Standby Force, African Union Computer, Command and Control Information Systems, Inter-State Defence Security Committees (ISDSC), Telecommunications and Information Systems Work Group and SADCBRIG Planning Element. The Division also enabled the donation, by South Africa, of high-frequency radios to the ISDSC's "Secondary Hotline Network".

Internally, CMIS Division provided systems support, with specific reference to Operation INTEXO, and assisted the Department of Communications during the International Telecommunication Union's World Radio Communications Conference held in Geneva. The Division also experienced an increase in the call-up of Reserves as part of building the "One Force" concept. Reserves were employed in the DOD registries and the postal services environment, as well as during exercises and operations where their standard of training was assessed.

During the past year, the management focus of the Division was to stabilise the personnel strength at an affordable level, to optimise the CMIS Division's "footprint" and to improve service delivery. In this regard, the following achievements are of note:

- A Disaster Recovery Plan for the corporate ICT systems was developed and a simulation exercise was successfully conducted to test the solution.

- The Division also developed a toolset that will enable DOD project managers to use the same information when making decisions, thus impacting horizontally on all other DOD projects.
- An "ETD Programme" was developed to inform DOD clients about accredited courses and seminars in the external environment.
- Approval for the continuation of the Electronic Warfare Technology Research Project was obtained and it will run for the next two financial years.

In accordance with the Crime Prevention Plan, the Division was able to institute measures to improve security. The CMIS Division, as the primary custodian of network warfare in the DOD, completed and submitted the Information System Security DODI and Joint Defence Publication to the relevant approval mechanisms.

The migration plan of the CMIS Service Centres to the South African Air Force, the South African Navy, Defence Intelligence and the Military Police Agency was completed. However, the associated funds are in the process of being shifted as the Minister approved these shifts (excluding the Military Police) on 18 April 2008. The final reports were submitted to the Minister of Defence for approval. Project DOMINO (CMI force design and structure) achieved the laid-down milestones. The outcome of this project will be the alignment of the Division's core objectives with the Financial Management System and the Structural Management Control System.

Skills development has progressed well during the reporting period and 1 454 learners received training at the School of Signals, while 552 short-learning opportunities were presented by external providers. Rejuvenation within the CMIS Division has also made progress, with 136 MSDS members entering the Division. The 136 members reported to the School of Signals for their initial course and were thereafter placed at the various CMIS units.

During the past financial year, the CMIS Division upgraded its training facilities. This will enhance the readiness of this capability over time. However, there were delays in critical projects, including the infrastructure works at Rooiwal, that affected performance. The DOD is in discussions with the Department of Public Works to correct the delays and ensure all repair and capital projects take place as planned and budgeted for.

Other critical challenges to performance are to be noted. Funding continues to constrain the DOD's Information and Communication Systems (ICS) and their sustainment. This has affected the planned capital equipment renewal programme, and has led to long turnaround times for maintenance and repair of ICT equipment. The strategic renewal projects within the DOD under Projects BILLET and RADIATE will help to alleviate this situation in the future.

The moratorium on the destruction of records, that prevents the management of a formal appraisal and systematic disposal programme for records in the DOD, is still in force. This matter is being addressed by the National Archivist (Department of Arts and Culture) in a submission to Parliament. This has created the situation where the available storage space for records had been filled in February 2008 and no further archive material from the DOD can be accommodated.

The outflow of personnel from the CMIS Division continued unabated during this period, resulting in a loss of expertise and skills in especially the technical environment. DOD system managers are therefore forced at a cost to become more dependent on contracted services provided by SITA to maintain the CMI services at the required levels. The main effort of the Military Skills Development System

intakes has been focused to specifically address this issue. The development of ICS-related policies is hampered due to the lack of specialists. Whilst Reserve members are utilised, this will not solve the entire problem, as specialist knowledge needs to be developed.

In conclusion, the Division has achieved key outputs for force preparation. However, serious challenges in terms of the retention and development of specialised skills, the affordability of the organisational structure and the requirement to successfully transform its human resource component, continue to prevail. The solutions to these challenges are under development, within Project DOMINO. Once approved, it will be implemented in a structured manner with effective control mechanisms.

Measurable Objective

Command and Management Information Systems (CMIS) Division provides a command and management information system and related services to the Department.

Outputs

Details of the Command and Management Information Service Programme outputs are reflected in Table 9.3.

Table 9.3 Command and Management Information Service Programme Outputs for FY 2007/08

Output	Performance Measure	Target	Actual Achievement
Acquired integrated Information and Communication Technology (ICT) solutions and enablers for the DOD ICT and joint C ² product systems capability	ICT solutions delivered according to client requirements	Solutions delivery within 85% of the DOD ICT Project Portfolio	80% achieved. The DOD ICS Project Portfolio Tool was procured during January 2008 and is in the process of being set up. Currently, systems are used to manage the Project Portfolio. After complete "setup", the tool will be rolled out for utilisation within the ICT Projects environment. This tool will ease project management, with specific reference to the performance reporting within the DEIS Master Plan. Certain ICS projects were handed over to SITA. However, funding is currently only available for the pilot phase and not for the full enterprise implementation phase. This is being negotiated according to set project deliverables.

Table 9.3 Command and Management Information Service Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
An Information Warfare (IW)/Cyber Warfare (CW) capability for the DOD	Percentage of established and maintained IW capabilities	100% established	80% achieved. The IW Enabling Domain – Electronic Warfare, Network Warfare and Psychological Operations Pillar Committees – are established and function 100%.
			The IW Application Domain establishment is not completed. A process of interaction by means of workshops is conducted with the Services and Divisions to create a common understanding to assist with the implementation of this domain.
			The other IW Pillars are in the process of development. This process is hampered by a lack of functional specialists in this environment. The IW HR capacity will be further developed once the CMIS Division's force design and structure is approved; staffing will commence immediately thereafter.
	Percentage of secured Information Systems Security (ISS) solutions provided for DOD ICT projects	100% secured ISS solutions	100% achieved. Performance as planned.
Combat-ready joint C ² capability to the SANDF	Number of combat-ready units	2 x regiments	2 x regiments could be provided. However, the readiness state of one regiment was below the required readiness due to personal and signal equipment, and vehicle serviceability, as well as the health status of members for external deployments. The MSDS system to rejuvenate the force has been implemented. Armscor is assisting with the upgrade of the serviceability with regard to the B Vehicle fleet. The risk/cross impact was made visible at higher management levels/forums.
			Percentage of secured information system (IS) networks
Supported DOD integrated ICT and joint C ² product system capability	ICT systems support capability	98% availability of mainframe service	98% achieved.
		95% availability of Local Area Network (LAN)	95% achieved.
	Compliance with force employment requirements	95% reliable mobile and static ICT support services	95% achieved.

Table 9.3 Command and Management Information Service Programme Outputs for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
CMIS ETD capability (Signal School)	Number of learners and courses	3 322 learners on 170 courses	2 361 learners on 380 courses. This target changed to 3 144 learners on 331 courses. The reason for non-achievement is due to course cancellations, the illness of students, ordered commitments and welfare issues. The members will be re-nominated in the new financial year. Additional courses were scheduled to accommodate the new requirement.

Risks and Mitigation Actions

Details of the Command and Management Information Service Programme’s risks and mitigation actions are indicated in Table 9.4.

Table 9.4 Command and Management Information Service Programme Risks and Mitigation Actions for FY 2007/08

Risk	Mitigation Action	Actual Achievement
The diversity and non-standardisation of Information and Communication Systems (ICS) systems in the DOD	Phased implementation of information systems that serves the defence function and is linked to the implementation of the National Information and Finance Management System	The DOD’s ICS optimisation is enabled through the DEIS Master Plan that was approved and is in the process of implementation/rollout. The National Treasury provided an additional Rm60 for this endeavour in FY 2007/08. The implementation/rollout of this initiative is a multiyear programme. Additional funds were also provided for the outer years of the programme. The targets for FY 2007/08 have been achieved. However, the real outcome of this initiative will only become visible in the medium to long term.

Outputs

Details of the Command and Management Information Service Programme’s outputs of specific policy options, where additional funds were allocated, are reflected in Table 9.5.

Table 9.5 Command and Management Information Service Programme Outputs of Specific Policy Options where Additional Funds were Allocated for FY 2007/08

Policy Option	Allocations (R'000)	Output Targets	Actual Achievement
Resourcing in support of the rollout of the DEIS Master Plan (SLA 2.1)	18 000	Increasing of resources	100% achievement of targets in accordance with project plans. Outputs as follows: <ul style="list-style-type: none"> • Integrated Defence Enterprise Architecture (IDEA) toolset integration. • Activated Strategic Plan Enabler (SPE) and Activity-Based Planning Enabler (ABPE) enhancements. • Performance Management activated and implemented (Balanced Scorecard). • Bankserve (pay system) activation and implementation. • Health Informatics activation. • Department Organisation Structural System (DOSS) technical preparation intervention. • Defence Telephone Network (DTN) upgrade. • Upgrade of DOD Band with Management System (BMS). • Upgrade of the DOD central server backup system.
Execution of projects (SLA 2.6: ICT Acquisition Services)	3 556	Activation of projects (URS, proof of concepts)	100% achievement of targets in accordance with project plans. Outputs as follows: <ul style="list-style-type: none"> • Installation of a “proof of concept” for Electronic Content Management (ECM). • Implementation of an active directory pilot site for the DOD.
Command and control	5 000	Enhancement of C ² systems (migration of the SANDF out of the 2.2 Ghz frequency band 7.0)	100% achievement of targets in accordance with project plans. Outputs as follows: <ul style="list-style-type: none"> • Installation of microwave links for the migration of the 2,2 Ghz band in accordance with the Independent Communication Association of South Africa (ICASA) regulations.

Table 9.5 Command and Management Information Service Programme Outputs of Specific Policy Options where Additional Funds were Allocated for FY 2007/08 (continued)

Policy Option	Allocations (R'000)	Output Targets	Actual Achievement
Command and control	2 500	Upgrading of power-generating equipment	100% achievement of targets in accordance with project plans. Outputs as follows: <ul style="list-style-type: none"> The design and manufacturing of new motors and alternators to extend the lifecycle of the existing fleet of the 15 KVA and 50 KVA generators for the short to medium term.
	1 365	Satellite communication link repair at Boekenhoutskloof (damage was caused by a lightning strike)	100% achievement of targets in accordance with project plans. Outputs as follows: <ul style="list-style-type: none"> Repair of the satellite hub at Boekenhoutskloof that was struck by lightning. This provides communications to forces that are externally deployed.
	600	Frequency migration according to the ICASA agreement	100% achievement of targets in accordance with project plans. Outputs as follows: <ul style="list-style-type: none"> The frequency migration in the 380-400 Mhz band according to ICASA regulations.
Execution of Defence Information Communication Infrastructure (DICI) projects	29 000	Renewal of the DICI (i.e. DOD bandwidth management software, LAN/data and voice cable reticulation)	100% achievement of targets in accordance with project plans. Outputs as follows: <ul style="list-style-type: none"> The upgrade and replacement of the Central Server Backup Asset Management, upgrade of the DOD PABX infrastructure and microwave link upgrades.
2.2 Ghz migration	35 000	Migration out of the 2.2 Ghz frequency band	91% achievement. Not all the equipment could be delivered by the foreign suppliers. Project will be completed by the end of FY 2008/09. The rest of the funds rolled over from FY 2007/08 will be expended before the end of the 2008/09 financial year, when the rest of the equipment is delivered.

Command and Management Information Service Programme: Performance and Service Delivery Improvement

Details of the Command and Management Information Service Programme's performance and service delivery improvement for FY 2007/08 are reflected in Table 9.6.

Table 9.6 Command and Management Information Service Programme: Service Delivery Improvement for FY 2007/08

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement
Approval and implementation of the DEIS Master Plan (renewal and maintenance of the DOD's Information and Communication Systems)	The DEIS Master Plan was approved by the PDSC, thus involving all roleplayers from Services and Divisions in the approval and implementation process	More focused, planned and cost-effective renewal and maintenance of the DOD's Information and Communication Systems (ICS) over time More visibility of the DEIS Master Plan, with more buy-in into the successful execution of the planned activities More controlled management of planned deliverables according to more realistic user requirements	Ongoing	Formal approval of the DEIS Master Plan by all relevant roleplayers as well as the achievement of planned activities during FY 2007/08. (See Table 5 for the outputs and expenditure of the additional funds as provided by the National Treasury for the implementation of the DEIS Master Plan.)

Command and Management Information Service Programme: Services Scaled Down, Suspended or Abolished

Details of the Command and Management Information Service Programme services scaled down, suspended or abolished are reflected in Table 9.7.

Table 9.7 Command and Management Information Service Programme: Services Scaled Down, Suspended or Abolished During FY 2007/08

Reduction in Output (Quality and Quantity)	Reason for Scaling Down/ Suspension/Abolishment	Implications for the DOD (Client)	Actual Achievement
IT services by SITA Less skilled manpower will be available to sustain the DOD's IT services The DOD is to reduce its Service-Level Agreement with SITA (D) in order to obtain services within its budget	The amount of funds available to pay SITA for the desired levels of service is insufficient	Longer turnaround times to restore telecommunications services to the DOD	No services were scaled down and services were delivered in accordance with the relevant Service-Level Agreements contracted with SITA. Corporate DOD provided additional funds to sustain the IT services at the desired contract level.
Telecommunications services The reduction in available man-hours and spares to sustain existing telecommunications equipment will hamper service delivery	The amount of funds available to pay industry for the desired levels of service is insufficient	Block obsolescence of the DOD's ICT equipment will increase maintenance costs and result in higher costs in later years (unless the Rand continues performing favourably against the US\$)	Partially achieved. Services and Divisions provided some additional funding for the upgrading of their unique Information Technology infrastructure requirements.
Renewal of capital equipment The retention of obsolete technology will increase the ICS maintenance bill	The lack of funds will prevent the CMIS Division from renewing obsolete ICT equipment for the DOD	Users of Information and Communications Technology systems will experience more equipment outages and the slower response time of Information Technology applications Furthermore, no new Information Technology applications will be able to be rolled out due to equipment obsolescence	Partially achieved. Services/ Divisions provided some additional funding for the upgrading of their unique Information Technology infrastructure requirements.

Force Structure Elements (FSEs) Closed Down During FY 2007/08

The DOD workgroup for the closure of FSEs gave exemption until such time as the new CMIS Division Force Design and Structure is approved. The closure of the identified FSEs will commence with effect from 1 April 2009.

Joint Logistics Services Subprogramme Performance and Service Delivery Improvement

Details of the Joint Logistics Services Subprogramme's performance and service delivery improvement are reflected in Table 9.8.

Table 9.8 Joint Logistics Services Subprogramme Performance and Service Delivery Improvement for FY 2007/08

Objective	Activities	Anticipated Benefit	Status	Actual Achievement
Integrated Logistic Management Capability	Single point of responsibility for Logistics in the DOD Rationalisation of supply chain activities within the DOD (April 2007 to December 2009)	Reduction in the duplication of supply chain activities in the DOD	In process	The LIRP was established to prepare integrated and aligned appreciations, intervention plans and implementation plans on the way forward for logistics as a whole. Monthly progress reports are submitted to the PDCS.
Integrated Supply Support Capability	Establishment of a codification training facility to train DOD members to execute the codification functions at all levels in the DOD	Services will be able to execute this core function themselves	In process	The training facility has been established. Since its establishment, a total of 70 members have been trained.

SUBPROGRAMME MILITARY POLICE DIVISION

Overview

The Military Police Division (MP Division) performed very well during the past year and successfully finalised 3 548 cases. The overall cases on-hand, or backlog of 7 521 cases from the previous year, was reduced by 733 cases to 6 788 cases on-hand. During the past year, 2 815 new cases were reported. The MP Division also conducted 668 deliberate crime prevention operations throughout the country and received very positive feedback in this regard from SANDF Officers Commanding.

The Chief of the MP Division, the Provost Marshall-General (PMG), had bilateral talks with Chiefs of Services and Divisions on a continuous basis to discuss challenges in respect of crime within their areas of responsibility, and provided advice during these meetings. A highlight during the past year was the successful hosting of the first DOD Anti-Crime Conference on 9 November 2007, which was opened by the Deputy Minister of Defence, the Honourable Mluleki George.

In providing support to operations, the MP Division also performed very well. Joint Operations required 60 members for external deployments, but 86 members were deployed by the end of the year. A total of 60 members were also pledged towards the African Standby Force and SADC Brigade. However, if required, they will be drawn from the 86 members currently deployed.

Provision has been made in the Defence Review Update of 2007 for a Safeguarding Board. The Safeguarding Board was successfully established in the DOD and met monthly. The Nodal Point on Anti-Criminality was established at the MP Division Headquarters. Instructions were subsequently issued to Services and Divisions to establish their respective nodal points for the prevention and combating of crime. These nodal points were successfully established and provide monthly crime management information and reports at the Safeguarding Board. The newly-established Protection and Security Section at the MP Division HQ assisted Services and Divisions in conducting crime risk surveys. Services and Divisions are in the process of identifying incumbents to conduct this work. Once the appointments have been made, the MP

| Department of Defence |

Division will transfer the know-how and skills to the Services/Divisions to enable them to conduct their own crime risk surveys.

The Division is currently in the process of establishing a Reserve capability through a decentralised approach. This is envisaged to elicit an increase in recruitment, training and utilisation, and will provide additional military police support to the MP Division, as well as to the DOD. The MP Reserve will also be fed from MSD members exiting the MP Division and the DOD. It is envisaged that the MP Reserve members will in future assist in providing Military Police support to the units responsible for MSDS training.

The Minister of Defence approved the new divisional structure that addresses the expanded function of the Military Police, and the concomitant new posts. As a result, key staff members were appointed in HR Career Management and HR Planning. The immediate result was effective and efficient management, as evidenced by the promotion of 307 personnel, by the interdepartmental transfer of 10 members to the SAPS, and by the staffing of 74 members. The Division recruited 58 MSDS members, of which 36 are males and 22 females. In

addition, the opportunity to study at State expense was provided to 440 members of the Division.

The Military Police Division is still experiencing challenges with regards to members additional to the structure. The new divisional structure will not be able to accommodate all its members. The Division is addressing the issue of excess personnel through redeployment and rightsizing efforts.

Health and safety, as well as physical fitness, received attention. A total of 71 buildings were designated as safe and 51 buildings as unsafe. Repair and Maintenance Plans are underway to address the unsafe buildings within the budget. Four members of the MP Division excelled in sporting codes by achieving Defence, provincial and national colours in their respective sporting codes.

Measurable Objective

The Military Police Division provides a military policing capability to the Department.

Outputs

Details of the outputs of the Military Police Division are shown in Table 9.9.

Table 9.9 Outputs of the Military Police Division for FY 2007/08

Output	Performance Measure	Target	Actual Achievement
Military Policing Capability and Service	Number of military policing service units	4 x regional HQs 22 x area offices 21 x detachments 2 x military correctional facilities	All the planned units were active during the year.
Training Capability	Number of learners and courses at the Military Police School	1 165 learners on 35 courses	928 learners on 35 courses. The increase in accommodating MSDS and the longer duration of MSDS training resulted in a revision of the other MP official courses at the MP School, in order to have sufficient instructors to present training.
Combat Capability	Number of provost companies	1 x company	1 x company was provided but 13 Pro Coy had to be strengthened/reinforced with MP members from other offices in order to comply with force employment requirements.

Table 9.9 Outputs of the Military Police Division for FY 2007/08 (continued)

Output	Performance Measure	Target	Actual Achievement
Nodal Point on Anti-Criminality	Percentage decrease in the occurrence of crime in the DOD	10%	A centralised database on all crime management information, as well as a fully staffed single point of entry (Nodal Point on Anti-Criminality), were not operable due to funding restrictions and a lack of staff. Therefore, the MP Division could not determine the exact percentage of criminality being registered in the DOD.

Risks and Mitigation Actions for FY 2007/08

The risk in terms of the high maintenance cost of the Mamba vehicle was mitigated in three ways:

- By the procurement of light tactical vehicles for the MP operational capability;
- By an agreement with the SA Army that Mambas will be provided only when required; and
- By the inclusion of the Division's requirements in the Landward Defence Enablement Programme.

The problem of insufficient vehicles for use during crime investigating was mitigated through

Output

Details of the Subprogramme British Peace Support outputs are reflected in Table 9.10

Table 9.10 Outputs of the British Peace Support Training Team Subprogramme for FY 2007/08

Output	Performance Measure	Target	Actual Achievement
Assistance to Mission-Readiness Training	Preparation for deploying forces that were subjected to a mission-based command post exercise and a field training exercise prior to deployment	All rotating forces subjected to Mission-Readiness Training	All rotating forces were subjected to Mission-Readiness Training at the Mobilisation Centre in Bloemfontein and continue as planned.
Development of Mission-Readiness Training Centre	Adequate facilities exist for conducting Mission-Readiness Training at Bloemfontein Mobilisation Centre	Convert a large hangar into two classroom facilities capable of accommodating a battalion	The facilities were completed and are utilised as planned.
Development of a Peace Mission Training Centre	SANDF has a fully developed Peace Mission Training Centre where all theoretical peace mission training takes place	Peace Mission Training Centre	The fitting-out commenced early in 2007. The UK Government has donated significant funds for developing the centre. It also provides instructors to assist with the development of curricula as planned.
Development of SANDF Log for operational doctrine	SANDF Log for operational doctrine developed and published	To be completed and implemented	Progress has been made as planned.
Assistance to the Research and Development Wing of the SA National War College (SANWC)	Proposal to improve the task settings and scenarios of the SANWC resulting from R&D staff work	Updating of specific peace mission scenarios used in the Joint Senior Command and Staff Programme	Progress has been made as planned.

the procurement of vehicles after reprioritising procurement requirements, as well as the procurement of bicycles for use in crime prevention patrols.

SUBPROGRAMME BRITISH PEACE SUPPORT TRAINING TEAM

The Memorandum of Understanding governing the British Peace Support Training Team was renewed on 22 May 2006 and provides for the continuation of assistance by members of the United Kingdom (UK) military until 31 March 2009. Either party can cancel it, provided that six months' notice to do so is given.

Part 3: Organisational Structure and Human Resource Management

CHAPTER 10 ORGANISATIONAL STRUCTURE AND HUMAN RESOURCES

Overview

The DOD HR Strategy 2010 forms one of the supporting strategies to the Military Strategy of the Department. It sets the scene for strategic interventions necessary to sustain military operations, but it also identifies areas of a strategic nature that define the operating environment within which the Department's Human Resources component is managed.

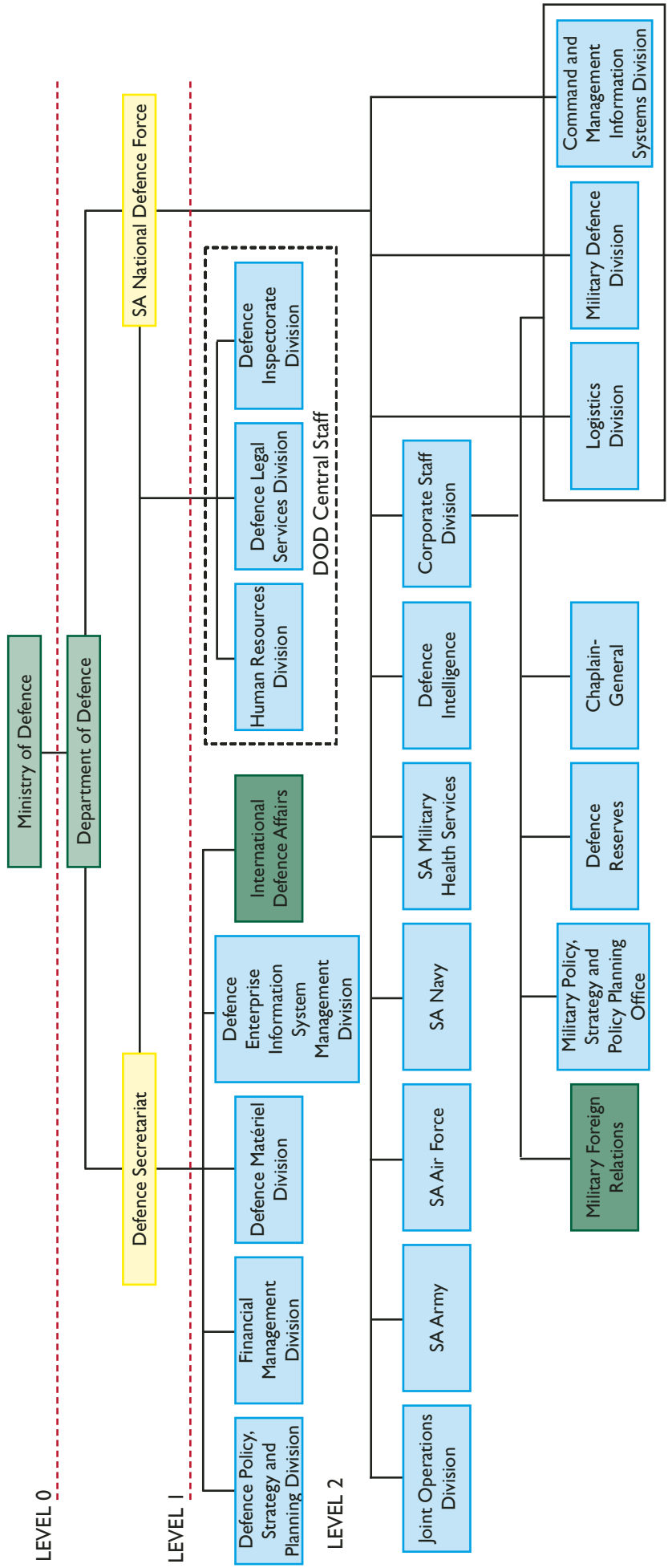
The implementation of the DOD HR Strategy 2010 is characterised by continuous progress during the 2007/08 financial year to build capacity in the Regulars, Reserves and PSAP HR components, to improve, amongst others, the demographic and gender representation of the DOD, to implement measures to address the retention of scarce skills, and to rejuvenate the SANDF through the Military Skills Development System (MSDS).

In line with current expectations to rejuvenate the SANDF, a total of 3 417 MSDS members were appointed, having the effect of raising the age compliance profile of Privates to 51%.

As part of the Department's continued efforts to rightsize, 1 006 members and employees availed themselves to voluntarily exit by means of the Mobility Exit Mechanism and Employee-Initiated Severance Package. This gave further impetus to, and also contributed to, race and gender representation in the Department.

To retain expertise, the promulgated policy guidelines were effected, initiating several investigations during the 2007/08 financial year to consider means to promote the retention of scarce and critical skills. The review of the DOD HR Strategy 2010 commenced during the latter part of the 2007/08 financial year. The process of consultation with all stakeholders was concluded and inputs were collated and documented. The review process will be concluded during the 2008/09 financial year.

Figure 1.5 Organisational Structure of the Department of Defence for FY 2007/08



Service Delivery Improvement Plan

Table 10.1 Main Services as Identified by the Auditor-General's Report for FY 2007/08

Main Services	Primary Clients	Secondary Clients	Standard of Service	Actual Achievement Against Standards
Military Skills Development System (MSDS)	DOD (Services and Divisions)	Defence Act personnel and Public Service Act personnel	Intake of 3 616 MSDS recruits	A total of 3 417 members entered the MSDS for a two-year contract during the reporting period. During the reporting period, 326 members accepted a Core Service System (CSS) contract before completion of the contract period. Of the 1 882 MSDS members that successfully completed their two-year MSDS contract periods in December 2007, a total of 1 654 accepted CSS contracts thereafter.
DOD Youth Foundation Training Programme (YFTP)	DOD (Services and Divisions)	Defence Act personnel and Public Service Act personnel	Train 250 YFTP learners who will be qualified to join the SANDF	A total of 240 learners successfully completed the programme, and 180 learners were taken into full-time employment of the DOD. The rest of the learners were released into the open labour market with prospects of being employed.

Table 10.2 Consultation Arrangements With Clients

Type of Arrangement	Primary Clients	Secondary Clients	Actual Achievements
Human Resource Board	Services and Divisions	Defence Act personnel and Public Service Act personnel	Monthly meetings with all HR representatives of the Services and Divisions.
Departmental Programme and Budget Evaluation Committee (DPBEC)	Services and Divisions	Defence Act personnel and Public Service Act personnel	Four sittings annually with representatives of the Services and Divisions.

Table 10.3 Service Delivery Access Strategies

Access Strategies	Actual Achievements
HR Planning Board	Scheduled monthly meetings with HR planners from the Services and Divisions.
Career Management Forum	Scheduled monthly meetings with career managers from the Services and Divisions.

Table 10.4 Service Information Tools

Types of Information Tools	Actual Achievements
Policies and directives	Promulgated and updated annually.
HR website	Updated weekly with information about DOD HR functions and activities.
<i>S.A Soldier</i>	Monthly publication that includes article focusing on HR activities.
Information bulletins	Published to inform about developments within the HR fraternity in the DOD.

Table 10.5 Complaints Mechanism

Complaints Mechanism	Actual Achievements
Single grievance procedure for members and employees of the DOD	A credible mechanism to resolve grievances at the lowest possible level in the shortest possible time period.
Human Resource Board	Monthly meetings with all HR representatives of the Services and Divisions.
Departmental Programme and Budget Evaluation Committee	Four sittings annually with representatives of the Services and Divisions.

Expenditure

Table 10.6 Personnel Costs by Programme, 2007/08

Programme	Total Expenditure (R'000)	Personnel Expenditure (R'000)	Training Expenditure	Professional and Special Services	Personnel Cost as a Percentage of Total Expenditure	Average Personnel Cost per Employee
Administration	2 029 743	678 710	7 322 536	12 600 173	33.44%	195 819*
Landward Defence	4 363 729	3 532 892	23 172 771	8 092 127	80.96%	99 574
Air Defence	2 757 758	1 511 468	32 572 440	283 375 824	54.81%	143 077
Maritime Defence	1 433 404	814 569	6 038 961	55 453 541	56.83%	129 194
Military Health Support	1 876 642	1 207 912	2 793 434	3 676 424	64.37%	154 920
Defence Intelligence	159 573	138 219	1 557 995	4 263 300	86.62%	214 960
Joint Support	2 877 790	1 248 915	7 169 710	23 469 071	43.40%	124 245
Force Employment	1 445 763	773 256	1 051 370	6 394 196	53.48%	476 436*
Special Defence Account	8 235 711	0	0	0	0.00%	0
Local and Foreign Aid Assistance	0	0	0	0	0.00%	0
TOTAL	25 180 113	9 905 941	81 679 217	397 324 656	39.34%	130 461

Note: *Personnel expenditure includes payments to the value of Rm169 898 which were made to Households for attrition. The average personnel cost for Administration has reduced due to the new HR Division being created within the Administration Programme and the HR Support Centre, Service Corps and Joint Training being closed in the Joint Support Programme. The average personnel cost for Force Employment has also reduced due to the reduction in forces being deployed for regional security and support to the people.

Table 10.7 Personnel Costs by Salary Band, 2007/08

Salary Band	Personnel Expenditure	Percentage of Total Personnel Cost	Average Personnel Cost per Employee
Military Skills Development System	221 513 334	2.24%	29 942
Lower skilled (Levels 1-2)	301 330 886	3.04%	27 816
Skilled (Levels 3-5)	3 044 993 334	30.74%	91 463
Highly skilled production (Levels 6-8)	3 833 409 355	38.70%	115 086
Highly skilled supervision (Levels 9-12)	2 341 531 674	23.64%	222 812
Senior management (Levels 13-16)	163 321 695	1.64%	387 018
TOTAL	9 906 100 278	100.00%	132 355

Table 10.8 Salaries, Overtime, Home Owners Allowance and Medical Assistance by Programme, 2007/08

Programme	Salaries		Overtime		Home Owners Allowance		Medical Assistance	
	Amount	Salaries as a % of Personnel Cost	Amount	Overtime as a % of Personnel Cost	Amount	HOA as a % of Personnel Cost	Amount	Medical Assistance as a % of Personnel Cost
Administration	491 552 736	4.96%	2 530 148	0.03%	12 138 316	0.12%	7 799 192	0.07%
Landward Defence	2 563 755 607	25.88%	47 032 306	0.46%	125 874 036	1.27%	14 571 579	0.14%
Air Defence	995 031 672	10.04%	3 692 039	0.04%	38 941 879	0.39%	4 021 106	0.04%
Maritime Defence	570 233 576	5.76%	9 173 953	0.09%	22 867 221	0.23%	9 564 490	0.10%
Military Health Support	825 725 319	8.34%	89 228 565	0.90%	22 357 702	0.23%	7 113 191	0.07%
Defence Intelligence	97 704 430	0.99%	276 612	0.00%	2 140 631	0.02%	575 050	0.01%
Joint Support	871 420 674	8.80%	6 215 275	0.06%	40 253 706	0.41%	7 598 928	0.08%
Force Employment	198 208 829	2.00%	2 046 246	0.02%	6 499 061	0.07%	612 576	0.01%
TOTAL	6 613 632 843	66.76%	160 195 144	1.62%	271 072 552	2.74%	51 856 112	0.52%

Table 10.9 Salaries, Overtime, Home Owners Allowance and Medical Assistance by Salary Band, 2007/08

Salary Band	Salaries		Overtime		Home Owners Allowance		Medical Assistance	
	Amount	Salaries as a % of Personnel Cost	Amount	Overtime as a % of Personnel Cost	Amount	HOA as a % of Personnel Cost	Amount	Medical Assistance as a % of Personnel Cost
Military Skills Development	209 556 179	2.12%	11 957 155	0.12%	0	0.00%	0	0.00%
Lower skilled (Levels 1-2)	187 059 000	1.88%	1 062 924	0.01%	15 896 045	0.17%	9 901 651	0.10%
Skilled (Levels 3-5)	1 974 298 561	19.93%	43 827 525	0.44%	128 218 183	1.29%	15 345 247	0.15%
Highly skilled production (Levels 6-8)	2 556 872 055	25.81%	42 670 820	0.43%	99 266 195	1.00%	22 589 602	0.23%
Highly skilled supervision (Levels 9-12)	1 579 602 286	15.95%	51 311 714	0.53%	27 692 129	0.28%	3 684 693	0.04%
Senior management (Levels 13-16)	106 244 761	1.07%	9 365 005	0.09%	0	0.00%	334 920	0.00%
TOTAL	6 613 632 842	66.76%	160 195 143	1.62%	271 072 552	2.74%	51 856 113	0.52%

Employment and Vacancies

Table 10.10 Employment and Vacancies by Programme, as at 31 March 2008

Programme	Number of Posts	Number of Employees	Vacancy Rate	Number of Posts Filled Additional to the Establishment
Administration	5 080	3 699	27.19%	-1 381
Landward Defence	36 730	34 022	7.37%	-2 708
Air Defence	12 653	10 603	16.20%	-2 050
Maritime Defence	6 936	6 232	10.15%	-704
Military Health Support	9 268	8 025	13.41%	-1 243
Defence Intelligence	1 036	648	37.45%	-388
Joint Support	14 252	9 931	30.32%	-4 321
Force Employment	2 410	1 685	30.08%	-725
TOTAL	88 365	74 845	15.30%	-13 520

Note: The 88 365 posts refer only to the production posts captured on the post establishment, of which 78 243 were funded for FY 2007/08.

Table 10.11 Employment and Vacancies by Salary Band, as at 31 March 2008

Salary Band	Number of Posts	Number of Employees	Vacancy Rate	Number of Posts Filled Additional to the Establishment
Military Skills Development System	0*	7 398	0.00%	7 398
Lower skilled (Levels 1-2)	10 833	6 915	36.17%	-3 918
Skilled (Levels 3-5)	33 292	26 027	21.82%	-7 265
Highly skilled production (Levels 6-8)	33 309	25 230	24.25%	-8 079
Highly skilled supervision (Levels 9-12)	10 509	8 926	15.06%	-1 583
Professionals (Level 13-16)	51	51	0.00%	0
Senior management (Levels 13-16)	371	298	19.68%	73
TOTAL	88 365	74 845	15.30%	-13 520

Note: The 88 365 posts refer only to the production posts captured on the post establishment and exclude training posts.

*MSDS members are carried against production posts on the post establishment after the completion of training.

Table 10.12 Employment and Vacancies by Critical Occupation, as at 31 March 2008

Critical Occupations	Number of Posts	Number of Employees, 31 March 2008	Vacancy Rate	Number of Posts Filled Additional to the Establishment
Anti-Aircraft	969	705	-27.24%	-264
Air Space Control	604	418	-30.79%	-186
Artillery	1 292	1 053	-18.50%	-239
Technical	8 472	6 230	-26.46%	-2 242
Engineer	262	150	-42.75%	-112
Medical Professional	1 605	1 374	-14.39%	-231
Nursing	1 982	1 450	-26.84%	-532
Aircrew	820	517	-36.95%	-303
Combat Navy	337	382*	13.35%	45
TOTAL	16 343	12 279	-24.87%	-4 064

Note: The 16 343 posts refer only to the production posts captured on the post establishment.

The number of members under training is included in the Combat Navy strength, therefore exceeding the available funded posts.

Job Evaluation

Table 10.13 Job Evaluation by Salary Band, 1 April 2007 to 31 March 2008

Salary Band	Number of Posts	Number of Jobs Evaluated	% of Posts Evaluated by Salary Band	Posts Upgraded		Posts Downgraded	
				Number	% of Posts Evaluated	Number	% of Posts Evaluated
Military Skills Development System	0	0	0.00%	0	0.00%	0	0.00%
Lower skilled (Levels 1-2)	10 833	36	0.33%	0	0.00%	0	0.00%
Skilled (Levels 3-5)	33 292	221	0.66%	11	1.41%	0	0.00%
Highly skilled production (Levels 6-8)	33 309	340	1.02%	2	0.26%	0	0.00%
Highly skilled supervision (Levels 9-12)	10 509	175	1.67%	0	0.00%	0	0.00%
Professionals (Levels 13-16)	51	0	0.00%	0	0.00%	0	0.00%
Senior management, Service Band A	260	4	1.54%	0	0.00%	0	0.00%
Senior management, Service Band B	95	3	3.16%	0	0.00%	0	0.00%
Senior management, Service Band C	14	3	21.43%	0	0.00%	0	0.00%
Senior management, Service Band D	2	0	0.00%	0	0.00%	0	0.00%
TOTAL	88 365	782	0.88%	13	1.66%	0	0.00%

Note: There are no designated MSDS posts as these members are placed in training posts at commencement of training and later in production posts.

Table 10.14 Profile of Employees Whose Salary Positions Were Upgraded Due to Their Posts Being Upgraded, 1 April 2007 to 31 March 2008

Beneficiaries	African	Indian	Coloured	White	TOTAL
Female	6	0	0	0	6
Male	1	0	3	1	5
TOTAL	7	0	3	1	11
Employees with a disability					0

Table 10.15 Employees Whose Salary Level Exceeds the Grade Determined by Job Evaluation, 1 April 2007 to 31 March 2008 (in terms of PSR 1.V.C.3)

Employees whose salary level exceeds the grade determined by job evaluation	Nil
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Table 10.16 Profile of Employees Whose Salary Level Exceeds the Grade Determined by Job Evaluation, 1 April 2007 to 31 March 2008 (in terms of PSR 1.V.C.3)

Profile of employees whose salary level exceeds the grade determined by job evaluation	Nil
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Employment Changes

Table 10.17 Annual Turnover Rates by Salary Band, 1 April 2007 to 31 March 2008

Salary Band	Number of Employees per Salary Band, as at 1 April 2007	Appointments and Transfers into the Department	Terminations and Transfers out of the Department	Turnover Rate
Military Skills Development System	8 396	3 417	2 107	15.60%
Lower skilled (Levels 1-2)	7 305	181	379	-2.70%
Skilled (Levels 3-5)	28 758	67	1 545	-5.14%
Highly skilled production (Levels 6-8)	24 482	240	1 866	-6.64%
Highly skilled supervision (Levels 9-12)	8 269	173	833	-7.98%
Senior management, Service Band A	216	7	23	-7.40%
Senior management, Service Band B	77	2	7	-6.49%
Senior management, Service Band C	11	0	0	0.00%
Senior management, Service Band D	4	0	0	0.00%
TOTAL	77 518	4 087	6 760	-3.45%

Table 10.18 Annual Turnover Rates by Critical Occupation, 1 April 2007 to 31 March 2008

Critical Occupation	Number of Employees per Occupation, as at 1 April 2007	Appointments and Transfers into the Department	Terminations and Transfers out of the Department	Turnover Rate
Anti-Aircraft	822	2	132	-15.82%
Air Space Control	534	54	46	1.50%
Artillery	1 173	15	121	-9.04%
Technical	6 903	122	910	-11.42%
Engineer	177	8	25	-9.60%
Medical Professional*	1 352	245	257	-0.89%
Nursing	1 535	99	75	1.56%
Aircrew	607	63	50	2.14%
Combat Navy	406	2	44	-10.34%
TOTAL	13 509	610	1 660	-7.77%

Note: *Occupations included in the Medical Professional category are medical practitioners, pharmacists, specialists and ancillary health workers. A total of 305 MSDS members are included in the appointment figure of 610.

Table 10.19 Reasons Why Staff are Leaving the Department, 1 April 2007 to 31 March 2008

Termination Type	Number	% of Total
Death	716	10.59%
Resignation	1 263	18.68%
Contract Expiry	2 311	34.19%
Transfer to other Public Service Departments	800	11.83%
Dismissal – Operational Required	0	0.00%
Dismissal – Ill Health	235	3.48%
Dismissal – Misconduct	104	1.54%
Discharged – Incapacity	0	0.00%
Retirement	325	4.80%
Mobility Exit Mechanism/ Employer-Initiated Severance Package	1 006	14.88%
Total	6 760	100.00%
Total number of employees who left as a % of the total employment, 31 March 2008	8.72%	

Table 10.20 Promotions by Critical Occupation, 1 April 2007 to 31 March 2008

Critical Occupation	Employees as at 01-April-07	Promotions to Another Salary Level	Salary Level Promotions as a % of Employees by Occupation	Progression to Another Notch Within a Salary Level	Notch Progression as a % of Employees by Occupation
Anti-Aircraft	822	199	24.20%	530	64.48%
Air Space Control	534	229	42.88%	304	56.93%
Artillery	1 173	353	30.05%	742	63.26%
Technical	6 903	2 286	33.10%	5 115	74.11%
Engineer	177	156	88.10%	80	45.20%
Medical Professional	1 352	558	41.27%	599	44.30%
Nursing	1 535	468	30.45%	1 231	80.20%
Aircrew	607	324	53.38%	271	44.65%
Combat Navy	406	206	50.74%	217	53.45%
TOTAL	13 509	4 779	35.37%	9 089	67.28%

Table 10.21 Promotions by Salary Band, 1 April 2007 to 31 March 2008

Salary Band	Employees as at 1 April 2007	Promotions to Another Salary Level	Salary Bands Promotions as a % of Employees by Salary Level	Progression to Another Notch Within a salary level	Notch Progression as a % of Employees by Salary Band
Military Skills Development System	8 396	1 537	18.33%	0	0.00%
Lower skilled (Levels 1-2)	7 305	4 328	59.25%	6 007	82.23%
Skilled (Levels 3-5)*	28 758	3 689	12.83%	17 480	60.78%
Highly skilled production (Levels 6-8)	24 482	7 766	31.72%	18 268	74.62%
Highly skilled supervision (Levels 9-12)	8 269	600	7.26%	6 261	75.72%
Professionals (Levels 13-16)	50	2	4.00%	0	0.00%
Senior management (Levels 13-16)	258	5	1.94%	1	0.39%
TOTAL	77 518	17 927	23.13%	48 017	61.94%

Employment Equity

Table 10.22 Total Number of Employees (Including Employees With Disabilities) by Occupational Category, as at 31 March 2008

Occupational Category (SASCO)	Male				Female				TOTAL
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	116	5	6	108	25	0	2	15	277
Professionals	719	111	88	544	617	155	76	664	2 974
Technicians and associate professionals	2 474	357	60	1 349	973	250	53	656	6 172
Clerks	5 199	1 451	97	1 333	2 478	528	62	2 550	13 698
Service and sales workers	21 796	2 803	166	2 008	3 674	590	24	534	31 595
Craft and related trades Workers	4 105	1 092	194	2 647	819	163	11	300	9 331
Plant and machine operators and assemblers	286	98	1	21	2	0	0	0	408
Elementary occupations	5 538	1 144	28	577	2 350	588	7	158	10 390
TOTAL	40 233	7 061	640	8 587	10 938	2 274	235	4 877	74 845

Table 10.22a Total Number of Employees (Only Employees With Disabilities) by Occupational Category, as at 31 March 2008

Occupational Category (SASCO)	Male				Female				TOTAL
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, Senior officials and managers	0	0	0	0	0	0	0	0	0
Professionals	1	0	0	3	0	0	0	4	8
Technicians and associate professionals	13	3	0	11	2	0	0	8	37
Clerks	61	20	1	32	5	3	0	33	155
Service and sales workers	96	13	0	19	3	1	0	0	132
Craft and related trades workers	29	5	1	38	0	0	0	5	78
Plant and machine operators And assemblers	1	0	0	0	0	0	0	0	1
Elementary occupations	10	15	0	5	4	1	0	8	43
TOTAL	211	56	2	108	14	5	0	58	454

Table 10.23 Total Number of Employees (Including Employees With Disabilities) by Occupational Band, as at 31 March 2008

Occupational Band	Male				Female				TOTAL
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	19	0	1	4	3	0	1	1	29
Senior management	110	6	9	138	32	0	4	21	320
Professionally qualified	2 414	709	167	3 578	729	106	71	1 152	8 926
Skilled technical	10 399	3 096	363	4 049	3 254	858	124	3 087	25 231
Semi-skilled	19 317	2 153	76	551	2 837	554	26	522	26 036
Unskilled	3 831	660	4	20	1 932	445	0	24	6 916
Military Skills Development System	4 143	437	20	247	2 151	311	9	70	7 387
TOTAL	40 233	7 061	640	8 587	10 938	2 274	235	4 877	74 845

Table 10.23a Total Number of Employees (Only Employees With Disabilities) by Occupational Band, as at 31 March 2008

Occupational Band	Male				Female				TOTAL
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	0	0	0	0	0	0	0	0	0
Senior management	0	0	0	1	0	0	0	0	1
Professionally qualified	19	2	0	34	2	0	0	8	65
Skilled technical	55	24	2	61	4	4	0	40	190
Semi-skilled	127	18	0	7	4	0	0	10	166
Unskilled	10	12	0	5	4	1	0	0	32
Military Skills Development System	0	0	0	0	0	0	0	0	0
TOTAL	211	56	2	108	14	5	0	58	454

Table 10.24 Recruitment (Including Employees With Disabilities) by Occupational Band, 1 April 2007 to 31 March 2008

Occupational Band	Male				Female				TOTAL
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Senior management	4	0	0	1	3	0	1	0	9
Professionally qualified	41	1	19	21	33	4	15	39	173
Skilled technical	54	9	2	15	104	15	14	27	240
Semi-skilled	18	1	0	0	40	4	0	4	67
Unskilled	63	17	0	1	88	11	0	1	181
Military Skills Development System	1 847	228	14	162	963	158	4	41	3 417
TOTAL	2 027	256	35	200	1 231	192	34	112	4 087

Table 10.24a Recruitment (Only Employees With Disabilities), 1 April 2007 to 31 March 2008

Recruitment of employees with disabilities	Nil
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Table 10.25 Promotions (Including Employees With Disabilities) by Occupational Band, 1 April 2007 to 31 March 2008

Occupational Band	Male				Female				TOTAL
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Senior management	1	0	0	3	1	0	0	1	7
Professionally qualified	226	47	14	139	88	18	10	58	600
Skilled technical	3 931	694	105	756	1 429	333	59	459	7 766
Semi-skilled	5 196	659	30	395	1 290	292	14	140	8 017
Unskilled	0	0	0	0	0	0	0	0	0
Military Skills Development System	833	124	8	121	353	69	2	27	1 537
TOTAL	10 187	1 524	157	1 415	3 162	713	84	685	17 927

Table 10.25a Promotions (Only Employees With Disabilities) by Occupational Band, 1 April 2007 to 31 March 2008

Occupational Band	Male				Female				TOTAL
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Senior management	0	0	0	1	0	0	0	0	1
Professionally qualified	4	2	0	2	1	0	0	1	10
Skilled technical	19	5	0	8	1	1	0	3	37
Semi-skilled	20	5	0	2	1	0	0	0	28
Unskilled	0	0	0	0	0	0	0	0	0
Military Skills Development System	0	0	0	0	0	0	0	0	0
TOTAL	43	12	0	13	3	1	0	4	76

Table 10.26 Terminations (Including Employees With Disabilities) by Occupational Band, 1 April 2007 to 31 March 2008

Occupational Band	Male				Female				TOTAL
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Senior management	8	0	0	20	1	0	0	1	30
Professionally qualified	109	47	17	455	40	13	24	128	833
Skilled technical	403	311	35	563	93	58	15	388	1 866
Semi-skilled	1 029	237	14	88	92	27	4	54	1 545
Unskilled	229	28	0	2	101	17	0	2	379
Military Skills Development System	1 345	155	8	101	405	83	0	10	2 107
TOTAL	3 123	778	74	1 229	732	198	43	583	6 760

Table 10.26a Terminations (Only Employees With Disabilities) by Occupational Band, 1 April 2007 to 31 March 2008

Occupational Band	Male				Female				TOTAL
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Senior management	0	0	0	0	0	0	0	0	0
Professionally qualified	2	0	0	5	0	0	0	1	8
Skilled technical	1	0	0	3	0	0	0	6	10
Semi-skilled	6	0	0	2	0	0	0	0	8
Unskilled	4	2	0	0	0	0	0	0	6
Military Skills Development System	0	0	0	0	0	0	0	0	0
TOTAL	13	2	0	10	0	0	0	7	32

Table 10.27 Skills Development by Occupational Category, 1 April 2007 to 31 March 2008

Occupational Category	Male				Female				TOTAL
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	4	0	0	4	7	0	1	7	24
Professionals	201	36	25	189	146	39	20	181	837
Technicians and associate professionals	603	95	14	378	77	21	5	62	1 256
Clerks	744	213	15	215	126	28	4	160	1 504
Service and sales workers	3 651	470	28	358	498	83	3	79	5 170
Craft and trade workers	507	168	29	378	4	1	0	2	1 089
Plant and machine operators and assemblers	7	3	0	1	0	0	0	0	11
Elementary occupations	220	46	1	24	16	4	0	1	312
TOTAL	5 938	1 031	112	1 546	875	177	33	492	10 203

Performance Rewards

Table 10.28 Performance Rewards by Race, Gender and Disability for Personnel Below Senior Management Service (Including Employees with Disabilities), 1 April 2007 to 31 March 2008

Race	Gender	Number of Beneficiaries	Total Number of Employees in Group, as at 1 April 2007	% of Total Within Group	Total Cost	Average Cost per Employee
African	Male	17 553	41 206	42.60%	33 155 588	1 889
	Female	3 718	10 421	35.68%	7 072 516	1 902
Subtotal: African		21 271	51 627	41.20%	40 228 104	1 891
Indian	Male	388	671	57.82%	1 115 453	2 875
	Female	127	239	53.14%	429 024	3 378
Subtotal: Indian		515	910	56.59%	1 544 477	2 999
Coloured	Male	4 317	7 578	56.97%	9 456 462	2 191
	Female	1 223	2 279	53.66%	2 338 837	1 912
Subtotal: Coloured		5 540	9 857	56.20%	11 795 299	2 129
White	Male	5 328	9 485	56.17%	18 092 985	3 396
	Female	3 985	5 331	74.75%	11 576 044	2 905
Subtotal: White		9 313	14 816	62.86%	29 669 029	3 186
TOTAL		36 639	77 210	47.45%	83 236 909	2 272

Table 10.28a Performance Rewards (Only Employees With Disabilities),
1 April 2007 to 31 March 2008

Number of Beneficiaries	Total Number of Employees in Group, as at 1 April 2007	% of Total Within Group	Total Cost	Average Cost per Employee
257	432	59.49%	584 325	2 274

Table 10.29 Performance Rewards by Salary Band for Personnel Below Senior Management Service, 1 April 2007 to 31 March 2008

Salary Band	Beneficiary Profile			Cost		
	Number of Beneficiaries	Number of Employees as at 1 April 2007	% Total Within Salary Band	Total Cost	Average Cost per Employee	Total Cost as a % of the Total Personnel Expenditure
Military Skills Development System	0	8 396	0.00%	0	0	0.00%
Lower skilled (Levels 1-2)	3 828	7 305	52.40%	3 346 013	874	1.11%
Skilled (Levels 3-5)	13 826	28 758	48.08%	22 247 465	1 609	0.73%
Highly skilled production (Levels 6-8)	14 382	24 482	58.75%	34 055 382	2 368	0.89%
Highly skilled supervision (Levels 9-12)	4 603	8 269	55.67%	23 588 049	5 124	1.01%
TOTAL	36 639	77 210	47.45%	83 236 909	2 272	0.84%

Table 10.30 Performance Rewards by Critical Occupation, 1 April 2007 to 31 March 2008

Critical Occupation	Beneficiary Profile			Cost	
	Number of Beneficiaries	Number of Employees, as at 1 April 2007	% of Total Within Occupation	Total Cost	Average Cost per Employee
Anti-Aircraft	202	822	24.57%	310 047	1 535
Air Space Control	252	534	47.19%	648 952	2 575
Artillery	537	1 173	45.78%	696 162	1 296
Technical	2 903	6 903	42.05%	7 324 126	2 523
Engineer	27	177	15.25%	145 222	5 379
Medical Professional	441	1 352	32.62%	2 189 424	4 965
Nursing	788	1 535	51.34%	2 625 807	3 332
Aircrew	164	607	27.02%	729 665	4 449
Combat Navy	152	406	37.44%	603 904	3 973
TOTAL	5 466	13 509	40.46%	15 273 309	2 794

Table 10.31 Performance-Related Rewards (Cash Bonus) by Salary Band for Senior Management Service, 1 April 2007 to 31 March 2008

Salary Band	Beneficiary Profile			Cost		
	Number of Beneficiaries	Number of Employees, as at 1 April 2007	% of Total Within Band	Total Cost	Average Cost per Employee	Total Cost as a % of the Total Personnel Expenditure
Band A	10	216	4.63%	113 834	11 383	0.07%
Band B	1	77	1.30%	16 743	16 743	0.01%
Band C	0	11	0.00%	0	0	0.00%
Band D	0	4	0.00%	0	0	0.00%
TOTAL	11	308	3.57%	130 577	11 871	0.08%

Note: A total of 51 Professionals (Levels 13-16) were included in the total of 216 employees for Band A. Payment was made in respect of Performance-Related Rewards for previous assessment periods.

Foreign Workers

Table 10.32 Foreign Workers by Salary Band, 1 April 2007 to 31 March 2008

Foreign Workers by Salary Band	Nil
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Table 10.33 Foreign Workers by Major Occupation, 1 April 2007 to 31 March 2008

Foreign Workers by Major Occupation	Nil
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Leave Utilisation for the Period 1 January 2007 to 31 December 2007

Table 10.33a Sick Leave (Defence Act Personnel) by Salary Band, 1 January 2007 to 31 December 2007

Salary Band	Total Days	Number of Employees Using Sick Leave	% of Total Employees Using Sick Leave	Average Days per Employee Using Sick Leave	Estimated Cost (Rand)
Lower skilled (Levels 1-2)	499	48	45.28%	10	107 390
Skilled (Levels 3-5)	88 039	11 249	31.85%	8	20 101 326
Highly skilled production (Levels 6-8)	95 850	12 121	59.35%	8	39 951 024
Highly skilled supervision (Levels 9-12)	29 982	4 126	54.62%	7	22 096 654
Professionals (Levels 13-16)	101	16	38.10%	6	138 440
Senior management (Levels 13-16)	843	100	46.30%	8	1 231 563
Total	215 314	27 660	43.45%	8	83 626 397

Table 10.33b Sick Leave (Public Service Act Personnel) by Salary Band, 1 January 2007 to 31 December 2007

Salary Band	Total Days	Number of Employees Using Sick Leave	% of Total Employees Using Sick Leave	Average Days per Employee Using Sick Leave	Estimated Cost (Rand)
Lower skilled (Levels 1-2)	39 537	4 099	56.94%	10	7 329 683
Skilled (Levels 3-5)	15 130	1 309	71.30%	12	4 296 811
Highly skilled production (Levels 6-8)	30 256	2 832	69.79%	11	12 259 990
Highly skilled supervision (Levels 9-12)	2 647	339	47.41%	8	2 308 990
Professionals (Levels 13-16)	16	3	33.33%	5	22 164
Senior management (Levels 13-16)	96	19	46.34%	5	132 678
Total	87 682	8 601	62.07%	10	26 350 316

Note: Employees are entitled to 36 working days of sick leave in a cycle of three years, on an average norm of 12 working days per year. Derived from the above it is evident that less than 50% of DOD employees utilised sick leave in the last year of the cycle, ending on 31 December 2007.

Table 10.34a Disability Leave (Temporary and Permanent – Defence Act Personnel) by Salary Band, 1 January 2007 to 31 December 2007

Salary Band	Total Days Taken	Number of Employees Using Disability Leave	% of Total Employees Using Disability Leave	Average Days per Employee	Estimated Cost (Rand)
Lower skilled (Levels 1-2)	146	3	2.83%	49	18 362
Skilled (Levels 3-5)	16 127	490	1.39%	33	3 792 896
Highly skilled production (Levels 6-8)	15 057	498	2.44%	30	6 332 441
Highly skilled supervision (Levels 9-12)	4 673	155	2.05%	30	3 327 300
Professionals (Levels 13-16)	0	0	0.00%	0	0

Table 10.34a Disability Leave (Temporary and Permanent – Defence Act Personnel) by Salary Band, 1 January 2007 to 31 December 2007 (continued)

Salary Band	Total Days Taken	Number of Employees Using Disability Leave	% of Total Employees Using Disability Leave	Average Days per Employee	Estimated Cost (Rand)
Senior management (Levels 13-16)	243	8	3.70%	30	396 878
TOTAL	36 246	1 154	1.81%	31	13 867 877

Table 10.34b Disability Leave (Temporary and Permanent – Public Service Act Personnel) by Salary Band, 1 January 2007 to 31 December 2007

Salary Band	Total Days Taken	Number of Employees Using Disability Leave	% of Total Employees Using Disability Leave	Average Days per Employee	Estimated Cost (Rand)
Lower skilled (Levels 1-2)	6 220	192	2.67%	32	1 171 973
Skilled (Levels 3-5)	1 977	73	3.98%	27	578 683
Highly skilled production (Levels 6-8)	3 535	142	3.50%	25	1 317 013
Highly skilled supervision (Levels 9-12)	165	12	1.68%	14	126 153
Professionals (Levels 13-16)	0	0	0.00%	0	0
Senior management (Levels 13-16)	0	0	0.00%	0	0
TOTAL	11 897	419	3.02%	28	3 193 822

Note: Employees are entitled to disability leave after the 36 working days of normal sick leave have been fully utilised. It is evident that only 2.03% of DOD personnel used on average 31 days of disability leave in excess of their normal sick leave entitlement.

Table 10.35a Annual Leave (Defence Act Personnel) by Salary Band, 1 January 2007 to 31 December 2007

Salary Band	Total Days Taken	Average per Employee
Lower skilled (Levels 1-2)	3 399	35
Skilled (Levels 3-5)	551 208	21
Highly skilled production (Levels 6-8)	486 974	25
Highly skilled supervision (Levels 9-12)	178 900	26
Professionals (Levels 13-16)	958	24
Senior management (Levels 13-16)	5 144	26
TOTAL	1 226 583	23

Table 10.35b Annual Leave (Public Service Act Personnel) by Salary Band, 1 January 2007 to 31 December 2007

Salary Band	Total Days Taken	Average per Employee
Lower skilled (Levels 1-2)	173 269	25
Skilled (Levels 3-5)	45 019	28
Highly skilled production (Levels 6-8)	83 356	25
Highly skilled supervision (Levels 9-12)	11 068	24
Professionals (Levels 13-16)	202	25
Senior management (Levels 13-16)	2 185	59
TOTAL	315 099	26

Note: Employees with less than 10 years' service are entitled to 22 working days' annual leave and employees with more than 10 years' service are entitled to 26 working days' annual leave. On average, the annual leave taken is therefore within the norms.

Table 10.36a Capped Leave (Defence Act Personnel) by Salary Band, 1 January 2007 to 31 December 2007

Salary Band	Total Days of Capped Leave Taken	Total Number of Employees Using Capped Leave	Average Capped Leave per Employee, as at 31 December 2007
Lower skilled (Levels 1-2)	92	18	66
Skilled (Levels 3-5)	19 381	4 096	23
Highly skilled production (Levels 6-8)	21 915	3 703	32
Highly skilled supervision (Levels 9-12)	10 619	1 413	65
Professionals (Levels 13-16)	129	9	75
Senior management (Levels 13-16)	352	46	146
TOTAL	52 488	9 285	34

Table 10.36b Capped Leave (Public Service Act Personnel) by Salary Band, 1 January 2007 to 31 December 2007

Salary Band	Total Days of Capped Leave Taken	Total Number of Employees Using Capped Leave	Average Capped Leave per Employee, as at 31 December 2007
Lower skilled (Levels 1-2)	6 697	2 675	34
Skilled (Levels 3-5)	1 428	341	61
Highly skilled production (Levels 6-8)	2 413	523	35
Highly skilled supervision (Levels 9-12)	401	54	48
Professionals (Levels 13-16)	0	0	49
Senior management (Levels 13-16)	11	3	45
TOTAL	10 950	3 596	48

Note: Although 17% of employees took capped leave (leave days credit taken in excess of annual leave entitlement), it is to the benefit of the DOD as it will reduce the financial contingent liability on the DOD with respect to leave credits.

Table 10.37a Leave Payout (Defence Act Personnel) by Reason, 1 April 2007 to 31 March 2008

Reason	Total Amount (Rand)	Number of Employees	Average Payment per Employee (Rand)
Leave payout for 2007/08 due to non-utilisation of leave for previous cycle	0	0	0
Leave payout for 2007/08 due to discounting of leave	26 694 786	3 552	7 515
Leave payouts for 2007/08 on termination of service	39 611 760	1 564	25 327
TOTAL	66 306 546	5 116	12 961

Table 10.37b Leave Payout (Public Service Act Personnel) by Reason, 1 April 2007 to 31 March 2008

Reason	Total Amount (Rand)	Number of Employees	Average Payment per Employee (Rand)
Leave payout for 2007/08 due to non-utilisation of leave for previous cycle	80 719	6	13 453
Leave payout for 2007/08 due to discounting of leave	802 633	333	2 410
Leave payouts for 2007/08 on termination of service	7 959 984	660	12 061
TOTAL	8 843 336	999	8 852

Note: All vacation leave to an employee's credit on termination of service by means of retirement, medical retirement, early retirement, contract expiry or exit mechanisms is paid out. Discharges due to misconduct are excluded.

HIV/AIDS and Health Promotion Programmes

Table 10.38 Steps Taken to Reduce the Risk of Occupational Exposure

Units/Categories of Employees Identified to be at High Risk of Contracting HIV and Related Diseases (if any)	Key Steps Taken to Reduce the Risk
Low risk: All members	<ul style="list-style-type: none"> • HIV workplace programmes • Peer education • Buddy aid lectures • First aid boxes • OHS programme
Medium risk: Members on deployment (internal to RSA)	<ul style="list-style-type: none"> • Peer education • Buddy aid lectures • Trained operational emergency care practitioners • Plastic gloves
High risk: Members on deployment (external to RSA)	<ul style="list-style-type: none"> • Peer education • Trained operational emergency care practitioners • Plastic gloves • Specific HIV programme

Table 10.39 Details of Health Promotion and HIV/AIDS Programmes

Question	Yes	No	Details if Yes
Has the Department designated a member of the SMS to implement the provision contained in Part VI e of Chapter 1 of the Public Service Regulations (2001)? If so, provide her/his name and position	X		Dr A Jamuna Acting Director: HIV/AIDS DOD HIV and AIDS Programme Manager
Does the Department have a dedicated unit or has it designated specific staff members to promote the health and well-being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose	X		Dedicated HIV and AIDS Programme Manager that coordinates the Comprehensive Plan for Care, Management and Treatment of HIV and AIDS in the DOD. Project PHIDISA, a five-year clinical research programme, maintains dedicated staff members to establish the best ARV combination for military members.
Has the Department introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of this programme	X		The SA Military Health Service has a Comprehensive Plan for Care, Management and Treatment of HIV and AIDS in the DOD that includes prevention of HIV and health promotion.

Table 10.39 Details of Health Promotion and HIV/AIDS Programmes (continued)

Question	Yes	No	Details if Yes
Has the Department introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of this programme	X		<p>The key elements of the HIV Prevention Programme are:</p> <ul style="list-style-type: none"> • HIV and AIDS workplace programmes • Mass awareness • Management of occupational transmission • Prevention of mother-to-child transmission • Prevention of opportunistic infections • Utilisation of all awareness opportunities (e.g. National Health Days, etc) • Innovative programmes/projects • Programmes/projects that focus on abstinence and faithfulness <p>Key elements of the Health Promotion Programmes are:</p> <ul style="list-style-type: none"> • Counselling • Education, training and development • Management of sexually-transmitted infections • Health promotion through physical training, sport and recreation
Has the Department established a committee (or committees) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations (2001)? If so, please provide the names of the members of the committee and the stakeholders that they represent		X	The HIV and AIDS Advisory Board of the Department of Defence was reconstituted and started functioning in April 2007. During the year under review, this responsibility was assumed by all command structures.
Has the Department reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed	X		<ul style="list-style-type: none"> • DOD Directive: Development of Department-level policy in the Department of Defence (DOD) regarding the management of Human Immunodeficiency Virus and Acquired Immune Deficiency Syndrome Programme. • DOD Instruction: Department of Defence (DOD) instruction on development, promulgation, maintenance and management of the DOD Human Immunodeficiency Virus and Acquired Immune Deficiency Syndrome Programme. • Joint Defence Publication: Policy, process and procedures for the development, promulgation and maintenance of the DOD HIV and AIDS Programme.
Has the Department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures	X		The current DOD instruction provides specific guidelines in this regard as well as processes to be followed when such discrimination is found or perceived.
Does the Department encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have achieved	X		During the past 12 months, 72,7% of members have indicated that they have had an HIV test and 56,5% have requested to have the tests done.
Has the Department developed measures/indicators to monitor and evaluate the impact of its health promotion programme? If so, list these measures/indicators	X		The DOD HIV and AIDS Monitoring and Evaluation Subprogramme was approved for implementation in 2005. This plan includes the monitoring and evaluation of inputs, processes, outputs, outcomes and impact through more than 200 established indicators.

Labour Relations

Table 10.40 Collective Agreements, 1 April 2007 to 31 March 2008

Total Collective Agreements	Nil
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Table 10.41 Misconduct and Disciplinary Hearings Finalised, 1 April 2007 to 31 March 2008

Outcomes of Disciplinary Hearings	Number	% of Total
Correctional counselling	3	10.34%
Verbal warning	0	0.00%
Written warning	1	3.45%
Final written warning	5	17.24%
Suspended without pay	1	3.45%
Fine*	0	0.00%
Demotion	0	0.00%
Dismissal	7	24.14%
Not guilty	5	17.24%
Case withdrawn	7	24.14%
TOTAL	29	100.00%

Note: *Fines do not form sanctions as contained in PSCBC Resolution 2/99, as amended by PSCBC Resolution 1/03.

Table 10.42 Types of Misconduct Addressed at Disciplinary Hearings, 1 April 2007 to 31 March 2008

Type of Misconduct	Number	% of Total
Absence without permission	6	20.69%
Theft	0	0.00%
Fraud	6	20.69%
Punctuality	1	3.45%
Insubordination	2	6.90%
Assault	0	0.00%
Abusive language	0	0.00%
Under the influence	3	10.34%
Damage of State property	0	0.00%
Disobedience	4	13.79%
Disrespect	0	0.00%
Unauthorised use of State property	4	13.79%
Negligence	0	0.00%
Mismanagement/loss of funds	3	10.34%
TOTAL	29	100.00%

Table 10.43 Grievances Lodged, 1 April 2007 to 31 March 2008

Grievances	Number
Number of grievances resolved	13
Number of grievances not resolved	3
Total number of grievances lodged	5

Table 10.44 Disputes Lodged with Councils, 1 April 2007 to 31 March 2008

Disputes	Number
Number of disputes upheld	1
Number of disputes dismissed	21
Total number of disputes lodged	27

Table 10.45 Strike Actions, 1 April 2007 to 31 March 2008

Total number of working days lost	13 916
Total cost of working days lost (Rand)	1 818 883
Amount recovered as a result of no work, no pay (Rand)	206 072

Table 10.46a Precautionary Suspensions (Defence Act Personnel), 1 April 2007 to 31 March 2008

Number of people suspended	38
Number of people whose suspensions exceeded 30 days	38
Average number of days suspended	365
Cost of suspensions (Rand)	4 200 747

Table 10.46b Precautionary Suspensions (Public Service Act Personnel), 1 April 2007 to 31 March 2008

Number of people suspended	5
Number of people whose suspensions exceeded 30 days	3
Average number of days suspended	112.8
Cost of suspensions (Rand)	129 317

Skills Development

Table 10.47 Training Needs Identified by Occupational Category, 1 April 2007 to 31 March 2008

Occupational Categories	Gender	Number of Employees, as at 1 April 2007	Training Needs Identified at Start of Reporting Period			
			Learnerships	Skills Programmes and Other Short Courses	Other Forms of Training	Total
Legislators, senior officials and managers	Female	31	0	9	21	30
	Male	231	0	22	13	35
Professionals	Female	1 430	2	27	330	359
	Male	1 481	2	126	379	507
Technicians and associate professionals	Female	1 969	6	45	101	152
	Male	4 425	11	154	986	1 151
Clerks	Female	5 657	10	185	173	368
	Male	8 279	20	230	848	1 098
Service and sales workers	Female	4 932	115	356	225	696
	Male	28 243	748	2 800	1 842	5 390
Craft and related trades workers	Female	1 197	0	1	6	7
	Male	8 502	803	9	120	932
Plant and machine operators and assemblers	Female	2	0	0	0	0
	Male	436	0	1	10	11
Elementary occupations	Female	3 093	1	0	0	1
	Male	7 610	0	2	468	239
Subtotal	Female	18 311	134	623	856	1 613
	Male	59 207	1 584	3 344	4 666	9 594
Total		77 518	1 718	3 967	5 522	11 207

Table 10.48 Training Provided by Occupational Category, 1 April 2007 to 31 March 2008

Occupational Categories	Gender	Number of Employees, as at 1 April 2007	Training Provided within Reporting Period			
			Learnerships	Skills Programmes and Other Short Courses	Other Forms of Training	Total
Legislators, senior officials and managers	Female	31	0	11	4	15
	Male	231	0	0	9	9
Professionals	Female	1 430	1	180	205	386
	Male	1 481	10	205	236	451
Technicians and associate professionals	Female	1 969	7	68	90	165
	Male	4 425	68	119	904	1 091
Clerks	Female	5 657	14	175	129	318
	Male	8 279	15	286	885	1 186
Service and sales workers	Female	4 932	199	339	126	664
	Male	28 243	1 024	1 452	2 030	4 506
Craft and related trades workers	Female	1 197	0	1	6	7
	Male	8 502	732	9	341	1 082
Plant and machine operators and assemblers	Female	2	0	0	0	0
	Male	436	0	1	10	11
Elementary occupations	Female	3 093	0	0	21	21
	Male	7 610	0	6	285	291
Subtotal	Female	18 311	221	774	581	1 576
	Male	59 207	1 849	2 078	4 700	8 627
Total		77 518	2 070	2 852	5 281	10 203

Injury on Duty

Table 10.49 Injury on Duty (Defence Act Personnel), 1 April 2007 to 31 March 2008

Nature of Injury on Duty	Number	% of Total
Required basic medical attention only ¹	1 183	97.93%
Temporary total disablement ²	3	0.25%
Permanent disablement ³	7	0.58%
Fatal ⁴	15	1.24%
TOTAL	1 208	100.00%

Table 10.50 Injury on Duty (Public Service Act Personnel), 1 April 2007 to 31 March 2008

Nature of Injury on Duty	Number	% of Total
Required basic medical attention only ¹	122	99.19%
Temporary total disablement ²	1	0.81%
Permanent disablement ³	0	0.00%
Fatal ⁴	0	0.00%
TOTAL	123	100.00%

¹ Required basic medical attention only: This is the action or manner of treating an individual medically or surgically to stabilise and promote healing.

² Temporary total disablement: This is the temporary alteration of an individual's physical or mental status that limits activity. Medical or surgical treatment may stabilise the condition and restore the health of an individual to normal within a defined period.

³ Permanent disablement: This is the permanent alteration of an individual's capacity to meet personal, social or occupational demands or statutory or regulatory requirements because of impairment. This status is often coupled with the loss of a limb or a sense, chronic pain disfigurement and other permanent physical or mental disorders.

⁴ Fatal: An injury, disease or condition causing or ending in organ or multi-organ failure and death.

Utilisation of Consultants

Table 10.51 Report on Consultant Appointments Using Appropriate Funds,
1 April 2007 to 31 March 2008

Project Title	Total Number of Consultants That Worked on Project	Duration: Work Days	Contract Value in Rand
Business Architecture – DIMS	2	444	1 599 582
Business Architecture – SA Army	2	336	1 205 925
Project LOQUACIOUS	5	732	2 967 565
Project DOMINO	6	1 312	5 099 814
State Information Technology Agency (SITA) - GITO Projects	Service-Level Agreement (SLA)	Financial Year 2007/08	15 120 742
Total number of projects	Total number of individual consultants	Total duration: Work days	Total contract value in Rand
4	15	2 824	10 872 886



Status of the SANDF Reserves

APPENDIX A

Status of the SANDF Reserves

Project PHOENIX, aimed at ensuring the transformation and revitalisation of the Reserves, is bearing fruit. This is evidenced by higher recruitment figures, enhanced leader group training and increased deployments, complemented by improved representivity.

Set out below is an overview of the progress made in implementing Project PHOENIX with the aim of preparing the Reserves to fulfil their role as part of the “Core Growth-One Force” concept of the SANDF, as is required by the Reserve Force Strategy. The challenges for the future are also addressed.

Policy Issues

Implementation of the Reserve Force Strategy, approved in 2004, received a boost in 2007 at the Reserve Force Symposium when the strategy was publicly evaluated and endorsed. The Minister of Defence, the Secretary for Defence and the Chief of the SANDF have made the revitalisation of the Reserves a priority. Parliamentary interest and support also continues at a high level.

The role of the Reserves has been confirmed in the Defence Update as:

- providing the majority of the conventional landward defence capability;
- providing support to the people;
- supplementing peace support operations; and
- maintaining a pool of specialist skills.

This clarity of role and purpose has led to increased impetus in developing the Reserves and has assisted in preparing the draft force design and structure. In addition, the Defence Reserves Office has, with the support of the Reserve Force Council, prepared the following proposals which will, if approved and implemented, have a material impact on the development and employment of Reserves:

- Draft possible legislation which will facilitate the call-up of Reserves in times other than war;
- General Regulations to the Defence Act, 2002 (Act No. 42 of 20 in so far as they affect Reserves; and

- Revised contracts for Reserve service, which are currently being implemented.

Support is also being given to the Chief of Human Resources in updating human resource policies for the Reserves.

Recruitment

Service in the Reserves continues to be popular, with the total number of men and women volunteering now approaching 18 000 out of a force design of 70 052 per the latest draft of the Defence Update 2025. Of these, more than 70% are from previously disadvantaged backgrounds, with a concurrent improvement in gender representivity.

The current strength of the Reserves, as rounded off, is:

SA Army	12 250
SA Air Force	1 050
SA Navy	1 250
SAMHS	1 300
Divisions	1 900
Total	17 750

To date, 3 500 selected former members of the Army Territorial Reserve (Commandos) have been transferred to the Army Conventional Reserve and have received retraining.

At the end of 2007, the first significant transfer of 1 800 Military Skills Development System (MSDS) members to the Reserves occurred. This, together with the recruitment of former Regulars (both from the former statutory and non-statutory forces), will have a positive impact on the employment of the Reserves. Progress has also been made in identifying civilian employment opportunities for MSDS members joining the Reserves.

Employment

The deployment of Reserves in peace support operations in Burundi and the DRC continues to be successful and will be expanded to Sudan. The deployment of infantry and CMIS sub-units has

widened to include engineers and chaplains. To date, 14 Reserve infantry companies have been deployed on internal and external operations. In addition, during Operation BATA, during the public service strike, 20% of the total infantry and medical orderly deployments comprised Reserve members.

The use of Reserve Squadron aircraft has resulted in increased flying hours from the 148 civilian aircraft currently available to the SA Air Force. The SA Navy has 15% of its Reserves under call-up at any one time, with berths being available on the new frigates and submarines.

The percentage of the call-up for duty per Service, as measured against the actual strength of the Reserves in FY 2007/8, was:

SA Army	64%
SA Air Force	57%
SA Navy	24%
SAMHS	28%

Further details on the status of the Reserves are found under the Defence Reserves Division report, within the Administration Programme.

Leader Group Development

The transformation of the Reserves is largely dependent on the creation of a new cadre of leaders. The SA Army is currently training an average of 200 young Reserve officers and NCOs per annum. The training of Reserve leaders is of the same standard and duration as that for their Regular counterparts. The SA Air Force, Navy and Military Health Services have similar programmes in place. In addition, SAMHS continues with the development of the University Reserve Training Unit.

Ceremonial

The enhanced capacity of the Reserves is reflected in their increasing participation in both local and international parades and tattoos, with the maintenance of high standards. Highlights include the opening of Parliament, the Moscow Tattoo (Transvaal Scottish), the firing of a salute at the Tower of London (Transvaal Horse Artillery) and exercising the freedom of entry into cities and towns. The revitalisation of military tattoo in Cape Town will be expanded to Durban in 2008 and Gauteng in 2009.

Infrastructure

Progress has been made in improving Reserve infrastructure such as at Fort iKapa in Cape Town. A budget is available for the renovation of Lords Ground in Durban and Kensington Garrison in Johannesburg.

Marketing and Reserves

The marketing and promotion of Reserve service is a key role of the Defence Reserves Office, via an activity entitled "Shield". Shield funds have been constructively deployed in:

- briefing sessions for captains of industry;
- support of military tattoos, shows and parades;
- a nationwide advertising campaign in carefully selected and targeted magazines;
- the development of the SANDF Reserve website – www.rfdiv.mil.za; and
- the publication twice annually of *The Reserve Force Volunteer*.

There is every indication that Reserve service is achieving increased support amongst national decision-makers, employers, labour and the youth.

Challenges for the Future

The challenges for the future, which are being addressed, include:

- continuation training for Reserve units, with a concomitant improvement in readiness. This budget constraint is currently the most significant weakness in the Reserve System;
- ongoing transfer of MSDS members to the Reserves and the possible implementation of new feeder systems;
- the motivation of MSDS members to serve in the Reserves;
- incentivisation of Reserves; and
- widening the employer support base.

Conclusion

The mission of the Defence Reserves Office is: “To direct the development and maintenance of the Reserve System, to provide specialist advice on Reserve matters and to promote/market the Reserves and the volunteer Reserve System.”

This mission is being achieved with the active support of the Ministry of Defence, the Secretary for Defence, C SANDF, Chief of Corporate Staff and the Service and Division Chiefs.

Confirmation of progress is the ever-increasing utilisation of Reserves in peace support operations, borderline control and in providing support to the people.



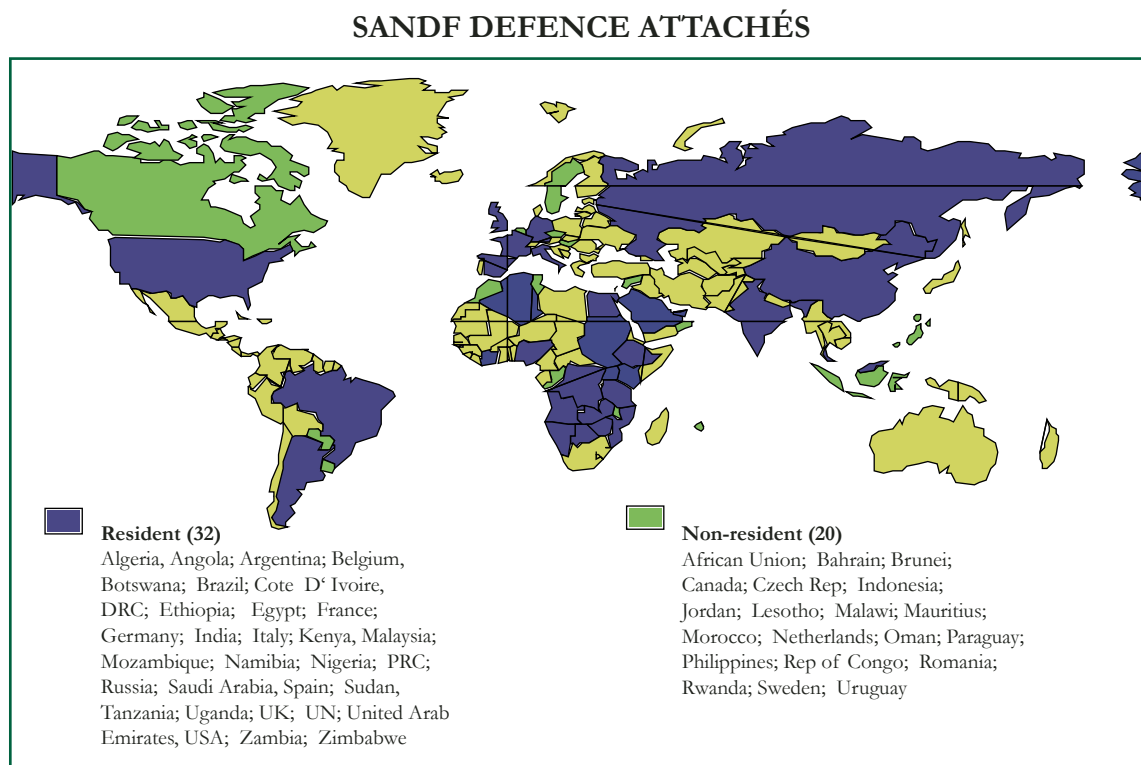
DOD Defence Diplomacy

APPENDIX B

DOD Defence Diplomacy Report - FY 2007/08

DOD Representation with Defence Attachés: The SANDF has 36 Defence Attachés deployed in 32 countries and organisations, and they have further non-residential accreditation in 20 other countries/multinational organisations. These attachés are the first line of the DOD's Defence Diplomacy efforts internationally.

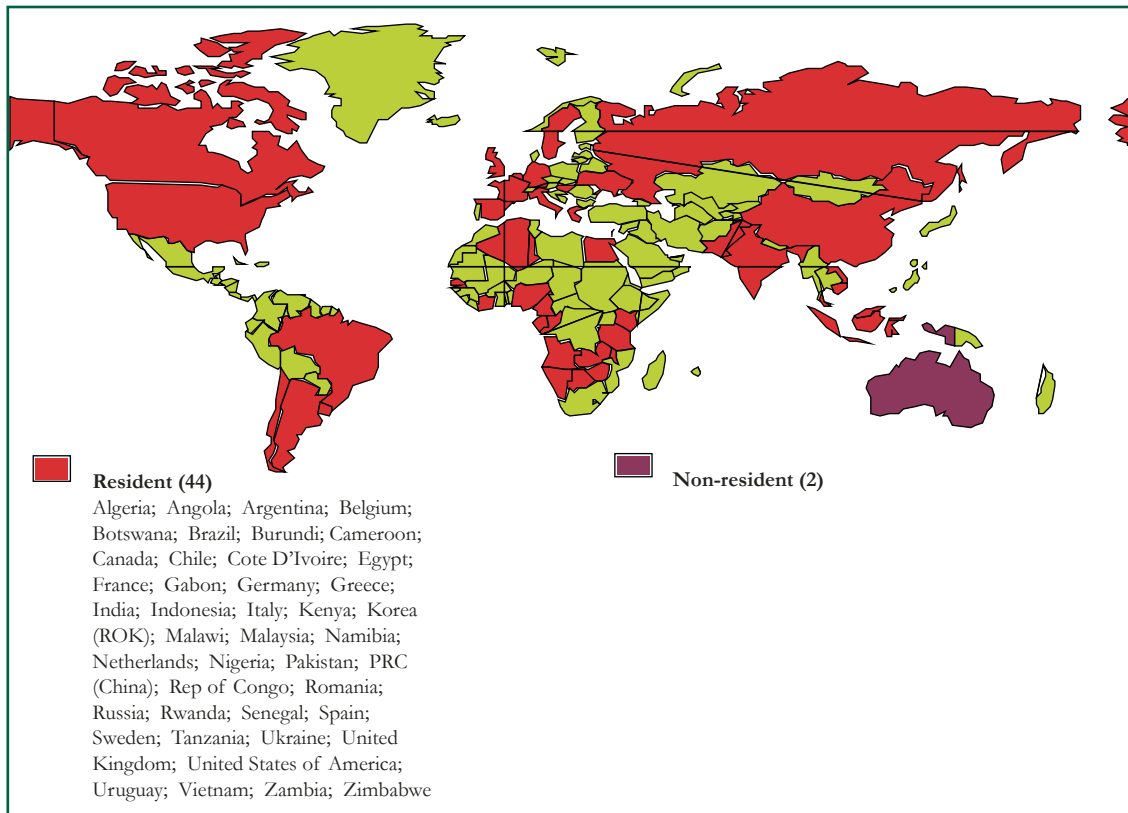
Figure 1.6 Map Indicating Representation by SANDF Defence Attachés



Military Attaché and Advisor Corps (MAAC) Representation in South Africa: There are 72 members from 44 countries accredited to the SA National Defence Force and two members have non-residential accreditation.

Figure 1.7 Map of MAAC Representation in South Africa

MILITARY ATTACHÉ AND ADVISOR CORPS IN SOUTH AFRICA



| Appendix B - DOD Defence Diplomacy Report - FY 2007/08 |

Bilateral and Multilateral Interaction: The importance of defence diplomacy as a vehicle to enhance the national foreign policy, NEPAD goals and the Africa Agenda is emphasised by the international interaction of the DOD in the past year. The following agreements were signed during the year under review:

- The agreement with Spain on Defence Cooperation signed on 19 April 2007, as well as agreements on Joint Protection of Classified Defence-Related Information; Joint Protection of Classified Defence-Related Information; and a Joint Declaration of Intent concerning the reciprocal Protection of Classified Defence-Related Information in July 2007.
- Agreement with the Netherlands on the status of military and civilian personnel of the respective Departments of Defence present in each other's territory of activities related to military cooperation, signed on 8 June 2007.
- Agreement with Guinea-Bissau on Defence Cooperation, signed on 8 August 2007.
- North Atlantic Treaty Organisation (NATO): Note of exchange on the status of members of NATO's Group 1 participating in Exercise AMAZOLO (28 August 2007).
- Declaration of Intent with the Democratic Republic of the Congo on activities that need to be undertaken before the next Binational Commission, signed between 13 and 22 August 2007.
- Memorandum of Understanding on Defence Cooperation with the United Kingdom, signed on 8 November 2007.
- Two Letters of Assist with the United Nations on MONUC, signed in October 2007.
- Agreement with Mozambique on the establishment of a Joint Permanent Commission on Defence and Security, signed on 21 November 2007.
- Joint Declaration of Intent concerning a future Military Bilateral Programme of Cooperation with France in support of, and in cooperation with, the Government of the Central African Republic, on security sector reform, signed on 28 February 2008.
- The Memorandum of Understanding on Defence Cooperation with the United Kingdom has been renewed.
- The Note of Exchange for the extension of the Defence Training and Technical Cooperation Agreement with Ghana has been finalised.

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- The Note of Exchange for extension of the Memorandum of Understanding on Defence Cooperation was handed over to the Lesotho Permanent Secretary of Defence during the Defence Committee Meeting, to be forwarded to Lesotho's Minister of Defence for his signature.
 - The Agreement in the Field of Defence and Defence Equipment with Jordan has been extended.
 - The Agreement on Defence Cooperation with Republic of Congo (Brazzaville) has been finalised.
 - The Memorandum of Understanding on Military Cooperation with Egypt has been finalised.
 - The Agreement on Defence Training and Technical Cooperation with Botswana has been finalised.
 - The Agreement on the Establishment of a Joint Permanent Commission on Defence and Security with Mozambique has been finalised.
- Thirty-two bilateral and multilateral structures meetings, ranging from national level to service-related interaction, took place and served to enhance international relations, honour signed agreements and align the Department with national foreign objectives and initiatives.
- Participation in the regional structures, such as the Southern African Development Community (SADC) and the Interstate Defence and Security Committee (ISDSC), remains a priority focus area for the DOD Defence Diplomacy's efforts to enhance multilateralism, cooperation and interoperability amongst the Region's countries. The Department participated in 13 such multilateral meetings.

Table A1 SADC/ISDSC Structures Meetings

Committee	Date	Venue
Interstate Defence and Security Committee, Defence Intelligence Standing Committee	22 April to 4 May 2007	Tanzania
Interstate Defence and Security Committee, Personnel Workgroup	Apr-07	Lesotho
Interstate Defence and Security Committee meeting	1-4 May 2007	Tanzania
Interstate Defence and Security Committee meeting of the Operations Sub-Sub Committee	28 April to 3 May 2007	Tanzania
Interstate Defence and Security Committee, Spiritual and Moral Support Conference	26-30 May 2007	Victoria, The Seychelles
Interstate Defence and Security Committee, 11 th Standing Aviation Committee	16-24 June 2007	Gaborone, Botswana
African Union Senior Mission Leadership Course by SADC BRIG	18-29 June 2007	Nairobi, Kenya
Interstate Defence and Security Committee meeting	8-14 July 2007	Tanzania
Ceremonial Parade for the Inauguration of SADC BRIG	7-16 August 2007	Lusaka, Zambia
SADC Summit Statutory Meeting	12-17 August 2007	Lusaka, Zambia
Interstate Defence and Security Committee, Standing Maritime Committee (SMC)	16-26 August 2007	Mangochi, Malawi
Interstate Defence and Security Committee, Spiritual and Moral Support Workgroup	7-8 March 2008	Port Elizabeth, South Africa
Interstate Defence and Security Committee, Defence Intelligence Standing Committee meeting to write the SADC Estimate	16-21 March 2008	Tanzania

Foreign Visits: Visits remain an effective tool in defence diplomacy and contribute significantly to confidence-building amongst states and in the operational areas. The DOD undertook 642 visits and 111 foreign visits to the RSA. The value of these visits for the DOD is as follows:

- Strengthening defence cooperation on the Continent;
- Working visits to deployed forces;
- Goodwill visits to enhance bilateral relations;
- Attending conferences, seminars and meetings to share expertise as well as to obtain knowledge and skills for the DOD;
- Attending multilateral forums and providing capacity and support to the structures of the African Union and the Southern African

Development Community, in keeping with Government intent and foreign policy;

- Training with neighbouring countries to enhance interoperability and foster sound relations;
- Study tours to obtain specific knowledge and skills to enhance own capabilities and enhance international relations at the same time;
- Goodwill visits to Defence projects to ensure standards and user requirements are met by the defence industry in foreign countries;
- Attendance of commemoration ceremonies to honour those who sacrificed in the past and to enhance the image of the DOD and RSA; and
- Visits to support security sector reform to enhance the image of the RSA and to ensure the DOD contribution is in line with Government initiatives.

Foreign Military Training: Training of foreign military students in RSA training institutes and utilising foreign learning opportunities for South African students are ways in which specific skills are acquired, bilateral relations are enhanced, bilateral agreements are honoured and interoperability is achieved. During the review period, 320 foreign military students were trained at SANDF training institutions, while 308 DOD members utilised foreign learning opportunities.

Ship Visits: Ship visits to international ports are regarded as an important defence diplomacy action in the world of international relations. The SA Navy therefore contributes significantly to enhance international relations, not only for the DOD but also for the RSA. The SA Navy paid six visits to foreign ports and 25 foreign ships visited SA Navy ports.

Equipment transfer to foreign recipients: The South African donation of high-frequency (HF) radios to the Interstate Defence and Security Committee's Secondary Hotline Network has been delivered. Due to one radio going missing during delivery, the rollout of the HF network was delayed. This delay was necessary to ensure that the network, once implemented, is not compromised.

African Standby Force: The SANDF ensured the preparation and maintenance of the pledged Force Structure Elements for the SADC BRIG. The SADC BRIG was available for "simple operations" (military advisors, military observers and uncomplicated Chapter 6 operations) during the period FY 2007/08. From FY 2009/10 onwards, the SADC BRIG must be ready for the conduct

of "complex operations" (peace enforcement, intervention and stabilisation). The following must be taken note of:

- SANDF forces currently deployed in peace support operations and general military assistance constitutes the SANDF's contribution to SADC BRIG.

The SANDF had the following obligations towards the permanent Plan Element (PLANELE) established in Gaborone, Botswana:

- Medical operations plan officer (lieutenant colonel) over the period January 2006 to January 2008. The identified member was in the RSA "on call" to support the PLANELE if called upon.
- Director (brigadier general) for the PLANELE in Gaborone over the period July 2007 to January 2009.
- Logistical officer (lieutenant colonel) over the period January 2008 to January 2010. The identified member was in the RSA "on call" to support the PLANELE if called upon.
- The CMIS Division continues to provide a delegate to participate in the African Standby Force (ASF); African Union Computer, Command and Control Information Systems (AU C3IS); Inter-State Defence Security Committees (ISDSC); Telecommunications and Information Systems Work Group; and SADC BRIG Planning Element workshops on an "as required" basis.

Specific Defence Diplomacy Actions: In addition to the interactions indicated in this report, there have been specific actions that the DOD undertook during the year, with regard to the building of relations, post-conflict reconstruction and assistance given over the period:

- The SANDF undertook post-conflict and reconstruction actions by means of Operation TEUTONIC in the Democratic Republic of the Congo and Operation VIMBEZELA in the Central African Republic.
- The Third SADC Military Malaria Managers Meeting took place in the RSA over the period 3 to 5 October 2007 and representatives of Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Zambia and Zimbabwe participated.
- The First DOD International HIV and AIDS Conference was hosted by the SAMHS over the

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period 12 to 17 October 2007 and representatives from the following countries participated: South Africa, Angola, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Swaziland, Tanzania, UK, USA, Zambia and Zimbabwe.

- Preparations have been initiated for South Africa to host the International Chiefs of Chaplains conference during March 2009.
- A Chaplain Service support plan has been developed for SANDF Defence Attachés and their families. The plan will be implemented in FY 2008/09.
- A guidebook on Integrated Waste Management in the Military was developed and published as a joint project of the Environmental Security Working Group (ESWG), under the auspices of the South African-United States of America Defence Committee, for implementation in the DOD. The DOD furthermore participated in an international workshop in Botswana on the implementation of environmental considerations in military operations following the publication of a joint guide document in this regard.
- The Reserves participated in international parades and tattoos, with the maintenance of high standards. Highlights include the Moscow Tattoo (Transvaal Scottish) and firing of a salute at the Tower of London (Transvaal Horse Artillery).



Foreign Aid Assistance

APPENDIX C

Foreign Aid Assistance to the DOD for FY 2007/08

Table C1 Foreign Aid Assistance to the DOD for FY 2007/08

Donor Country (Source)	Type of Aid (Funds or In Kind)	Rand Value	Intended Use of Assistance	Performance on the Use of the Assistance	Reason for Deviation	Pending Applications for Assistance
Force Employment (Regional Security)						
United Kingdom	Funds	Rm 21 (£m 1.5)	Support to Burundi (Operation CURRICULUM)	Defray aircraft chartering expenditure	None	None.
Air Defence						
United States of America	Foreign military funding	Rm 1	C130 Spares, technical support and simulator training	Only simulator training and C130 crew tuition was funded by means of this assistance 59 members received training A known amount of \$3 450 was spent on each member At an average exchange rate of R7,50, the total is Rm 1,526 Additional costs that the donor country might have carried are not visible to the SA Air Force.	Not applicable	Not applicable.
France	Foreign military funding (training)	€11 500 (R138 000)	Command and control training course	Major S.J. Matshaka attended the Air Battle Planning and Management Course	Not applicable	Not applicable.
Sweden	Foreign military funding (training)	€3 250 (R39 000)	Peace operations training course	Lt Col L. August attended the United Nations Civilian Staff Course	Not applicable	Not applicable.
United States of America	Foreign military funding (training)	\$9100 (R72 800)	Leadership training	Lt Col L. Cele and Maj A.L. Mashao attended the Next Generation of African Military Leaders Course	Not applicable	Not applicable.
United States of America	Foreign military funding (training)	\$17968 (R143 744)	Aviation safety training	Col M.J. van den Berg attended the Accident Investigation Course	Not applicable	Not applicable
United States of America	Foreign military funding (training)	\$14 000 (R112 000)	Senior NCO development training	WO1 K.J. Papole attended the course at the USAF Senior NCO Academy	Not applicable	Not applicable.

Table C1 Foreign Aid Assistance to the DOD for FY 2007/08 (continued)

Donor Country (Source)	Type of Aid (Funds or In Kind)	Rand Value	Intended Use of Assistance	Performance on the Use of the Assistance	Reason for Deviation	Pending Applications for Assistance
Military Health Service						
United States of America [Dept of Defence President's Emergency Plan for AIDS Relief (PEPFAR)]	In-kind (funds controlled by USA)	1 319 670 83	Project	A complete database of implemented programmes is available at the Military Psychological Institute	There has been a deviation from planned programme activities due to delay in submission of projects, and human resources shortages	Ongoing project until donor indicates otherwise.
USA Dept of Defence President's Emergency Plan for AIDS Relief (PEPFAR)	In-kind (funds controlled by USA)	4 750 338	Sponsorship of antiretroviral drugs (ARVs)	The donation is not a predetermined amount The value of the donation is determined by the number of patients seeking treatment	Nil	Ongoing project until donor indicates otherwise.
USA National Institute of Allergy and Infectious Disease (NIAID)	In-kind (funds controlled by USA)	61 710 241	Project PHIDISA: A clinical research capability and participation of 10 000 members on Protocol 1 and 2 800 members on Protocol 2	PI – 6 049 patients PII – 1 700 patients	Fewer members were willing to participate Protocols I and II ended in December 2007 as the scientific integrity of data collected was sufficient to continue with actual research until the study completes in 2010	Five-year project that will end in 2010.
UK Dept for International Development (DFID)	In-kind (funds controlled by Company HLSP, as appointed by UK)	938 235	Capacity building – ARV training	Two ARV training courses – 25 students per course = 50 students Two ARV refresher courses – 25 students per course = 50 students	ARV training – 54 students attended ARV refresher – 19 students attended To improve nominations process	Further funding available until June 2008.

Table C1 Foreign Aid Assistance to the DOD for FY 2007/08 (continued)

Donor Country (Source)	Type of Aid (Funds or In Kind)	Rand Value	Intended Use of Assistance	Performance on the Use of the Assistance	Reason for Deviation	Pending Applications for Assistance
Foreign Aid Assistance made in kind by the DOD						
Joint Support (Logistics)						
RSA to Namibian Defence Force	Donation of tactical radio equipment	699 419	Use for communications	100%	Approved by Minister of Defence	None.
RSA to FADRC (Democratic Republic of the Congo)	Donation of 15 containers	360 000	Use for storage purposes	100%	Approved by Minister of Defence	None.
RSA to Central African Republic	Donation of vehicles, clothing and tools	40 931 006	Operation VIM-BEZELA	100%		
DOD to SAPS	Donation of general equipment (Calvinia Commando)	431 365	Calvinia Commando is closing down	100%	Approved by Minister of Defence	None.
DOD to SAPS	Donation of general equipment	842 630	Springbok Commando is closing down	100%	Approved by the Minister of Defence	None.



Financial Performance

PART 4: Financial Performance

REPORT OF THE AUDIT COMMITTEE for the year ended 31 March 2008

We present our report for the financial year ended 31 March 2008.

Audit Committee Members and Attendance

The Audit Committee consists of the members listed hereunder and meets at least four times per annum as per its approved terms of reference. During the current year five meetings were held.

Names of External Members	Number of Meetings Attended
Dr D Konar (Chairperson)	4
Ms J Kumbirai	1
Mr KA Ross	5
Mr GR Witthöft	5
Mr DS Molapo	2
Names of Internal Members	Number of Meetings Attended
Mr TE Motumi	3
Lt Gen JL Jansen van Rensburg	5

Audit Committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 77 of the PFMA and Treasury Regulations 3.1.9, 3.1.12 and 3.1.13 (c).

Section 38 of the PFMA states the following:

- a) The accounting authority must ensure that the public entity has and maintains -
 - i) effective, efficient and transparent systems of financial and risk management and internal control;
 - ii) a system of internal audit under the control and direction of an audit committee complying with and operating in accordance with regulations and instructions prescribed in terms of sections 76 and 77, and
 - iii) an appropriate procurement and provisioning system is fair, equitable, transparent, competitive and cost effective.

The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of control is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the PFMA and the King II Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

REPORT OF THE AUDIT COMMITTEE for the year ended 31 March 2008 (continued)

From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements, and the management report of the Auditor-General, it was noted that the system on internal control was not entirely effective for the year under review, as compliance with prescribed policies and procedures were lacking in certain instances. Significant control weaknesses have been reported by the Auditor-General under emphasis of matter and in the management report. In certain instances, the weaknesses reported previously have not been fully and satisfactorily addressed. The effect of these instances has been included in the Annual Financial Statements and the report of the Accounting Officer.

The Audit Committee has been concerned with the level of skills retained within the DOD in its various administrative and functional responsibilities, and the readiness of the Department to undertake its constitutional and statutory responsibilities in a professional and comprehensive manner. The level of vacancies and the time that is expended on identifying suitable candidates throughout the department has been an ongoing concern. The reports presented by Internal and External Audit have pointed to various control lapses and gaps that are pervasive across the Department and needs decisive and committed action to address and resolve. The information technology architecture also needs considerable investment.

The quality of in-year management and monthly and quarterly reports submitted in terms of the PFMA

The Audit Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the accounting authority and the DOD during the year under review.

Evaluation of financial statements

The Audit Committee has:

- Reviewed and discussed the audited annual financial statements to be included in the annual report with the independent external auditors and the Accounting Officer;
- Reviewed the independent external auditors' management report and management's response thereto;
- Reviewed changes in accounting policies and practices; and
- Reviewed significant adjustments resulting from the audit.

The Audit Committee concurs and accepts the independent external auditors' conclusions on the annual financial statements, and is of the opinion that the audited annual financial statements should be accepted and read together with the report of the independent external auditors.

Dr D Konar
Chairman of the Audit Committee

REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2008

Report by the Accounting Officer to the Executive Authority and Parliament of the Republic of South Africa.

1. General Review of the State of Financial Affairs

1.1 Strategic decisions and issues

This section provides an overview of the strategic positioning that the Department of Defence has taken as directed by the Executive Authority and the Accounting Officer, during the period under review, to improve the resource base as well as to maximise the efficient, effective, economic and equitable accountability thereof.

1.1.1 Strategic decisions

1.1.1.1 Premised on the Minister of Defence priorities for the financial year 2007/2008 the mobilisation of resources for the operationalisation of the Defence Update, which now includes the Landward Defence Programme, continued to occupy center stage, both within the Ministry and Cabinet during the financial year. This activity has further been given impetus by the long term planning horizon of government, and the refocusing of the Defence Update to a credible force design, with the ensuing implications for migration to 2025.

1.1.1.2 Additionally, the re-prioritisation of the Strategic Capital Acquisition Master Plan (SCAMP) in alignment with the Defence Update has been completed. A second iteration is to be completed in the financial year 2008/2009.

1.1.1.3 Premised on the Apex of Priorities (Presidential Projects) determined by the President in March 2007, strategic guidelines were issued to ensure that these Presidential Projects are captured in the DOD processes and reported on at regular intervals.

1.1.1.4 The SA Defence Related Industry Strategy was completed during the period under review with focus areas of strategic importance such as co-ordinating and promoting local defence industries with the view to encourage economic growth and the widening of participation within the Defence Industry, marketing of activities within this regulated industry and collaboration between the affected organs of state. The future of public entities which service this industry has received some attention as a means to sustain South African ownership of intellectual property rights. Process analysis is also underway with regards to the strategic positioning of a SA Defence Evaluation and Research Institute (DERI) to better service the country's research and resource base to ensure cutting edge regarding certain technologies and "niche" areas.

1.1.1.5 With regards to the management and accounting of essential resources, strategic interventions are in process to empower the Chief of the SA National Defence Force to manage essential resources in the SA National Defence Force by delegating powers to the Chief of the SA National Defence Force in terms of section 38 to 45, read with section 76, of the Public Finance Management Act, 1999 (Act No 1 of 1999) and National Treasury Regulations.

1.1.1.6 During 2006 the Minister of Defence approved the Macro Structure of the DOD, which was characterised by a central staff component. The efficacy of the central staff component (Human Resource Division, Defence Legal Services Division, Defence Inspectorate Division and Defence Foreign Relations Division) is to be reviewed to improve the efficiency, effectiveness and accelerate service delivery of those divisions.

REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2008 (continued)

1.1.1.7 Furthermore, the financial year was characterised by the decisive intervention to raise the levels of awareness of Section 45 of the PFMA with regards to financial and resource responsibilities, internal controls and asset management amongst all DOD employees. Thus, deepening the profiling of safeguarding of resources as a shared responsibility.

1.1.1.8 Finally, the positioning of ARMSCOR and the finalisation of some transfers can be referred to as destiny defining interventions that have characterised the strategic moves of the financial year, whose benefits will be realised in years to come.

1.1.2 Strategic issues

1.1.2.1 Progress on the fifteen strategic issues identified is as follows:

- **Rightsizing of the DOD.** A new service system emanating from the HR Strategy 2010 was instituted. This system includes measures to ensure that the rank-age profile of the SANDF is appropriate, that the Reserves can be rejuvenated, and that scarce skills can be retained. Since 1996 the DOD has reduced its fulltime personnel strength from 101 353 to the 74 580 by 1 February 2008. The Military Skills Development System (MSDS) remains the primary mechanism through which the Department contributes towards structured military skills as well as occupational-functional skills development, leadership development amongst the youth as well as alleviating unemployment. The MSDS is furthermore functioning as an important transformational mechanism to impart appropriate representivity in the South African National Defence Force and has been the main contributor in reducing the Human Resources budget to 39% of the total DOD budget allocation (inclusive of the Strategic Defence Procurement Programme (SDPP)). The MSDS will supply the Reserves with young trained members, whilst simultaneously facilitating their entry into the labour market due to the skills and start-up capital they have acquired.
- **Defence Capabilities.** The cost of the Defence Strategy 2025 force design was determined and the projected cost is substantially greater than the projected allocation. The strategic risks arising from the potential mismatch between financial resources and strategic requirements have been identified and will be presented to Cabinet.
- **DOD Infrastructure.** Repairs to infrastructure and buildings are being done as a continuing project with the limited financial resources and capability of the Department of Public Works. The gap between infrastructure supply and needs will be addressed through the Infrastructure Delivery Improvement Programme currently being facilitated by the Council for Scientific and Industrial Research. This project will take two years to complete.
- **Redundant and Surplus Equipment.** The disposal of DOD equipment is an on-going process in which Services and Divisions submit the items and amounts to be disposed of by either the DOD Logistic Support Formation or by ARMSCOR. Satisfactory progress is being made in this regard.
- **Defence Act, 42 of 2002.** The review of the DOD legislative framework is being conducted to ensure alignment with the latest developments within the Justice system, Defence Industry and labour relations landscape (individual and collective). The Legal Division has been tasked to oversee the process of reviewing existing regulations and replacing them with new appropriate ones. Workgroups have been appointed for each functional area and several regulations have already been updated.

REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2008 (continued)

- **White Paper on Defence and Defence Review.** A Defence Update has been prepared which addresses the important aspects of policy in the Defence Review. This update is in the final stages of the DOD's internal approval process and will be submitted to Cabinet for final approval.
- **Health Status.** A comprehensive approach to the management of the health status of SANDF members is in place to strengthen a holistic approach. Quarterly progress is to be monitored in 2008 regarding the successful promotion of healthy lifestyles, the prevention of non-communicable diseases, as well as the monitoring of the incidence and management of trauma and injuries in the SANDF. A shift towards a broader employee wellness mindset is being explored as a means to provide a broad view of the organisation's health.
- **Asset Protection in the DOD.** An Anti-Criminality Strategy has been implemented. The outputs include the establishment of the DOD Safeguarding Board to oversee asset protection, the establishment of a task team to provide direction in anti-crime management as well as the appointment of anti-crime nodal points in the Services and Divisions. The Anti-Crime Strategy is also a standing agenda item on all Services' and Divisions' management meetings.
- **The DOD Shared Value System.** The DOD's individual values system which encompasses patriotism, loyalty, human dignity, professionalism, integrity, leadership and accountability is being implemented through training programmes at units and through mission readiness training. This is an ongoing initiative and specific policy has been developed and implemented to promote shared values. In addition to the individual values system, an organisational values system has been developed which is based on eight principles against which the DOD's performance should be judged.
- **Matériel Life Cycle Management Policy.** A Logistic Intervention and Realignment Programme (LIRP) was implemented and several workgroups were formed to investigate the DOD's logistics (asset management) problems and to develop a joint solution to it. Workgroup strategies will be finalised shortly for approval and integration. One of the outputs of the LIRP will be the promulgation and implementation of a DOD Matériel Life Cycle Policy, which includes the policy on matériel reserves.
- **Information Systems.** A Defence Enterprise Information System (DEIS) master plan has been approved. Several projects to implement this plan are registered, e.g. the Integrated Resource Management System to ensure alignment with the Integrated Financial Management, the Enterprise Content Management and the Identity and Access Management Systems. This issue will remain a risk until the DEIS is fully operational.
- **Alignment of Core and Support Processes with PFMA Imperatives.** Manual and/or computerised processes which are not integrated give rise to non-compliance with the reporting requirements of the regulatory framework. Where possible the Financial Management Division is making minor enhancements to increase compliance with the regulatory framework until the National Treasury's implementation of the Integrated Financial Management System takes place. Some aggressive public education and marketing has been conducted during the financial year to deepen the understanding of the implications of section 45 of the PFMA, within the DOD. The basic premise of the drive is to instil, that accounting for resources as well as safeguarding therefore is everybody's responsibility within the department.

REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2008 (continued)

- **Reserves.** Significant progress has been made as is evidenced by the increased role played by Reserves in external and internal deployments. The Defence Reserves assisted in supplementing force levels for peace support operations, and provided the majority of the landward conventional capability. More than 8 700 of the 12 264 SA Army Reserves, are from previously disadvantaged backgrounds. This issue still requires much attention and it is believed that the inflow of MSDS members into the Reserves, once sufficient MSDS members are released from fulltime service, will greatly alleviate the human resources situation of the Reserves. The realisation that the MSDS, in the interim, will not sufficiently rejuvenate the reserves has led to a decisive intervention to utilise continued education provision to widen the reserves.
- **Education, Training and Development (ETD) Management.** An Officers' Learning Path (OLP) was developed in accordance with approved career models and was approved for implementation during the year under review. Learning paths for warrant officers and non-commissioned officers are still under development. The OLP includes the Further Education and Training Certificate (formative course), Executive National Security Programme and the Joint Senior Command and Staff Programme. SAQA accreditation for the DOD's learning providers and learning programmes is in process, primarily through the Safety and Security Education and Training Authority. A sharper focus has been put on improving the programme and institutional accreditation status of the DOD learning institutions as well as the professional development programmes that have been mobilised during the financial year.
- **Defence Related Industry.** The Defence-related Industry Strategy has been completed. DOD, DTI and DPE will jointly develop and implement the Defence-related Industry Strategy. Further work is continuing to refine the definition, scope and scale of strategic capabilities and the implications thereof for the defence industry, domestically and globally. The positioning of the DERI to better service the resource and research base of the country underscored the developments in this area during the previous financial year.

1.2 **Defence Vote:** Rm25 922, 255 (Appropriation Act 2007 (Act No 7 of 2007)).

1.2.1 The DOD financial year 2007/2008 budget was compiled on a cash basis per programme and amounted to Rm25 922, 255. The approved budget covered the period 1 April 2007 to 31 March 2008 and included all entities under control of the Minister of Defence. The budget was approved through legislative action and specifically the Appropriation Act, 2007 (Act No 7 of 2007). The budget objectives and policies per main division of the Vote were published in the financial year 2007/2008 Strategic Business Plan and the performance against objectives are in detail reported on in the department's Annual Report.

1.2.2 The 2007/2008 Defence Vote increased by Rm1 256, 479 (5,09%) from the 2006 MTEF allocation for the same year and increased with Rm2 092, 150 (8,78%) from the allocation of the previous financial year. The Defence Vote amounted to 1,27% of South Africa's gross domestic product (GDP) or 4,78% of total government expenditure (GE). These percentages are lower than those for the financial year 2006/2007 Defence Vote, which is an indication that, although the Defence Budget is increasing in nominal terms, it does not benefit equally from the country's economic growth, both in terms of GDP and GE. The year-on-year increase in the overall defence budget was mainly due to additional allocations appropriated for military skills development, defence modernisation, defence infrastructure, increase in the remuneration of health professionals, foreign exchange rate adjustments on the Strategic Defence Procurement Programme and higher than average escalation of the property management portfolio.

REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2008 (continued)

1.2.3 The following are indications of the extent of the increases:

- Foreign exchange rate adjustments - Rm882
- General modernisation - Rm300
- Military skills development system - Rm50
- Salary adjustments - Rm10
- Remuneration of health professionals - Rm14

1.2.4 The Special Defence Account (34,76%) and Landward Defence (16,26%) remained the two largest programmes within the Defence Vote. The year-on-year increase of 20% in the Joint Support programme was mainly due to the increased provision for the maintenance and repair of defence facilities and infrastructure, the centralisation of funds for the training provided at the SA National War College and the Warrant Officer's Academy as well as the provision of funds to the Military Academy to provide candidate officer training to military skills development system members during their second year of training. The depreciation of the Rand against other major currencies has resulted in a turnaround in the continued decrease of the projected cost of the Strategic Defence Procurement Programme from Rb52, 944 (2003/2004) to Rb48, 744 (2004/2005) to Rb45, 615 (2005/2006) to Rb44, 793 (2006/2007) to an estimated Rb47, 483 for the financial year 2007/2008.

1.2.5 Exploring the financial year 2007/2008 budget from an economic classification perspective, Transfers and Subsidies (37,06%) and Compensation of Employees (36,55%) represented 73,61% of the Vote, leaving an available 26,39% for the operating of the DOD. Significant Standard Chart of Accounts classifications provided for were maintenance, repair and running costs (Rm2, 223), inventory (Rm1, 225), computer services (Rm740), travel and subsistence (Rm426), operating leases (Rm372) and consultants, contractors and special services (Rm339).

1.3 Defence Adjustment Vote: Rm369, 530 (Adjustment Appropriation Act, 2007)

1.3.1 The Defence Vote was increased by Rm369, 530 through the Adjustment Vote due to the following:

1.3.1.1 Self financing expenditure resulting from the sale of equipment during the previous financial year originally procured through:

- The General Defence Account - Rm6, 8
- The Special Defence Account - Rm125, 423

1.3.1.2 Roll over commitments from the previous financial year amounting to Rm83, 007 for:

- Repair and maintenance of facilities - Rm58, 084
- Upgrading and construction of buildings - Rm24, 923

1.3.1.3 Reimbursement to the amount of Rm45, 680 for costs incurred by the DOD in support of national and provincial health departments during the national public service strike of June 2007.

1.3.1.4 Salary increases to the amount of Rm108, 620 resulting from the Public Service Bargaining Co-ordinating Council Resolution.

REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2008 (continued)

1.3.2 Despite the unforeseeable and unavoidable expenditure resulting from additional requests from foreign countries, the United Nations and the African Union the operations were successfully executed by reprioritising the activities within the Defence Vote. This unforeseeable and unavoidable expenditure consists of the following:

- **OP CURRICULUM (Burundi).** A shortfall of Rm98, 000 arose as a result of the withdrawal of the United Nations operation in Burundi. The RSA was requested by the African Union to contribute to the AU Special Task Force established for the protection of leaders of the Palipehutu – FNL leaders and combatants. National Treasury was requested to augment the Defence Vote through the Adjustment Vote but the request was declined.
- **OP THEBE (Democratic Republic of the Congo).** A shortfall of Rm9, 142 arose as a part of the Defence Co-operation Agreement and the Memorandum of Understanding on Practical Assistance, with the Integration of Armed Forces in the DRC. The request was received after the approval of the Adjustment Vote which necessitated the reprioritising of the existing Vote.
- **OP VIMBEZELA (Central African Republic).** The unforeseeable and unavoidable shortfall of Rm81, 386 emanating from support to the Central African Republic was submitted to the National Treasury during the Adjustment Vote but was not approved by the Treasury Committee. The Committee approved that the support be funded from the African Renaissance Fund. The request for reimbursement has been submitted to the Department of Foreign Affairs.

1.4 Adjusted Defence Vote: Rm26 291, 785

1.5 Expenditure

1.5.1 The total expenditure against the Adjusted Defence Vote amounted to Rm25 180, 113 resulting in an under expenditure of Rm1 111, 672. This under expenditure is primarily as a result of:

- Under spending on the Strategic Defence Procurement Programme of Rm843, 549 due to delivery milestones not met on the Gripen and Hawk procurement programmes. This amount was not transferred to the Special Defence Account.
- Under spending of the funds earmarked for the upgrading of the Waterkloof Air Force Base runway due to the delay in the appointment of a contractor by the Department of Public Works – Rm106, 993.
- Under spending of funds earmarked for Capital Works not completed at the end of the financial year – Rm20, 595.
- Under spending on vehicles ordered but not delivered at the end of the financial year – Rm21, 530.
- Under spending on planned maintenance and repair of buildings not completed at the end of the financial year – Rm79, 820.
- Under spending on the procurement of ammunition for Peace Support Operations due to a delay in delivery – Rm36, 855.
- Under spending of transfer payments which will be surrendered – Rm1, 556.

REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2008 (continued)

1.5.2 Spending trend

The DOD has again managed to achieve a relatively small under expenditure as a result of unavoidable reasons as indicated in par 1.5 above. The expenditure for the reporting year in comparison with the last two years is indicated below:

Financial Year	2005/2006	2006/2007	2007/2008
Vote Rm	22 670, 482	23 902, 904	26 291, 785
Expenditure Rm	22 664, 846	23 817, 584	25 180, 113
Amount surrendered Rm	5, 636	85, 320	1 111, 672
Amount surrendered as a percentage of Vote	0,02%	0,36%	4,23%

1.6 Virements. The following virements were approved during the reporting period.

1.6.1 Approved by the National Treasury

- 1.6.1.1 Increase in the compensation of employees by Rm85, 000.
- 1.6.1.2 Increase in the transfer payment relating to the transfer of the Dockyard in Simons Town to Armscor by Rm6, 400.
- 1.6.1.3 Increase in the transfer payment to the Reserve Force Council to fund an operating shortfall.

1.6.2 Approved by the Accounting Officer

- 1.6.2.1 Increase in fund allocation for building and construction work done at the Naval Base Simons Town.
- 1.6.2.2 Increase in fund allocation for consulting services, escalation in maintenance, upgrading costs and user training on the Integrated Architecture Solution.
- 1.6.2.3 Increase in fund allocation for transfer payments to households, DPW devolved funds and the Regional Services Councils.
- 1.6.2.4 Increase in fund allocation for various smaller departmental requirements approved by the Plenary Defence Staff Council and allocations required for year-end.

2. Services rendered by Defence

2.1 The services rendered by the DOD are detailed in Chapter 2 of the Annual Report.

2.2 Tariff policy

DOD tariff policy consists of the following elements:

- 2.2.1 Tariffs instituted by law.
- 2.2.2 Tariffs prescribed by a national department which are applicable to all spheres of government.

REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2008 (continued)

2.2.3 Tariffs unique to the DOD as determined by the tariff owner and where the tariff structure was approved by the National Treasury.

2.2.4 Tariffs agreed to by international organisations such as United Nations and the African Union.

2.3 Free services

The following free services were provided by the DOD during the reporting period:

2.3.1 The presentation of a seminar (Seminar 2) by the SA Army in partnership with the Institute for Security Studies to the amount of Rm0, 400.

2.3.2 The recovery by the SA Army of a bus belonging to Drifter Adventure Tours that had driven into a river to the amount of R0, 001.

2.3.3 Harbour services provided by the SA Navy to various vessels, to the total amount of Rm0, 123.

2.4 **Inventory.** The DOD is unable to disclose the accurate monetary value of its inventory at year-end because accurate prices are not carried in current DOD logistic systems. The LIRP is currently in process of cleaning up data to be able to report the accurate value of inventory in the future.

3. Capacity constraints and the impact thereof

3.1 Capacity constraints impacted on the department in two areas, i.e. force preparation and expenditure.

3.2 Readiness levels required for peace support missions and internal deployments were largely satisfactorily achieved with limited constraints and all its ordered commitments were successfully executed. Parliament, the Executive Cabinet and the Minister of Public Service and Administration acknowledged the excellent performance of the SANDF during the public sector labour action of June 2007.

3.3 Human resources and structural constraints, i.e. critical skills shortages and the difficulties in staffing logistical and administrative posts, due to organisational restructuring that took place. Remedial measures have been implemented to systematically reduce the impact of these constraints on the department in future, e.g. the establishment of a Logistic Intervention and Realignment Programme (LIRP) to address the issues that are hampering joint logistic services and the rebuilding of the SA Army Support Formation Technical Service Corps Reserve units. The efficacy of the LIRP will thus be realised and reported accordingly as the project unfolds. It is thus anticipated that the project will fast track the alignment of all logistical processes with the holistic national asset management framework. The above will have direct effect on the current and future DOD resource base as well as skills and competency base to ensure sustainability of the recapitalisation of asset management within the DOD.

3.4 Within the acquisition environment the constraint presented by the dependency on external companies to provide the resources required remains a challenge and continues to be a concern.

REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2008 (continued)

4. Utilisation of donor funding

- 4.1 The DOD did not receive any donations during the reporting period that had to be directly administered by the Department.
- 4.2 The DOD however received reimbursements from the United Nations for the DOD's participation in peace support operations, in accordance with the Memoranda of Understanding, amounting to Rm222, 717. This was deposited into the National Revenue Fund and recognised in Note 2.4 of the financial statements to this report.
- 4.3 The DOD also received a reimbursement through the RDP Fund from the Government of the United Kingdom of Great Britain and Northern Ireland to the amount of Rm23, 550 for the airlift of equipment to Burundi in support of the deployment of the African Union special task force in Burundi to ensure the security of Palipehutu – FNL leaders, combatants and dissident factions in Burundi. This reimbursement strengthened the DOD's alignment with the government's programme of action, international relations, peace and security priorities, ongoing Peace Support Operations and initiatives as well as post-conflict reconstruction and development.

5. Public entities

- 5.1 The Castle Control Board and the Armaments Corporation of South Africa (ARMSCOR) are reported as public entities under the ownership control of the Minister of Defence. A Board of Directors reporting to the Minister of Defence, controls each public entity. The transfer payment to ARMSCOR is included in the table for transfer payments below and no transfer payment was made to the Castle Control Board. The transfer of the management of the Castle of Good Hope to the Department of Arts and Culture is still in progress.
- 5.2 The Naval Dockyard in Simons Town was transferred from the DOD to ARMSCOR during the reporting period.

6. Organisations to whom transfer payments have been made

Transfer payments were made to the following organisations:

Transferee	Reason for Payment	Accountability Arrangements	Voted 2007/08 Rm	Expenditure 2007/08 Rm
Armaments Corporation of South Africa Ltd (ARMSCOR)	To subsidise ARMSCOR in their mission to meet the acquisition, maintenance and disposal needs of the DOD and other clients in terms of Defence matériel, related products and services.	ARMSCOR is a Schedule 2 Public Entity directed by a Board of Directors appointed by the Minister of Defence. ARMSCOR annually submits a business plan and an estimate of expenditure. Audited financial statements for the financial year 2006/07 were submitted according to payment conditions.	473, 826	473, 826

REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2008 (continued)

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Transferee	Reason for Payment	Accountability Arrangements	Voted 2007/08 Rm	Expenditure 2007/08 Rm
St Johns Ambulance Brigade	To provide accreditation for training of DOD members and make their members and equipment available to be called-up by the SA Military Health Service during times of national disaster and emergency.	Audited financial statements for the financial year 2006/07 were submitted according to payment conditions. These statements were found to be in order and submitted with the request for payment. Unfortunately payment could not be processed by year-end.	0,120	-
SA First Aid League	To rekindle the previous relationships between the SA Military Health Services and the SA First Aid League.	No payment took place as it became evident that the organisation would not be able to provide adequate support to the SAMHS in times of emergency.	0,050	-
Regular Force Medical Continuation Fund (Medical Fund B)	To reimburse the Regular Force Medical Continuation B-Fund for members who retired before 1964.	No payment took place because the DOD did not receive any benefit in return.	0,275	-
Reserve Force Council	To subsidise the Reserve Force Council in their aim to secure community and private sector support for the Reserve Forces and to maintain a sound relationship and communication between the Reserve forces, the Minister of Defence and the SA National Defence Force.	The Accounting Officer of the Department is represented in the National Council. The Council annually submits a business plan and an estimate of expenditure before such funds are included in the Departmental Vote. Audited financial statements for the financial year 2006/07 were submitted according to payment conditions.	3,202	2,878
SA Red Cross Society	To rekindle the relationship between the SA Red Cross Society and the SAMHS whereby the SAMHS can call upon the SA Red Cross for assistance during times of emergency.	Although a first meeting between the two organisations has taken place payment could not be concluded because the Memorandum of Agreement has not yet been finalised.	0,125	-

REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2008 (continued)

Transferee	Reason for Payment	Accountability Arrangements	Voted 2007/08 Rm	Expenditure 2007/08 Rm
Safety and Security Education and Training Authority (SASSETA)	To subsidise the administrative expenditure of the SASSETA, which acts as the Sector Educational and Training Authority (SETA) for Defence in terms of the Skills Development Act No. 97 of 1998.	Audited financial statements for the financial year 2006/07 were submitted according to payment conditions.	8,391	7,729
Special Defence Account	To acquire procure and develop armament and technology.	Under control of the Accounting Officer of the Department of Defence. Financial statements are attached to this report.	9 079,260	8 235,711
Regional Services Councils	To honour the Department's obligation to Regional Services Councils in terms of the Regional Services Councils Act (Act No. 109 of 1985).	Payment takes place in terms of the relevant tariffs laid down by each Regional Services Council. As announced by the Minister of Finance these transfers were stopped on 30 June 2006, but an amount of Rm36,710 was still owed by the Department of Defence to the Regional Service councils.	36,710	36,710
Household Employer Social Benefits – Cash Resident.	To cover the cost of employment benefits due to DOD members being separated from the department through the Mobility Exit Mechanism.	Approved by the Minister of Defence.	170,036	170,036
TOTAL			9 771,995	8 926,890

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7. Public private partnerships

7.1 No formal Public Private Partnerships (PPPs) have been concluded in the DOD. The following progress are reported regarding identified PPP projects:

7.1.1 **SA Air Force.** The DOD is still in the process of appointing a transaction advisor to conduct a feasibility study with respect to the viability for the commercial co-use of Air Force Base Ysterplaat in Cape Town.

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7.1.2 SA Navy.

- The first phase (inception phase) for the establishment of a PPP for a Sea Safety Training Centre in Simons Town has been completed. The second phase for conducting a feasibility study is nearing completion (planned for end of June 2008) after which phase three, being the procurement of the service will commence.
- An intended PPP project for the establishment of a new SA Navy headquarters building and Naval mess has been registered with the National Treasury and phase one, the inception phase, is in progress.

7.1.3 SA Military Health Services.

- The SAMHS registered a PPP in terms of Treasury Regulation 16 regarding “health care facilities and hospital referral services in Durban and seven other selected areas”. The PPP is directed towards identifying suitable health facilities where the SAMHS can admit patients at its own discretion for either surgical procedures and/or as in patients for consultation by SAMHS health care practitioners. The transaction advisor has been appointed and the feasibility study has been completed, Treasury Approval I was granted in January 2005. The project is in its Treasury Approval IIA which entails the consideration for the proposed PPP agreement and will be obtained early in the 2008/09 financial year.
- The SAMHS also, in January 2008, registered two additional projects with the National Treasury for the establishment of a new SAMHS headquarters and new facilities for a Military Health Training Formation.

7.1.4 Human Resource Division. An intended PPP project for the establishment of a SA National Defence Training Institute has been registered with the National Treasury. Phase one, the inception phase, is in progress.

7.1.5 Defence Intelligence Division. An intended PPP project for the establishment of a Defence Intelligence Headquarters has been registered with the National Treasury. Phase one, the inception phase, is in progress.

8. Corporate Governance Arrangements (IFAS Standard)

8.1.1 Leadership. Senior commanders and managers of the Department exercise their leadership in accordance with the constitutional principles of transparency, good governance and accountability. Confidentiality is preserved in certain circumstances when it is in the national interest to do so.

8.1.2 Codes of Conduct. Codes of conduct have been formally adopted for military members and public service employees. All officials subscribed to the standards contained in these codes by signature. Disciplinary procedures are applied for non-conformance.

8.1.3 Conflict of Interest. Senior managers declare their economic interest annually. Members of management bodies dealing with procurement and acquisition are required to declare potential conflicts and withdraw before commencement of meetings. All officials are required to declare gifts in registers open to scrutiny.

REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2008 (continued)

8.2 Departmental Structures and Processes

8.2.1 Compliance. Applicable statutes and regulations are complied with by the promulgation of ministerial directives and departmental instructions/orders and publications that are legally enforceable.

8.2.2 Statutory Accountability. The Secretary for Defence accounts to Parliament for the management of the implementation of the Defence Vote. All departmental budget authorities are held to account by the Secretary for the economic, efficient and effective utilisation of resources to achieve the objectives of their respective programmes.

8.2.3 Communication with Stakeholders. Defence officials appear regularly before relevant Parliamentary committees on instruction of the Minister to explain departmental plans, programmes and budgets (including resource management policies) as well as account for performance. All media enquiries are answered through a corporate communication service.

8.2.4 Roles and Responsibilities. The Minister of Defence directs and controls the Defence functions through the Council of Defence. The Secretary for Defence and the Chief of the National Defence Force implement ministerial directives through the Defence Staff Council. Top level budget authorities are members of the Defence Staff Council. Subordinate boards and committees serve this Council. A formal strategic direction and control process is followed that sets the agenda for these councils, boards and committees.

8.3 Control

8.3.1 Risk Management

8.3.1.1 The DOD risk management strategy, compiled by the Chief Financial Officer on behalf of the Secretary in his capacity as the Accounting Officer of the Department, is aimed at setting and formalising the Department's approach to risk management and also quantifies and describes Defence's risk appetite, taking into account the materiality framework and fraud prevention plan which supports this strategy. The strategy of the DOD in terms of risk management is as follows:

- Risk management forms an integral part of the total management process and is the responsibility of each official in the Department.
- All pertinent risks are identified, prioritised and action plans are subsequently developed to mitigate or minimise the materiality of these risks to an acceptable level, in line with the risk management process, as indicated in the policy on risk management.
- Risks are identified as they relate to the strategic objectives of the DOD or the control systems that exist for a particular resource. All identified risks are categorised in terms of the control system elements namely policy, capacity, information system and accountability and action plans developed are then aimed at addressing these elements.

8.3.1.2 All Services and Divisions compile risk management plans as part of that Service/Division strategic plan, in line with the Accounting Officer's guidelines and quarterly reports are submitted on the progress on the action plans developed to mitigate these risks.

REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2008 (continued)

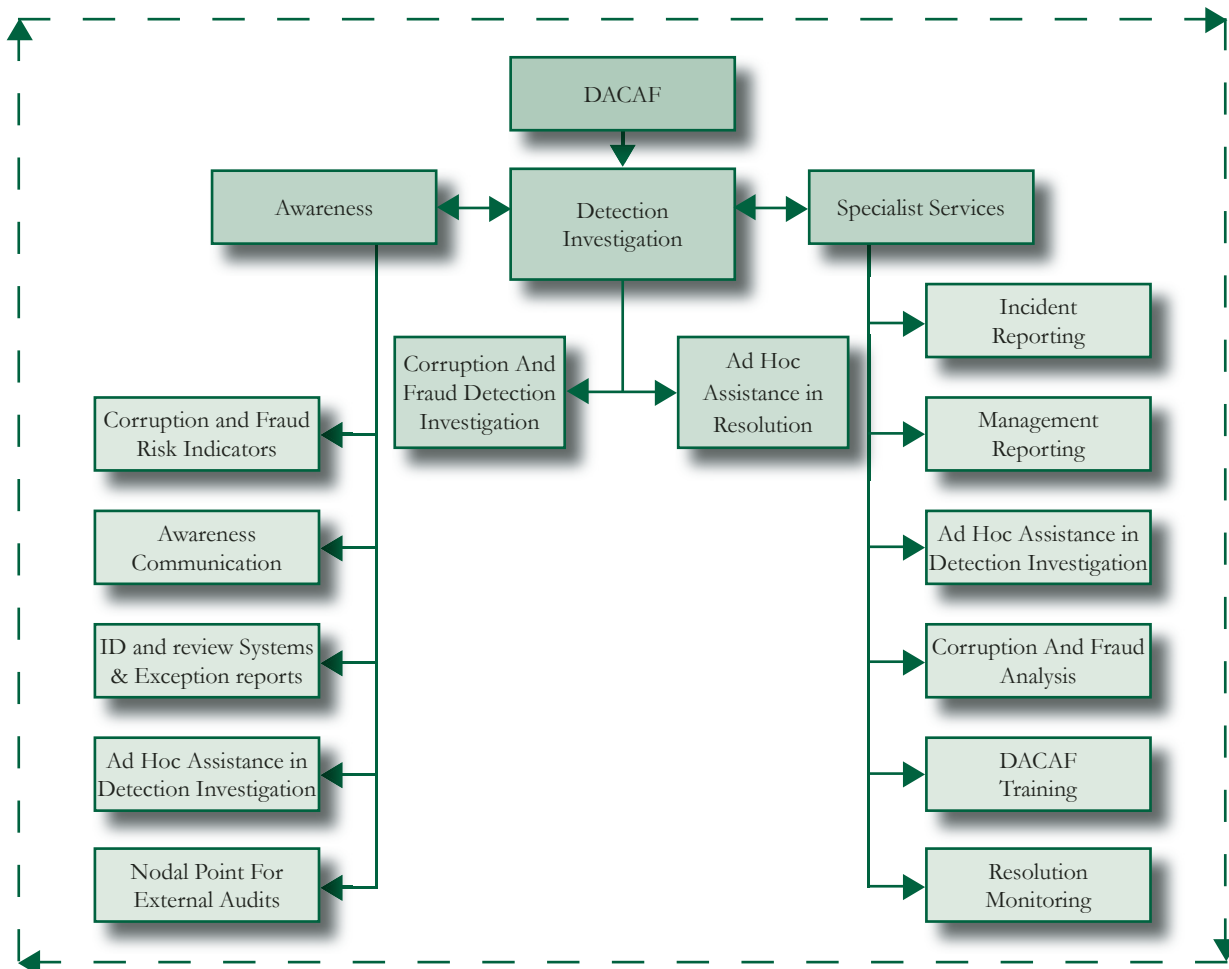
8.3.1.3 The Minister of Defence approved a new structure for risk management in the DOD under the auspices of the Chief of Defence Policy, Strategy and Plan at the Defence Secretariat. The DOD is at present busy with the staffing of these posts, with a completion date 1 August 2008. This section will combine the DOD's strategic risks, operational risks and resource risks into one centralised DOD risk register to ensure that all DOD risks are properly managed, controlled and mitigated.

8.3.2 Fraud Investigation and Prevention

8.3.2.1 The Anti-Corruption and Anti-Fraud Strategy is based on the three main outcomes of the National Anti-Corruption Summit of 1999, namely preventing corruption, combating corruption and building integrity and raising awareness. In order to achieve the desired result, it was important to introduce a strategy to advise, direct, and guide members of the DOD on the approach to the seriousness of corruption and fraud. The emphasis was on corruption and fraud awareness on which members of the DOD were addressed. The toll-free number of the Anti-Corruption and Anti-Fraud hot line appears on the monthly pay sheet of every DOD official. The anti-corruption and anti-fraud awareness campaign of the DOD, which is spearheaded by the Defence Inspectorate Division, has now reached all members.

8.3.2.2 The Directorate Anti-Corruption and Anti-Fraud, responsible for the prevention of corruption and fraud and acting as the nodal point for forensic auditing in the DOD developed and implemented the under mentioned functional flow diagram conducting of its business:

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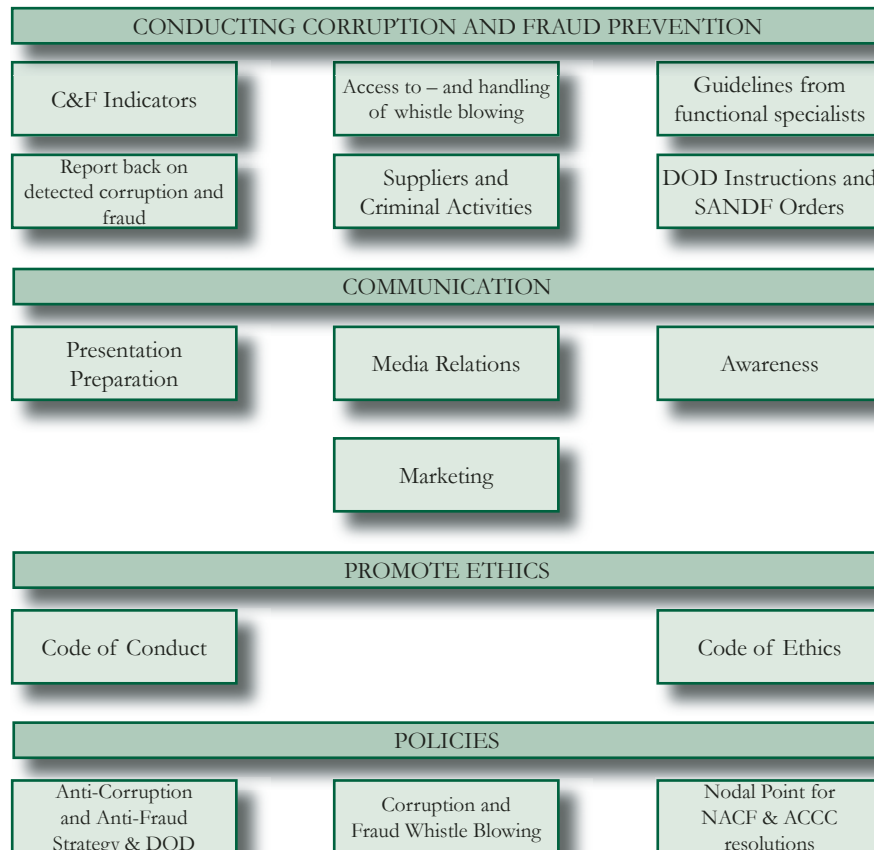
REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2008 (continued)

8.3.2.3 The aim of the Directorate Anti-Corruption and Anti-Fraud is to achieve the following:

- The promotion of transparency and accountability in the actions and conduct of DOD members.
- The development and promulgation of legislation and regulatory measures to determine correct conduct of individuals and organisations.
- The development and implementation of policies and controls to prevent the occurrence of fraudulent and corrupt acts within the DOD.
- The development of alternative strategies in addition to the main strategy of the DOD to combat fraud and corruption.
- Creating awareness amongst DOD personnel concerning the nature and extent of fraud and corruption, and what to look out for to detect such activities.
- Putting emphasis on promoting integrity of individuals as well as work ethics, as these are factors to prevent corruption and fraud from taking place.

8.3.2.4 A schematic presentation of the DOD Corruption and Fraud Prevention Plan is provided below:

CORRUPTION AND FRAUD PREVENTION PLAN



REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2008 (continued)

8.3.3 Internal Audit

8.3.3.1 Internal Audit comprised of both compliance audit as well as performance audit, reviewing aspects of economy, efficiency and effectiveness. Internal Audit in the DOD followed a risk-based approach, in accordance with the Rolling Three-Year Audit Strategy.

8.3.3.2 The effectiveness of internal audit results could be measured by the positive impact resulted from the recommendations and advice given through audit reports issued by the Defence Inspectorate during the reporting period. The following serves as examples:

- As a result of audits conducted on performance incentives, the Accounting Officer was able to ensure that the implementation of the system was in accordance with departmental guidelines and instructions.
- Audits were conducted on the effectiveness of the disciplinary legal system where backlogs on sentences and court orders were experienced and where members who had been charged were allowed to resign before being arraigned. Legal Services in the DOD were able to implement measures to eliminate the backlogs.
- The DOD Annual Report for the financial year 2006/2007 was audited and identified Services and Divisions were required to verify the performance information contained in their respective reports. The performance information as reported on in the first quarterly report for the financial year 2007/2008 as well as the risks pertaining to the achievement of military objectives by the SANDF in the internal deployments were also audited.
- An audit was conducted on the forces deployed in Burundi to determine if the risks as identified actually materialised. Findings were communicated so that measures could be implemented to mitigate the risks.

8.3.3.3 The activities of the Professional Internal Audit Forum (PIAF) resulted in an improvement regarding co-ordination in work performed by the Defence Inspectorate Division and Service Inspector General. The reporting format for the Service IG's was streamlined and aligned with that of the Defence Inspectorate Division. The qualified audit opinion as included in the Report of the Auditor-General for the financial year 2006/2007 was included in the Rolling Three-Year Audit Strategy as Internal Audit follow-up audits for the financial year 2007/2008.

8.3.4 Audit Committee

8.3.4.1 The Audit Committee provided guidance to the Internal Audit Division during the reporting period. Amongst many issues it included the identification of shortcomings in the Internal Audit Plan and the lack of expertise by internal auditors. The audit plan, Auditor-General's audit report and the quarterly reports revealed that financial statements were not addressed adequately, which was ascribed to the reasons mentioned above.

8.3.4.2 The following information regarding the Audit Committee is relevant:

- **Composition.** During the year under review, the Audit Committee for the Department of Defence (DOD AC) was duly constituted according to the Public Finance Management Act (PFMA). The external members were (appointment dates indicated in brackets): Dr D Konar

REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2008 (continued)

(Chairperson) (27 May 2005); Mr DS Molapo (27 May 2005); Mr KA Ross (27 May 2005) and Mr GR Withöft (7 June 2005), Ms J Kumbirai (6 December 2007). The internal members were Lieutenant General JL Jansen van Rensburg: (DOD: Chief of Corporate Staff) (1 February 2006) and Mr TE Motumi: (DOD: Chief of Policy and Planning) (7 February 2006).

- **Responsibilities.** The Audit Committee complied with its responsibilities in terms of Section 38(1)(a) of the PFMA and Treasury Regulation 3.1.13. Four scheduled and one special meeting were held. Special In-Committee Meetings were held between the Audit Committee members. Activities of the Audit Committee were formalised into a plan, allowing the coverage of the total spectrum of risk areas that needs to be assessed and monitored, in accordance with the PFMA and National Treasury Regulations. The external and internal members, Ex-Officio Officers, the Auditor-General, Inspector General DOD and the Accounting Officer, formally assessed the DOD Audit Committee.
- **Activities.** Audit Committee members had an opportunity in 2007/08 to be exposed to DOD Force Structure Elements through a physical visit and also accompanied audit team members in conducting audits. The Audit Committee had direct access to the Auditor-General, the Secretary for Defence and the Chief of the South African National Defence Force.

8.3.5 Internal Control. A framework of internal control has been implemented for financial management in the Department. The framework consists of the various resource sub-systems of control that are impacting on the revenue, expenditure, assets and liabilities of the Department. Each sub-system is evaluated bi-annually for compliance with the regulatory framework taking risks and adverse audit findings into account.

8.3.6 Budgeting and Financial Management. The departmental strategic business plan and related budget is tabled in Parliament and authorised by the related Appropriation Act. The plan, programme and budget is based on Government's Plan of Action and related guidelines by the Minister, Secretary for Defence and Chief of the National Defence Force. Budgeting is integrated with the accounting and cash management functions. The Minister, Secretary for Defence and budget authorities monitor execution of the budget monthly regarding expenditure, cash flow including improper expenditure and under-collection of revenue. The Financial Management System is still cash-based consequently financial information for decision-making is fairly limited. A system has been developed to support revenue management on a par with expenditure management.

8.4 External reporting

8.4.1 Annual Report. The Minister tables the annual report, including financial statements to provide an account of the department's performance against the objectives set in the strategic business plan and its financial position and performance against the appropriate budget.

8.4.2 Accounting Standards. The financial statements are set out in accordance with Generally Recognised Accounting Practices (GRAP) as determined by the National Treasury.

8.4.3 Performance Measures. The performance measures for departmental outputs are set out in the strategic business plan as measurable outputs and targets. The actual performance against these measures is reported in the main portion of the annual report. The resource management information systems are not integrated.

REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2008 (continued)

8.4.4 External Audit. An objective and professional relationship has been established with the Auditor-General. The Secretary for Defence chairs first, interim and final audit steering committee meetings. Co-ordination meetings are held with the Secretary for Defence quarterly and with the Chief Financial Officer monthly. The Audit Committee co-ordinates the internal audit programme with that of the Auditor-General.

8.5 Occupational Health and Safety (OHS)

8.5.1 Occupational health and safety policy is implemented and guidelines provided to direct the provision and maintenance of working environments that are safe and without risk to DOD officials are given.

8.5.2 The Joint Directorate Occupational Health and Safety maintains close relations with the Department of Labour to assess non-compliance by Force Structure Elements. This then leads to vigorous enforcement of corrective measures. These actions have contributed to various Rectification and Maintenance Programmes (RAMPs) to be embarked upon. It is envisaged that the occupational health and safety monitoring capacity of the Joint Directorate Occupational Health and Safety will have to be increased in order to maintain and improve this ability.

8.5.3 The shortage of specialised resources, including occupational medical practitioners, occupational nurses, occupational hygienists and, in particular, Authorised Inspection Authorities (AIA), will have to be seriously addressed in order to continue the provision of this service in order to reach legal compliance.

8.5.4 An instruction for an Occupational Health and Safety Management System applicable for force structure elements in the DOD is nearing completion for promulgation, while all other related policies are currently under review to ensure inclusion of latest governance and developments in the occupational health and safety field.

8.6 Environmental Matters. If not managed properly in accordance with national environmental legislative provisions, military activities can have a profound impact as well as a detrimental effect on the environment. The following highlights were achieved:

8.6.1 Water Efficiency Project. The Maruleng Municipality has been included in the trial project in AFB Hoedspruit in co-operation with the Department of Water Affairs and Forestry (DWAF) and the Department of Public Works (DPW).

8.6.2 Dinokeng Project. In support of the socio-economic development of Dinokeng region as part of the Dinokeng Blue IQ Project of the Provincial Government, the DOD has agreed to participate in this project by providing a part of Pienaars River Training Area for co-use in the establishment of the Dinokeng Game Reserve. In this sense, the DOD has processed the donation of game with the estimated value of Rm1, 7 to the project and will enter into a co-use agreement in order to contribute to the establishment of the Dinokeng Game Reserve.

REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2008 (continued)

- 8.6.3 Operation Vuselela.** The partnership between the DOD and Working for Water (WfW) Programme of the DWAF to utilise military veterans to eradicate alien and invasive vegetation on Defence controlled properties was successful. The project has resulted in the eradication of 5 000 ha of alien vegetation.
- 8.6.4 Energy Efficiency Campaign.** In support of the government's goal of sustainable utilisation of natural resources, the demand side management initiatives by ESKOM and the Presidential Priorities, the DOD has embarked upon an Energy Efficiency Campaign in order to reduce the demand for electricity through participating in the National Energy Response Team of the Department of Minerals and Energy (DME) through partnering in various government initiatives on renewable energy such as biodiesel, wind and solar energy.
- 8.6.5 Committee for Environmental Co-ordinators (CEC).** The DOD as government department plays a big role in the interdepartmental committee that deals with environmental issues across the government organisations. The Second Edition Environmental Implementation Plan (EIP) for Defence was approved by the Plenary Defence Staff Council on 18 June 2007 and adopted by the CEC in the Department of Environmental Affairs and Tourism (DEA&T) on 15 August 2007.
- 8.6.6 Integrating environmental matters in exercises and deployments.** The second rotation of forces of Op CURRICULUM in Burundi included the verification and rotation of environmental capacity as part of the deployment. During Ex SEBOKA 2007, an environmental officer was deployed and awareness training provided on the implementation of environmental considerations in this exercise to the members of 46 SA Bde. During Ex YOUNG EAGLE, an environmental officer was deployed to ensure that the procurement of environmental technical equipment required for rehabilitation measurers were available and to provide advice on waste management and mitigation of the impact on the environment.
- 8.6.7 International Environmental Co-operation under RSA-USA Defence Committee.** The Integrated Waste Management (IWM) Guidebook and the 10-year Report on the Environmental Security Working Group (ESWG) were finalised and printed in November 2007. A copy of each was handed over to the Co-chairs of the DefCom in February 2008. Two environmental members attended an Integrated Training Area Management (ITAM) workshop hosted by the USA European Command in Botswana, which included a visit to the Botswana Defence Force's Taukgolo Training Area and afforded the DOD the opportunity to share unique challenges and experience in this regard with other countries on the African Continent.
- 8.6.8 Restitution of Land.** The environmental clean-up (excluding Unexploded Ordinances (UXOs)) at the Hell's Gate Training Area was completed during 2007. The specialised rehabilitation of UXOs by the DOD has to take place before the area can be handed back to the claimants.

9. Discontinued activities/activities to be discontinued

Discontinued activities and activities to be discontinued are described in the Annual Report.

10. New and proposed activities

New and proposed activities are described in the Annual Report.

REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2008 (continued)

11. Asset Management

11.1 General

11.1.1 Asset management within Defence has always been based on item management. This emphasis is now changing to also include financial and full management of items. These changes are being implemented within Defence to align the Department with the requirements of National Treasury.

11.1.2 The Logistics Intervention and Repositioning Programme (LIRP) was established to address critical issues within SANDF logistics which need intervention. The LIRP is intended to reposition logistics and facilitate a quantum improvement to achieve efficient logistic support in the DOD and set the basis for continuous improvement.

11.1.3 To this end, a LIRP Steering Committee was established with sixteen sub-workgroups. All workgroups made good progress in the area of environmental analysis regulatory framework analysis and strategy development. The philosophy development and business process analysis has commenced.

11.1.4 A further investigation is under way into a DOD motor vehicle tracking and monitoring system which will greatly assist in enhancing good asset management capabilities.

11.2 Progress with regard to capturing assets in the register

11.2.1 The majority of the Strategic Defence Packages items have been brought on charge. Items recently received are now being brought on charge.

11.2.2 The asset register is systematically being updated to include the information not previously kept. Feedback from Services and Divisions is given on a monthly basis.

11.2.3 In the endeavour to address the lack of a single, optimised integrated logistic management information system for the DOD, the Logistic Division is part of the National Treasury initiative of implementing the Integrated Financial Management System (IFMS) within the State. A project structure and its responsibilities have been submitted for approval in order that a full-time organisation is established to execute the planned migration to IFMS and to manage the DOD unique Integrated Resource Management System (IRMS).

11.2.4 This entailed a complete study that was done to determine the feasibility of integrating the DOD's four major logistic accounting systems of Defence into one system, being the Operating Support Information System (OSIS). It was also determined that it would be more cost effective to run the Computerised Aided Logistical Management Information System (CALMIS) and OSIS concurrently with each other until the above mentioned IFMS and DOD IRMS have been completed. Defence has progressed well in computerising manual units. This will enable integration of information as well as the accurate reporting in financial statements.

REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2008 (continued)

11.3 Indication of the Extent of Compliance with Minimum Requirements

- 11.3.1 Defence continues to manage its inventory according to the North Atlantic Organisation (NATO) prescripts. Currently the DOD still accounts for its assets according to NATO, although the National Treasury reporting requirements are according to the Standard Chart of Accounts (SCOA). Due to the difference between NATO classifications and SCOA classification, Defence will only be able to do logistical reporting after IFMS is fully implemented.
- 11.3.2 Progress was made with respect to coupling of SCOPA codes to NATO codes but due to the bridging tool that was found to be insufficient for logistic reporting purposes an acceptable level of usage was attained.

11.4 Extent of compliance with Asset Management Reforms (AMR) Milestones

- 11.4.1 **Meeting Minimum Requirement for Asset Registers.** Presently the Asset Registry largely conforms to the requirements set, but is lacking in especially pricing and financial management of the assets. The outcome of the investigation to bring the present asset register to the new requirements depends largely upon the implementation of IFMS and the DOD Integrated Resource Management System.
- 11.4.2 **Basic Asset Policies in Place.** Basic asset policies are in place for cash based accounting and asset management which is available throughout the Department. The LIRP Policy Workgroup will be looking into aligning and updating these policies with GRAP requirements.
- 11.4.3 **Drafting of Strategy and Life Cycle Plans.** The Logistical Intervention Realignment Programme (LIRP) Accounting and Life Cycle Management Workgroups are investigating the incorporation of life cycle management into all aspects of asset management. Furthermore a Supply Chain Workgroup is being established to facilitate the management of assets throughout its entire life.

11.5 Accounting and Reporting in terms of GRAP

Historically, the DOD expensed assets at date of purchase in terms of cash based accounting and thereafter accounted for assets in terms of item accounting. Due to the moratorium by the National Treasury the DOD was restricted to enhance its asset accounting systems in lieu of the envisaged IFMS. The DOD is thus unable to report on assets as required by GRAP. The National Treasury was approached for authority to deviate from GRAP, however approval was denied. The required disclosure on the movement of tangible and intangible capital assets is thus omitted from the notes to the financial statements.

12. Events after the reporting date

No events are reported.

13. Performance information

Performance information is described in the Annual Report.

REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2008 (continued)

14. SCOPA Resolutions

14.1 The SCOPA hearing on the DOD Annual Report for the financial year 2005/2006 was held on 9 March 2007 and the SCOPA resolutions were adopted by Parliament on 21 November 2007. The DOD received these SCOPA resolutions and a response has been submitted to SCOPA. Progress made on the action plans as submitted are contained in the tables below:

14.1.1 **System and control related matters (Par 1).** The Committee recommended that the Accounting Officer, with the assistance of the National Treasury, ensures:

05/06 AG ANNUAL REPORT REF	RECOMMENDATIONS MADE IN SCOPA RESOLUTIONS DATED 21 NOV 07	DOD PROGRESS ON ACTION PLANS
Page 262, par 4.1	a) The upgrade of the financial management system in order to ensure accuracy and validity of amounts disclosed in the financial statements.	i. The DOD is still dependent on unique legacy resource management systems that are not integrated and are purely based on cash accounting. It does not support accrual accounting practices and principles and cannot support integrated information requirements in terms of the National Treasury Guide for the preparation of Annual Reports by National and Provincial Departments. ii. Due to the intended development and implementation of IFMS throughout the Public Sector the DOD was requested not to proceed with major enhancements on its unique legacy systems in order to prevent fruitless and wasteful expenditure. iii. National Treasury currently only allows for minor enhancements to the IT system which do not in total completely eliminate problems experienced regarding National Treasury reporting requirements. iv. The DOD has, in collaboration with SITA, implemented minor enhancements to its IT systems to ensure accurate and auditable data with regards to S&T advances and claims as well as revenue, budgeting and collection. v. Only with the implementation of the Integrated Financial Management System will the DOD be able to fully adhere to the requirement of Generally Recognised Accounting Practices prescribed by the National Treasury.

REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2008 (continued)

05/06 AG ANNUAL REPORT REF	RECOMMENDATIONS MADE IN SCOPA RESOLUTIONS DATED 21 NOV 07	DOD PROGRESS ON ACTION PLANS
Page 262, par 4.2	b) That an improved revenue management process is implemented that guarantees that all monies due to government are collected and that revenue disclosed in the financial statements are complete and accurate.	i. A revenue manager was appointed on 23 August 2007. ii. The Financial Management System has been changed to enable proper revenue management and to provide comprehensive revenue management information. iii. Revenue budgets have been captured on FMS for the 2007 and 2008 budget cycles at the point of collection. iv. Revenue budgets are being compiled and captured for the 2009 budget cycle and will be completed by 30 April 2008. v. The revenue management policy will be promulgated by 30 June 2008. vi. Appropriate training will be conducted on a regional basis at the points of collection as soon as the policy has been approved. Modules have also been included in formal training courses and Revenue Management Workshops will be held in the near future. vii. The establishment of internal control processes is dependent on the approval of the policy. These processes are prescribed in detail in the policy and entail for e.g.: <ul style="list-style-type: none"> • compliance certificates to be completed by the Officers Commanding; • monitoring of the monthly reconciliation reports submitted by level 4 units; and • accountability measures by means of monthly reports regarding non-compliance to the Accounting Officer.

REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2008 (continued)

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05/06 AG ANNUAL REPORT REF	RECOMMENDATIONS MADE IN SCOPA RESOLUTIONS DATED 21 NOV 07	DOD PROGRESS ON ACTION PLANS
Page 263, par 4.3	c) Valid and accurate disclosure of housing loan guarantees on the financial statements.	<ul style="list-style-type: none"> i. A large number of guarantees have been released and the PERSOL system information corrected. The DOD, is on a continuous basis, requesting information from financial institutions regarding guarantees issued to institutions taken over by them. ii. The request submitted to SITA to enhance the housing programmes on the PERSOL system to allow for the capturing of guarantee details immediately when it is issued was placed on a priority list at SITA and have not been actioned yet. iii. An enhanced PERSOL system will ensure proper and effective management, oversight and control.
Page 263, par 6.1	d) An adequate financial reporting system is aligned to disclosure requirements as set out by National Treasury.	<ul style="list-style-type: none"> i. The lack of integration between the various accounting and reporting systems in the DOD is the main challenge. ii. The requirements as set out by the National Treasury, with which the DOD cannot comply with, are amongst others the disclosure notes. iii. The DOD however has not embarked on an exercise to integrate the various accounting and reporting systems due to the anticipated development and implementation of the Integrated Financial Management System of the National Treasury. iv. Minor enhancements have been performed on independent accounting and reporting systems to improve on reporting requirements but not eliminating all the problems related to the reporting requirements.

REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2008 (continued)

14.1.2 **Governance arrangements (Par 2).** The Committee recommended that the Accounting Officer ensures:

05/06 AG ANNUAL REPORT REF	RECOMMENDATIONS MADE IN SCOPA RESOLUTIONS DATED 21 NOV 07	DOD PROGRESS ON ACTION PLANS
Page 263, par 6.1	e) Improvement of internal controls to ensure the accuracy and validity of amounts disclosed in the financial statements.	i. The DOD is in the process to develop and implement policies and procedures to enforce accurate, valid and complete information to be recognised and disclosed in its financial statements. ii. The DOD is also in the process of appointing an external audit firm to assist the department with the development and implementation of sound internal controls thus ensuring the accuracy, validity and completeness of information to be recognised and disclosed in the financial statements. It is envisaged that the appointed audit firm will start their work on 2 June 2008 however it must be pointed out that this project will probably only bear fruit in the medium to long term. iii. A head of internal audit has been interviewed and will be appointed before the end of this year. iv. A logistics intervention programme has started in 2007 and is currently addressing inadequacies regarding the management of movable and immovable assets. Part of this programme is a CSIR project to develop and implement a register for fixed assets. The LIRP project for movable assets is also underway but the effect thereof will only be visible in the medium term (3 years). v. The DOD is also on a continuous basis busy with PFMA Section 45 training (Financial training for non-finance officials).

REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2008 (continued)

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05/06 AG ANNUAL REPORT REF	RECOMMENDATIONS MADE IN SCOPA RESOLUTIONS DATED 21 NOV 07	DOD PROGRESS ON ACTION PLANS
Page 264, par 6.4 (a)	a) That storage facilities and security of fixed assets and inventory are improved.	i. The lack of sufficient funds necessitates the DOD to follow a holistic approach when identifying upgrading priorities. Facilities that have the biggest negative impact on the DOD's ability to render a service to the people of the country are addressed first to minimise the negative impact. ii. Storage facilities falling into this category will be part of a bigger project, being addressed by the Repair and Maintenance Programme (RAMP). iii. The safekeeping of inventory is also seen as a priority and is evaluated by inspectors during visits to units as part of the control and monitoring actions for asset management.
Page 264, par 6.4 (a)	b) Sufficient segregation of duties.	Services and Divisions were instructed to ensure that their organisations are fully resourced and structured to have the capacity and capability to carry out their duties and comply with systems of internal control such as the segregation of duties.
Page 264, par 6.4 (b)	c) Regular monitoring of transactions to ensure compliance with policies and procedures.	Compliance with policies and procedures is monitored by analysing various exception reports on a monthly, quarterly and annual basis.
Page 264, par 6.4 (c)	d) A stock take is done as prescribed by the relevant regulations.	i. An instruction for the submission of the annual stock take certificates is compiled according to the PFMA, Treasury Regulations and other relevant instructions in this regard and is issued on an annual basis for the specific financial year. ii. The execution of the stock take by units is done according to a stock take plan. iii. Stock takes in the DOD are monitored by means of quarterly reports and management reports that are discussed monthly on the Matériel Administration Management meetings.

REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2008 (continued)

05/06 AG ANNUAL REPORT REF	RECOMMENDATIONS MADE IN SCOPA RESOLUTIONS DATED 21 NOV 07	DOD PROGRESS ON ACTION PLANS
Page 266, par 6.9	e) The Inspector General's scope should also include focusing on systems and financial controls necessary to substantiate financial information disclosed in the financial statements.	<p>i. The DOD has scrutinised the tenders received for appointing an external audit firm to assist the department with the development and implementation of sound internal controls thus ensuring the accuracy, validity and completeness of information to be recognised and disclosed in the financial statements. Part of the external audit firm's tasks will be to provide in-depth training to the DOD's internal audit team. It is envisaged that the appointed audit firm will start their work on 2 June 2008 however it must be pointed out that this project will probably only bear fruit in the medium to long term.</p> <p>ii. A head of internal audit has been interviewed and will be appointed before the end of this year.</p> <p>iii. As an interim measure, the DOD has entered into an understanding with the Auditor-General to provide guidance and direction to auditors from the Internal Audit Division on Systems and Financial Statement Control aspects with effect from 1 February 2008.</p>
Page 267, par 6.15	f) Clear documented action is taken in respect of the sale of small arms and ammunition.	The Directorate Conventional Arms Control has completed the Standard Working Procedure prescribing the process and procedures which will be tabled at the May 2008 NCACC meeting for final approval.
Page 267, par 6.15	g) That a copy of the forensic investigation report be submitted to Parliament (First Consulting).	The Accounting Officer will comply with the request of SCOPA and submit a copy of this forensic audit report via the Office of the Minister.

REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2008 (continued)

14.1.3 Rank Review. The Committee further noted that the rank review process could not be confirmed due to the unavailability of supporting documentation. The Committee recommended that the Accounting Officer ensures that:

05/06 AG ANNUAL REPORT REF	RECOMMENDATIONS MADE IN SCOPA RESOLUTIONS DATED 21 NOV 07	DOD PROGRESS ON ACTION PLANS
Page 263, par 4.4	a) Management investigate the salary costs associated with the rank review process and determine the validity of the amounts disclosed.	The Minister of Defence approved a request for condonement regarding the submission of the 384 non-statutory force files for audit purposes.
Page 263, par 4.4	b) All outstanding information be submitted to the Auditor-General to evaluate the validity against the set criteria.	

14.1.4 Capacity / People Related Issues (Par 3). The Committee recommended that the Accounting Officer ensures:

05/06 AG ANNUAL REPORT REF	RECOMMENDATIONS MADE IN SCOPA RESOLUTIONS DATED 21 NOV 07	DOD PROGRESS ON ACTION PLANS
Page 265, par 6.8 (b)	The appointment of competent personnel in current vacancies and that training is given to existing and newly appointed staff in respect of financial management (finance, personnel and logistics).	The filling of vacant posts within the DOD is an ongoing process and is regarded as a high priority. Employees are trained on a continuous basis by means of formal courses as well as skills training at external institutions.

REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2008 (continued)

14.1.5 **Special Defence Account (Par 4).** The Committee recommended that the Accounting Officer ensures:

05/06 AG ANNUAL REPORT REF	RECOMMENDATIONS MADE IN SCOPA RESOLUTIONS DATED 21 NOV 07	DOD PROGRESS ON ACTION PLANS
Page 345, par 5.2	a) The approval of the classification of the SDA according to the PFMA.	This matter was awaiting the promulgation of the amended Public Finance Management Act, however the DOD has decided not to pursue the classification of the Special Defence Account as a Schedule 4 entity in terms of the Public Finance Management Act.
Page 345, par 5.3	b) That the approved policies and procedures be developed and implemented.	Both the policies and procedures for the authorisation of amendments of master files regarding supplier account details as well as on bank and cash management have been developed and promulgated. No adverse audit finding has been raised in this regard during the audit for the financial year 2006/2007.
Page 345, par 5.3	c) Approval of the constitution for the Arms Control and Non-Proliferation Fund Committee.	The Arms Control and Non-Proliferation Fund Committee comprises members from numerous government departments and is chaired by Mr Minty from the Department of Foreign Affairs. The DOD has formally forwarded this audit finding to the Department of Foreign Affairs. The Terms of Reference for the Arms Control and Non-Proliferation Fund Advisory Committee, stipulating the conditions for the spending of monies in the Fund, was signed into effect on 15 May 2008.

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14.2 A SCOPA hearing on the DOD Annual Report for the financial year 2006/2007 was held on 21 November 2007 and the SCOPA resolutions were adopted by Parliament on 8 February 2008. The DOD did submit a response to SCOPA on 13 February 2008 on certain of the matters raised but is still in process to compile action plans on all the resolutions. The DOD will report on the progress made on these SCOPA resolutions in the 2008/2009 Annual Report.

15. Financial Management

15.1 The Constitution required the implementation of Generally Accepted Accounting Practices by the public sector institutions. This has been initiated by the implementation of the Public Finance Management Act and related Treasury Regulations in 2000. The final step is the determination of accounting standards prescribed by the Accounting Standards Board and implemented by the National Treasury. Defence is unable to comply because the current resource management information systems are inadequate and not integrated. Implementation of the Financial Management Improvement Project (FMIP) incorporating the Integrated Financial Management System (IFMS) will bring relief in the medium to long term.

15.2 Strategically, the new challenges the Financial Management Division is facing over the medium to long-term are:

REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2008 (continued)

- Implementation of generally recognised accounting practices requiring a supporting resource management information system (National Treasury's Integrated Financial Management System (IFMS) – proposed implementation in National Government is the fourth quarter of 2010).
- Top-down structural review to increase accountability arrangements in Defence, with special attention to capacitating the Accounting Officer to execute increased accountability/statutory duties.

15.3 Changes to Structure. To enhance financial management within the SA National Defence Force (SANDF), a structure was approved to manage multi-disciplinary financial services and will be operational from the financial year 2008/2009.

16. APPRECIATION

The progress and success of the Department's achievements over the past year is due to the efforts of many. The strategic guidance and support of the Minister and Deputy Minister of Defence has been consistent exemplary and is acknowledged. The funding and support provided by the Minister of Finance and the National Treasury is appreciated. My colleagues in the Plenary Defence Staff Council and the Secretariat Council have provided wise counsel and shared the operational load. To our various forces, locally and abroad, and our administrative and management personnel go my heartfelt thanks for their commitment, dedication and perseverance in a challenging year of major accomplishments.

Approval

The audited Annual Financial Statements set out in pages 253 to 345 have been approved by the Accounting Officer.



JB Masilela
Secretary for Defence: Director General

Pretoria
30 July 2008

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF VOTE NO. 20 - DEPARTMENT OF DEFENCE for the year ended 31 March 2008

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Department of Defence which comprise the appropriation statement, statement of financial position as at 31 March 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 253 to 332.

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting determined by National Treasury, as set out in accounting policy note 1.1 and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF VOTE NO. 20 - DEPARTMENT OF DEFENCE for the year ended 31 March 2008 (continued)

7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

8. The department's policy is to prepare financial statements on the modified cash basis of accounting determined by National Treasury, as set out in accounting policy note 1.1.

Basis for qualified opinion

Tangible and intangible capital assets: Tangible assets R360.4m (2006-07: R0); Intangible assets R8.4m (2006-07: R0)

9. As was reported in the previous year the movement in tangible and intangible assets per asset register was once again not disclosed while the disclosure in the notes did not conform to the modified cash basis of accounting as determined by National Treasury.

The disclosure in notes 32 and 33 of the financial statements was limited to cash additions as disclosed in note 8. The opening balance, current year adjustments to prior year balances, non-cash additions and disposals were not included. The effect of these omissions could not be quantified nor could alternative audit procedures be performed due to the inadequacy of the asset registers in use and the weaknesses identified in internal control. Consequently the completeness, existence, rights and obligations, valuation and allocation, and presentation and disclosure assertions could not be verified.

Employee benefit provision: Capped leave commitments R865m (2006-07: R886m)

10. Due to inadequate monitoring functions performed by management, there was a scope limitation resulting in sufficient appropriate audit evidence not being obtained to confirm the completeness, valuation, existence and rights and obligations of the amount of R865 390 000 disclosed in the disclosure notes to the financial statements. No alternative audit procedures could have been performed due to limitations on the information system.

Contingent liabilities: R504.8m (2006-07: R1.5m)

11. Contingent liabilities as disclosed in note 22 to the financial statements are misstated due to the following:
- The completeness of contingent liabilities as disclosed in note 22 and annexure 3B, in respect of the National Environmental Management Act, 1998 (Act No. 107 of 1998) (NEMA) could not be confirmed as the department does not have a process in place to identify and quantify contingent liabilities resulting from NEMA. Furthermore, the nature of the department's operations resulted in land being damaged without any liability disclosed for the rehabilitation thereof.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF VOTE NO. 20 - DEPARTMENT OF DEFENCE for the year ended 31 March 2008 (continued)

- I could not reach a conclusion on the completeness, valuation, existence and rights and obligations assertions on contingent liabilities in respect of housing guarantees as disclosed in note 22 and annexure 3A due to inadequate monitoring and insufficient supporting documentation for audit purposes.

No alternative audit procedures could be performed due to inadequate systems for identification and recording of contingent liabilities.

Related parties

12. The department did not disclose all related parties and related party transactions as required by the modified cash basis of accounting prescribed by National Treasury. The completeness, accuracy, classification and disclosure of related parties and related party transactions for 2007-08 and the comparative year could not be confirmed due to the absence of a system in place for the identification and recording of related parties and related party transactions.

Accruals: R145.0m (2006-07: R272m)

13. The modified cash basis of accounting as prescribed by National Treasury stipulates that goods and services received for which an invoice had not been received at year-end should be included in accruals. The accruals disclosed for both 2006-07 and 2007-08 financial years did not include goods and services received for which an invoice had not been received at year-end. This resulted in an understatement of accruals by an unquantifiable amount.

No alternative audit procedures could be performed due to inadequate systems for the identification and recording of accruals.

Lease commitments: R3.3m (2006-07: R1.6m)

14. With reference to paragraph 14 on page 191 of the 2006-07 report, the existence, rights and obligations, completeness and valuation, and allocation of lease commitments as disclosed in note 25 to the financial statements could not be confirmed. This year there was again no efficient and effective system of control over the recording of operating lease commitments on which I could rely for the purpose of our audit, and the auditing procedures performed could not provide reasonable assurance that all operating lease commitments were properly recorded and disclosed.

Furthermore, the department did not disclose any finance lease commitments despite the fact that the department used transversal contracts RT3 of 2000, RT3 of 2003 and RT3 of 2006 entered into by National Treasury for the supply of photocopiers. This resulted in a material non-compliance with the accounting framework as irregular expenditure incurred on these lease contracts is omitted from the disclosure of irregular expenditure.

Departmental revenue: R551.9m (2006-07: R492.8m)

15. As reported in paragraph 19 on page 191 of the 2006-07 report, again this financial year sufficient appropriate audit evidence could not be obtained as to the completeness of departmental revenue.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF VOTE NO. 20 - DEPARTMENT OF DEFENCE for the year ended 31 March 2008 (continued)

The misstatement could not be quantified due to the lack of sufficient evidence. It was also impractical to perform alternative audit procedures for the same reason.

Qualified opinion

16. In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to satisfy myself as to the matters described in the Basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Department of Defence as at 31 March 2008 and its financial performance and cash flows for the year then ended, in accordance with the modified cash basis of accounting determined by National Treasury, as set out in accounting policy note 1.1 and in the manner required by the PFMA.

OTHER MATTERS

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Internal controls

17. Section 38(1)(a)(i) of the PFMA states that the accounting officer must ensure that the department has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the inefficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. In some instances deficiencies exist in more than one internal control component.

Reporting item	Control environment	Risk assessment	Control activities	Information and communication	Monitoring
Tangible and intangible capital assets			X		
Employee benefit provision					X
Contingent liabilities			X		
Related parties			X		
Accruals			X		
Lease commitments			X		
Departmental revenue			X		

Control environment: establishes the foundation for the internal control system by providing fundamental discipline and structure for financial reporting.

Risk assessment: involves the identification and analysis by management of relevant financial reporting risks to achieve predetermined financial reporting objectives.

Control activities: policies, procedures and practices that ensure that management's financial reporting objectives are achieved and financial reporting risk mitigation strategies are carried out.

Information and communication: supports all other control components by communicating control responsibilities for financial reporting to employees and by providing financial reporting information in a form and time frame that allows people to carry out their financial reporting duties.

Monitoring: covers external oversight of internal controls over financial reporting by management or other parties outside the process; or the application of independent methodologies, like customised procedures or standard checklists, by employees within a process.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF VOTE NO. 20 - DEPARTMENT OF DEFENCE for the year ended 31 March 2008 (continued)

Matters of governance

18. The PFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
Audit committee		
• The department had an audit committee in operation throughout the financial year.	X	
• The audit committee operates in accordance with approved, written terms of reference.	X	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 3.1.10.	X	
Internal audit		
• The department had an internal audit function in operation throughout the financial year.	X	
• The internal audit function operates in terms of an approved internal audit plan.	X	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 3.2.	X	
Other matters of governance		
• The annual financial statements were submitted for audit as per the legislated deadlines section 40 of the PFMA for departments and constitutional institutions.	X	
• The financial statements submitted for audit were not subject to any material amendments resulting from the audit.		X
• No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	X	
• The prior year's external audit recommendations have been substantially implemented.	X	

OTHER REPORTING RESPONSIBILITIES REPORT ON PERFORMANCE INFORMATION

19. I have reviewed the performance information as set out on pages 21 to 176.

Responsibility of the accounting officer for the performance information

20. The accounting officer has additional responsibilities as required by section 40(3)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the department.

Responsibility of the Auditor-General

21. I conducted my engagement in accordance with section 13 of the Public Audit Act (PAA), 2004 (Act No. 25 of 2004) read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*.
22. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF VOTE NO. 20 - DEPARTMENT OF DEFENCE for the year ended 31 March 2008 (continued)

Audit Findings (performance information)

23. I believe that the evidence I have obtained is sufficient and appropriate to report that no significant findings have been identified as a result of my review.

OTHER REPORTS

Performance audits

24. The two performance audits finalised during 2006-07 financial year were tabled in Parliament during the 2007-08 financial year. The focus areas and tabling date of the two performance audits were:
- The rendering of catering services at the Department of Defence. The report was tabled on 1 November 2007; and
 - The management and provision of official accommodation to staff at the Department of Defence. The report was tabled on 25 January 2008.

Special audits

25. As requested by the department, an assurance engagement was conducted during the year under review concerning the financial contribution received from the Netherlands Minister for the Security Sector Reform in the Democratic Republic of Congo. The report covered the period 1 September 2005 to 31 July 2006 and was issued on 30 September 2007.

APPRECIATION

26. The assistance rendered by the staff of the Department of Defence during the audit is sincerely appreciated.

Auditor - General

Pretoria
31 July 2008



ACCOUNTING POLICIES for the year ended 31 March 2008

The Financial Statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the Financial Statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), and the Treasury Regulations issued in terms of the Act.

1. Presentation of the Financial Statements

1.1 Basis of preparation

The financial statements have been prepared on a modified cash basis of accounting, except where stated otherwise. The modified cash basis constitutes the cash basis of accounting supplemented with additional disclosure items. Under the cash basis of accounting transactions and other events are recognised when cash is received or paid.

1.2 Presentation currency

All amounts have been presented in the currency of the South African Rand (R) which is also the functional currency of the department.

1.3 Rounding

Unless otherwise stated all financial figures have been rounded to the nearest one thousand Rand (R'000).

1.4 Comparative figures

Prior period comparative information has been presented in the current year's financial statements. Where necessary figures included in the prior period financial statements have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year's financial statements.

1.5 Comparative figures - Appropriation Statement

A comparison between actual amounts and final appropriation per major classification of expenditure is included in the appropriation statement.

2. Revenue

2.1 Appropriated funds

Appropriated and adjusted appropriated funds are recognised in the financial records on the date the appropriation becomes effective. Adjustments to the appropriated funds made in terms of the adjustments budget process are recognised in the financial records on the date the adjustments become effective.

Total appropriated funds are presented in the statement of financial performance.

ACCOUNTING POLICIES for the year ended 31 March 2008 (continued)

Unexpended appropriated funds are surrendered to the National Revenue Fund. Amounts owing to the National Revenue Fund at the end of the financial year are recognised in the statement of financial position.

2.2 Departmental revenue

All departmental revenue is paid into the National Revenue Fund when received, unless otherwise stated. Amounts owing to the National Revenue Fund at the end of the financial year are recognised in the statement of financial position.

Amounts receivable at the reporting date are disclosed in the disclosure notes to the annual financial statements.

2.2.1 Sales of goods and services other than capital assets

The proceeds received from the sale of goods and/or the provision of services is recognised in the statement of financial performance when the cash is received.

2.2.2 Fines, penalties and forfeits

Fines, penalties and forfeits are compulsory unrequited amounts which were imposed by a court or quasi-judicial body and collected by the department. Revenue arising from fines, penalties and forfeits is recognised in the statement of financial performance when the cash is received.

2.2.3 Interest, dividends and rent on land

Interest, dividends and rent on land is recognised in the statement of financial performance when the cash is received.

2.2.4 Sale of capital assets

The proceeds received on sale of capital assets are recognised in the statement of financial performance when the cash is received.

2.2.5 Financial transactions in assets and liabilities

Repayments of loans and advances previously extended to employees and public corporations for policy purposes are recognised as revenue in the statement of financial performance on receipt of the funds.

Cheques issued in previous accounting periods that expire before being banked are recognised as revenue in the statement of financial performance when the cheque becomes stale. When the cheque is reissued the payment is made from Revenue.

Forex gains are recognised on payment of funds.

2.2.6 Transfers received (including gifts, donations and sponsorships)

All cash gifts, donations and sponsorships are paid into the National Revenue Fund and recorded as revenue in the statement of financial performance when received. Amounts receivable at the reporting date are disclosed in the disclosure notes to the financial statements.

ACCOUNTING POLICIES for the year ended 31 March 2008 (continued)

All in-kind gifts, donations and sponsorships are disclosed at fair value in the annexure to the financial statements.

2.3 Local and foreign aid assistance

Local and foreign aid assistance is recognised as revenue when notification of the assistance is received from the National Treasury or when the department directly receives the cash from the donor(s).

All in-kind local and foreign aid assistance are disclosed at fair value in the annexures to the annual financial statements.

The cash payments made during the year relating to local and foreign aid assistance projects are recognised as expenditure in the statement of financial performance. The value of the assistance expensed prior to the receipt of the funds is recognised as a receivable in the statement of financial position.

Inappropriately expensed amounts using local and foreign aid assistance and any unutilised amounts are recognised as payables in the statement of financial position.

3. Expenditure

3.1 Compensation of employees

3.1.1 Short term employee benefits

Salaries and wages comprise payments to employees (including leave entitlements, thirteenth cheques and performance bonuses). Salaries and wages are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year). Capitalised compensation forms part of the expenditure for capital assets in the statement of financial performance .

All other payments are classified as current expense.

Short term employee benefits that give rise to a present legal or constructive obligation are disclosed in the disclosure notes to the financial statements. These amounts are not recognised in the statements of financial position or performance.

3.1.2 Post retirement benefits

The department provides retirement benefits (pension benefits) for certain of its employees through a defined benefit plan for government employees. These benefits are funded by both employer and employee contributions.

Employer contribution (i.e. social contributions) to the fund are expensed when the final authorisation for payment to the fund is effected on the system (by no later than 31 March of each year). No provision is made for retirement benefits in the financial statements of the department. Any potential liabilities are disclosed in the financial statements of the National/Provincial Revenue Fund and not in the financial statements of the employer department.

ACCOUNTING POLICIES

for the year ended 31 March 2008 (continued)

The department provides medical benefits for certain of its employees. Employer contributions to the medical funds are expensed when the payment to the fund is effected on the system (by no later than 31 March of each year).

3.1.3 Termination benefits

Termination benefits such as severance packages are recognised as an expense in the statement of financial performance as a transfer (to households) when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

3.1.4 Other long-term employee benefits

Other long-term employee benefits (such as capped leave) are recognised as an expense in the statements of financial performance as a transfer (to households) when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

Long-term employee benefits that give rise to a present legal or constructive obligation are disclosed in the disclosure notes to the financial statements. These amounts are not recognised in the statements of financial performance or position.

3.2 Goods and services

Payments made for goods and/or services are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year). The expense is classified as capital if the goods and services were used for a capital project or an asset of R5 000 or more is purchased. All assets costing less than R5 000 will also be reflected under goods and services.

3.3 Interest and rent on land

Interest and rental payments are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year). This item excludes rental for the use of buildings or other fixed structures. If it is not possible to distinguish between payment for the use of land and the fixed structures on it, the whole amount should be recorded under goods and services.

3.4 Financial transactions in assets and liabilities

Debts are written off when identified as irrecoverable. Debts written-off are limited to the amount of savings and/or under spending of appropriated funds. The write off occurs at year-end or when funds are available. No provision is made for irrecoverable amounts but amounts are disclosed as a disclosure note.

Forex losses are recognised on payment of funds.

All other losses are recognised when authorisation has been granted for the recognition thereof.

ACCOUNTING POLICIES for the year ended 31 March 2008 (continued)

3.5 Unauthorised expenditure

When discovered unauthorised expenditure is recognised as an asset in the statement of financial position until such time as the expenditure is either approved by the relevant authority, recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

Unauthorised expenditure approved with funding is recognised in the statement of financial performance when the unauthorised expenditure is approved and the related funds are received. Where the amount is approved without funding it is recognised as expenditure, subject to availability of savings, in the statement of financial performance on the date of approval.

3.6 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is recognised as an asset in the statement of financial position until such time as the expenditure is recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

3.7 Irregular expenditure

Irregular expenditure is recognised as expenditure in the statement of financial performance. If the expenditure is not condoned by the relevant authority it is treated as an asset until it is recovered or written off as irrecoverable.

3.8 Transfers and subsidies

Transfers and subsidies are recognised as an expense when the payment is effected on the system (by no later than 31 March of each year).

3.9 Expenditure for capital assets

Payments made for capital assets are recognised as an expense in the statement of financial performance when the payment is effected on the system (by no later than 31 March of each year).

4 Assets

4.1 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held, other short-term highly liquid investments and bank overdrafts.

4.2 Pre-payments and advances

Amounts prepaid or advanced are recognised in the statement of financial position when the payments are made.

Pre-payments and advances outstanding at the end of the year are carried in the statement of financial position at cost.

ACCOUNTING POLICIES

for the year ended 31 March 2008 (continued)

4.3 Receivables

Receivables included in the statement of financial position arise from cash payments made that are recoverable from another party.

Receivables outstanding at year-end are carried in the statement of financial position at cost.

4.4 Investments

Capitalised investments are shown at cost in the statement of financial position. Any cash flows such as dividends received or proceeds from the sale of the investment are recognised in the statement of financial performance when the cash is received.

Investments are tested for an impairment loss whenever events or changes in circumstances indicate that the investment may be impaired. Any loss is included in the disclosure notes.

4.5 Loans

Loans are recognised in the statement of financial position at the nominal amount when cash is paid to the beneficiary. Loan balances are reduced when cash repayments are received from the beneficiary. Amounts that are potentially irrecoverable are included in disclosure notes.

Loans that are outstanding at year-end are carried in the statement of financial position at cost.

4.6 Inventory

Inventories purchased during the financial year are disclosed at cost in the notes.

4.7 Capital assets

A capital asset is recorded on receipt of the item at cost. Cost of an asset is defined as the total cost of acquisition. Where the cost cannot be determined accurately, the capital asset may be stated at fair value. Where fair value cannot be determined, the capital asset is included in the asset register at R1.

Projects (of construction/development) running over more than one financial year relating to assets, are only capitalised as assets on completion of the project and at the total cost incurred over the duration of the project.

Disclosure Notes 32 and 33 reflect the total movement in the asset register for the current financial year.

5. Liabilities

5.1 Voted funds to be surrendered to the Revenue Fund

Unexpended appropriated funds are surrendered to the National/Provincial Revenue Fund. Amounts owing to the National/Provincial Revenue Fund at the end of the financial year are recognised in the statement of financial position.

ACCOUNTING POLICIES for the year ended 31 March 2008 (continued)

5.2 Departmental revenue to be surrendered to the Revenue Fund

Amounts owing to the National/Provincial Revenue Fund at the end of the financial year are recognised in the statement of financial position at cost.

5.3 Bank overdraft

The bank overdraft is carried in the statement of financial position at cost.

5.4 Payables

Recognised payables mainly comprise of amounts owing to other governmental entities. These payables are recognised at historical cost in the statement of financial position.

5.5 Contingent liabilities

Contingent liabilities are included in the disclosure notes.

5.6 Commitments

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

5.7 Accruals

Accruals are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

5.8 Employee benefits

Short-term employee benefits that give rise to a present legal or constructive obligation are disclosed in the disclosure notes to the financial statements. These amounts are not recognised in the statement of financial performance or the statement of financial position.

5.9 Lease commitments

Lease commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

Operating and finance lease commitments are expensed when the payments are made. Assets acquired in terms of finance lease agreements are disclosed in the annexure and disclosure notes to the financial statements.

6. Receivables for departmental revenue

Receivables for departmental revenue are disclosed in the disclosure notes to the financial statements.

ACCOUNTING POLICIES for the year ended 31 March 2008 (continued)

7. **Nett assets**

7.1 **Recoverable revenue**

Amounts are recognised as recoverable revenue when a payment made in a previous financial year becomes recoverable from a debtor in the current financial year.

8. **Related party transactions**

Specific information with regards to related party transactions is included in the disclosure notes.

9. **Key management personnel**

Compensation paid to key management personnel including their family members where relevant, is in the disclosure notes.

ANNUAL FINANCIAL STATEMENTS FOR DEPARTMENT OF DEFENCE - VOTE 20 for the year ended 31 March 2008

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**APPROPRIATION STATEMENT
for the year ended 31 March 2008**

Programme	Appropriation per Programme									
	2007/08					2006/07				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000	
1. Administration										
Current payment	2 007 849	-	(35 832)	1 972 017	1 972 017	-	100.0%	1 779 428	1 721 345	
Transfers and subsidies	23 317	-	8 731	32 048	32 048	-	100.0%	16 847	16 847	
Payment for capital assets	15 051	-	11 268	26 319	25 678	641	97.6%	15 626	15 626	
2. Landward Defence										
Current payment	4 277 482	-	(20 556)	4 256 926	4 256 926	-	100.0%	3 881 222	3 879 421	
Transfers and subsidies	3 134	-	56 233	59 367	59 367	-	100.0%	45 567	45 567	
Payment for capital assets	23 917	-	23 519	47 436	47 436	-	100.0%	64 533	64 533	
3. Air Defence										
Current payment	2 656 471	-	14 914	2 671 385	2 671 385	-	100.0%	2 432 063	2 432 063	
Transfers and subsidies	10 340	-	19 709	30 049	30 049	-	100.0%	37 641	37 641	
Payment for capital assets	20 402	-	36 207	56 609	56 324	285	99.5%	44 189	44 189	
4. Maritime Defence										
Current payment	1 306 635	-	6 770	1 313 405	1 313 405	-	100.0%	1 254 056	1 254 056	
Transfers and subsidies	75 063	-	11 160	86 223	86 222	1	100.0%	22 015	22 015	
Payment for capital assets	22 072	-	11 705	33 777	33 777	-	100.0%	35 769	35 769	
5. Military Health Support										
Current payment	1 759 471	-	34 579	1 794 050	1 793 278	772	100.0%	1 592 591	1 592 591	
Transfers and subsidies	5 236	-	8 846	14 082	14 082	-	100.0%	23 885	23 885	
Payment for capital assets	79 947	-	2 208	82 155	69 282	12 873	84.3%	87 631	87 631	

**APPROPRIATION STATEMENT
for the year ended 31 March 2008 (continued)**

Programme	Appropriation per Programme									
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000	
				2007/08					2006/07	
6. Defence Intelligence										
Current payment	159 468	-	(6 797)	152 671	152 671	-	100.0%	142 335	142 335	
Transfers and subsidies	3 438	-	2 791	6 229	6 229	-	100.0%	2 027	2 027	
Payment for capital assets	786	-	(113)	673	673	-	100.0%	3 132	3 132	
7. Joint Support										
Current payment	2 474 609	-	(180 963)	2 293 646	2 213 826	79 820	96.5%	2 094 216	2 094 216	
Transfers and subsidies	447 858	-	8 046	455 904	454 348	1 556	99.7%	445 165	444 653	
Payment for capital assets	316 373	-	27 725	344 098	209 616	134 482	60.9%	132 163	107 239	
8. Force Employment										
Current payment	1 460 929	-	(42 078)	1 418 851	1 381 996	36 855	97.4%	1 384 444	1 384 444	
Transfers and subsidies	6 338	-	2 496	8 834	8 834	-	100.0%	9 464	9 464	
Payment for capital assets	56 339	-	(568)	55 771	54 933	838	98.5%	76 157	76 157	
9. Special Defence Account										
Transfers and subsidies	9 079 260	-	-	9 079 260	8 235 711	843 549	90.7%	8 280 738	8 280 738	
Total	26 291 785	-	-	26 291 785	25 180 113	1 111 672	95.8%	23 902 904	23 817 584	
Reconciliation with Statement of Financial Performance										
Add: Departmental revenue				551 855				492 792		
Local and foreign aid assistance				-				-		
Actual amounts per Statement of Financial Performance (Total Revenue)				26 843 640				24 395 696		
Add: Local and foreign aid assistance				-				-		
Actual amounts per Statement of Financial Performance Expenditure				25 180 113				11 240		
									23 828 824	

**APPROPRIATION STATEMENT
for the year ended 31 March 2008 (continued)**

Programme	Appropriation per Economic classification									
	2007/08					2006/07				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000	
Current payments										
Compensation of employees	9 726 694	-	9 983	9 736 677	9 735 905	772	100.0%	9 037 595	9 037 595	
Goods and services	6 376 220	-	(272 175)	6 104 045	5 987 370	116 675	98.1%	5 504 803	5 444 919	
Financial transactions in assets and liabilities	-	-	32 229	32 229	32 229	-	100.0%	17 957	17 957	
Transfers and subsidies										
Provinces and municipalities	-	-	36 710	36 710	36 710	-	100.0%	3 967	3 967	
Departmental agencies and accounts	9 087 651	-	-	9 087 651	8 243 440	844 211	90.7%	8 288 671	8 288 458	
Public corporations and private enterprises	467 427	-	6 400	473 827	473 826	1	100.0%	396 286	396 286	
Non-profit institutions	3 432	-	340	3 772	2 878	894	76.3%	3 051	2 752	
Households	95 474	-	74 562	170 036	170 036	-	100.0%	191 374	191 374	
Payments for capital assets										
Buildings and other fixed structures	218 116	-	2 829	220 945	93 357	127 588	42.3%	74 097	49 173	
Machinery and equipment	308 713	-	108 755	417 468	395 937	21 531	94.8%	383 820	383 820	
Software and other intangible assets	8 058	-	367	8 425	8 425	-	100.0%	1 283	1 283	
Total	26 291 785	-	-	26 291 785	25 180 113	1 111 672	95.8%	23 902 904	23 817 584	

DETAIL PER PROGRAMME 1 - ADMINISTRATION
for the year ended 31 March 2008

Programme per subprogramme	2007 / 08						2006 / 07		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
1.1 Minister									
Current payment	938	-	-	938	938	-	100.0%	887	887
1.2 Deputy Minister									
Current payment	762	-	-	762	762	-	100.0%	721	721
1.3 Political Direction									
Current payment	13 348	-	807	14 155	14 155	-	100.0%	14 241	14 241
Transfers and subsidies	-	-	63	63	63	-	100.0%	10	10
Payment for capital assets	70	-	1 429	1 499	1 499	-	100.0%	716	716
1.4 Departmental Direction									
Current payment	16 178	-	(2 009)	14 169	14 169	-	100.0%	12 775	12 775
Transfers and subsidies	-	-	1 299	1 299	1 299	-	100.0%	2	2
Payment for capital assets	581	-	301	882	882	-	100.0%	1 164	1 164
1.5 Policy and Planning									
Current payment	19 610	-	30 173	49 783	49 783	-	100.0%	58 330	58 330
Transfers and subsidies	1 526	-	220	1 746	1 746	-	100.0%	2 204	2 204
Payment for capital assets	321	-	289	610	610	-	100.0%	620	620
1.6 Financial Services									
Current payment	183 734	-	(16 903)	166 831	166 831	-	100.0%	161 112	161 112
Transfers and subsidies	9 053	-	(577)	8 476	8 476	-	100.0%	2 393	2 393
Payment for capital assets	3 092	-	1 245	4 337	4 337	-	100.0%	2 370	2 370

DETAIL PER PROGRAMME 1 - ADMINISTRATION
for the year ended 31 March 2008 (continued)

Programme per subprogramme	2007/08						2006/07		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
1.7 Human Resources Support Services									
Current payment	400 562	-	(79 701)	320 861	320 861	-	100.0%	264 732	264 732
Transfers and subsidies	8 637	-	2 853	11 490	11 490	-	100.0%	6 385	6 385
Payment for capital assets	6 308	-	760	7 068	6 427	641	90.9%	2 611	2 611
1.8 Legal Services									
Current payment	84 136	-	(1 639)	82 497	82 497	-	100.0%	76 038	76 038
Transfers and subsidies	1 908	-	(1 118)	790	790	-	100.0%	2 571	2 571
Payment for capital assets	2 390	-	187	2 577	2 577	-	100.0%	2 642	2 642
1.9 Inspection Services									
Current payment	44 770	-	(8 413)	36 357	36 357	-	100.0%	34 157	34 157
Transfers and subsidies	-	-	952	952	952	-	100.0%	59	59
Payment for capital assets	816	-	282	1 098	1 098	-	100.0%	1 689	1 689
1.10 Acquisition Services									
Current payment	43 218	-	1 605	44 823	44 823	-	100.0%	39 801	39 801
Transfers and subsidies	1 587	-	3 231	4 818	4 818	-	100.0%	747	747
Payment for capital assets	220	-	813	1 033	1 033	-	100.0%	535	535
1.11 Corporate Communications									
Current payment	22 171	-	(2 202)	19 969	19 969	-	100.0%	19 134	19 134
Transfers and subsidies	183	-	544	727	727	-	100.0%	6	6
Payment for capital assets	405	-	828	1 233	1 233	-	100.0%	293	293

DETAIL PER PROGRAMME 1 - ADMINISTRATION
for the year ended 31 March 2008 (continued)

Programme per subprogramme	2007/08							2006/07	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
1.12 SANDF Command and Control									
Current payment	6 981	-	21 492	28 473	28 473	-	100.0%	6 027	6 027
Transfers and subsidies	97	-	267	364	364	-	100.0%	893	893
Payment for capital assets	157	-	152	309	309	-	100.0%	177	177
1.13 Religious Services									
Current payment	4 707	-	733	5 440	5 440	-	100.0%	5 246	5 246
Transfers and subsidies	-	-	18	18	18	-	100.0%	2	2
Payment for capital assets	32	-	11	43	43	-	100.0%	129	129
1.14 Reserve Component									
Current payment	10 986	-	(3 344)	7 642	7 642	-	100.0%	7 307	7 307
Transfers and subsidies	-	-	34	34	34	-	100.0%	3	3
Payment for capital assets	103	-	-	103	103	-	100.0%	67	67
1.15 Defence Foreign Relations									
Current payment	83 240	-	8 609	91 849	91 849	-	100.0%	69 053	69 053
Transfers and subsidies	326	-	945	1 271	1 271	-	100.0%	1 572	1 572
Payment for capital assets	556	-	4 971	5 527	5 527	-	100.0%	2 613	2 613
1.16 Property Management									
Current payment	1 072 508	-	10 160	1 082 668	1 082 668	-	100.0%	999 401	941 318
1.17 Internal Services									
Current payment	-	-	(1 988)	(1 988)	(1 988)	-	100.0%	-	-

| Financial Performance |

DETAIL PER PROGRAMME 1 - ADMINISTRATION
for the year ended 31 March 2008 (continued)

Programme per subprogramme	2007/08					2006/07			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
1.18									
Authorised Losses									
Current payment	-	-	6 912	6 912	6 912	-	100.0%	11 636	11 636
1.19									
Income									
Current payment	-	-	(124)	(124)	(124)	-	100.0%	(1 170)	(1 170)
Total	2 046 217	-	(15 833)	2 030 384	2 029 743	641	100.0%	1 811 901	1 753 818

Economic classification	2007/08					2006/07			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
Current payments									
Compensation of employees	686 579	-	(35 619)	650 960	650 960	-	100.0%	575 433	575 433
Goods and services	1 321 270	-	(7 125)	1 314 145	1 314 145	-	100.0%	1 192 359	1 134 276
Financial transactions in assets and liabilities	-	-	6 912	6 912	6 912	-	100.0%	11 636	11 636
Transfers and subsidies									
Provinces and municipalities	-	-	4 298	4 298	4 298	-	100.0%	204	204
Households	23 317	-	4 433	27 750	27 750	-	100.0%	16 643	16 643
Payments for capital assets									
Machinery and equipment	15 008	-	11 301	26 309	25 668	641	97.6%	15 626	15 626
Software and other intangible assets	43	-	(33)	10	10	-	100.0%	-	-
Total	2 046 217	-	(15 833)	2 030 384	2 029 743	641	100.0%	1 811 901	1 753 818

DETAIL PER PROGRAMME 2 - LANDWARD DEFENCE
for the year ended 31 March 2008 (continued)

Programme per subprogramme	2007/08						2006/07		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
2.1 Strategic Direction									
Current payment	204 349	-	(30 877)	173 472	173 472	-	100.0%	116 018	116 018
Transfers and subsidies	653	-	3 381	4 034	4 034	-	100.0%	5 544	5 544
Payment for capital assets	853	-	396	1 249	1 249	-	100.0%	481	481
2.2 Infantry Capability									
Current payment	1 609 392	-	66 518	1 675 910	1 675 910	-	100.0%	1 520 302	1 518 501
Transfers and subsidies	609	-	15 734	16 343	16 343	-	100.0%	11 136	11 136
Payment for capital assets	2 508	-	6 492	9 000	9 000	-	100.0%	4 866	4 866
2.3 Armour Capability									
Current payment	145 525	-	23 651	169 176	169 176	-	100.0%	142 994	142 994
Transfers and subsidies	178	-	3 379	3 557	3 557	-	100.0%	2 150	2 150
Payment for capital assets	430	-	(47)	383	383	-	100.0%	414	414
2.4 Artillery Capability									
Current payment	139 861	-	11 990	151 851	151 851	-	100.0%	124 831	124 831
Transfers and subsidies	191	-	2 167	2 358	2 358	-	100.0%	2 631	2 631
Payment for capital assets	733	-	(143)	590	590	-	100.0%	883	883
2.5 Air Defence Artillery Capability									
Current payment	103 073	-	9 878	112 951	112 951	-	100.0%	92 216	92 216
Transfers and subsidies	135	-	1 718	1 853	1 853	-	100.0%	1 302	1 302
Payment for capital assets	1 509	-	(731)	778	778	-	100.0%	1 182	1 182

DETAIL PER PROGRAMME 2 - LANDWARD DEFENCE
for the year ended 31 March 2008 (continued)

Programme per subprogramme	2007/08					2006/07			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation	Final Appropriation R'000	Actual Expenditure R'000
2.6 Engineering Capability									
Current payment	229 884	-	8 383	238 267	238 267	-	100.0%	206 955	206 955
Transfers and subsidies	278	-	4 316	4 594	4 594	-	100.0%	3 656	3 656
Payment for capital assets	1 452	-	(592)	860	860	-	100.0%	1 251	1 251
2.7 Operational Intelligence									
Current payment	82 880	-	4 573	87 453	87 453	-	100.0%	70 512	70 512
Transfers and subsidies	71	-	1 087	1 158	1 158	-	100.0%	840	840
Payment for capital assets	144	-	95	239	239	-	100.0%	178	178
2.8 Command and Control Capability									
Current payment	64 801	-	7 846	72 647	72 647	-	100.0%	63 926	63 926
Transfers and subsidies	58	-	2 557	2 615	2 615	-	100.0%	4 173	4 173
Payment for capital assets	424	-	(105)	319	319	-	100.0%	5 233	5 233
2.9 Support Capability									
Current payment	1 414 769	-	(4 199)	1 410 570	1 410 570	-	100.0%	1 401 335	1 401 335
Transfers and subsidies	845	-	19 193	20 038	20 038	-	100.0%	11 535	11 535
Payment for capital assets	11 813	-	19 293	31 106	31 106	-	100.0%	49 331	49 331
2.10 General Training Capability									
Current payment	282 948	-	(110 918)	172 030	172 030	-	100.0%	150 710	150 710
Transfers and subsidies	116	-	2 701	2 817	2 817	-	100.0%	2 600	2 600
Payment for capital assets	4 051	-	(1 139)	2 912	2 912	-	100.0%	714	714

DETAIL PER PROGRAMME 2 - LANDWARD DEFENCE
for the year ended 31 March 2008 (continued)

Programme per subprogramme	2007 / 08						2006 / 07		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
2.11 Defence Commitments Current payment	-	-	-	-	-	-	0.0%	3 744	3 744
2.12 Authorised Losses Current payment	-	-	3 449	3 449	3 449	-	100.0%	4 173	4 173
2.13 Internal Services Current payment	-	-	(9 695)	(9 695)	(9 695)	-	100.0%	(15 156)	(15 156)
2.14 Income Current payment	-	-	(1 155)	(1 155)	(1 155)	-	100.0%	(1 338)	(1 338)
Total	4 304 533	-	59 196	4 363 729	4 363 729	-	100.0%	3 991 322	3 989 521

| Financial Performance |

DETAIL PER PROGRAMME 2 - LANDWARD DEFENCE
for the year ended 31 March 2008 (continued)

Economic classification	2007/08					2006/07			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
Current payments									
Compensation of employees	3 478 945	-	6 156	3 485 101	3 485 101	-	100.0%	3 151 468	3 151 468
Goods and services	798 537	-	(30 161)	768 376	768 376	-	100.0%	725 581	723 780
Financial transactions in assets and liabilities	-	-	3 449	3 449	3 449	-	100.0%	4 173	4 173
Transfers and subsidies									
Provinces and municipalities	-	-	11 576	11 576	11 576	-	100.0%	1 535	1 535
Households	3 134	-	44 657	47 791	47 791	-	100.0%	44 032	44 032
Capital									
Machinery and equipment	23 687	-	23 743	47 430	47 430	-	100.0%	64 509	64 509
Software and other intangible assets	230	-	(224)	6	6	-	100.0%	24	24
Total	4 304 533	-	59 196	4 363 729	4 363 729	-	100.0%	3 991 322	3 989 521

DETAIL PER PROGRAMME 3 - AIR DEFENCE
for the year ended 31 March 2008

Programme per subprogramme	2007/08							2006/07	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
3.1 Strategic Direction									
Current payment	11 032	-	(449)	10 583	10 583	-	100.0%	11 378	11 378
Transfers and subsidies	-	-	95	95	95	-	100.0%	17	17
Payment for capital assets	470	-	519	989	989	-	100.0%	1 072	1 072
3.2 Operational Direction									
Current payment	73 319	-	95 288	168 607	168 607	-	100.0%	139 013	139 013
Transfers and subsidies	-	-	91	91	91	-	100.0%	-	-
Payment for capital assets	619	-	210	829	829	-	100.0%	679	679
3.3 Helicopter Capability									
Current payment	283 850	-	30 825	314 675	314 675	-	100.0%	279 302	279 302
Transfers and subsidies	50	-	931	981	981	-	100.0%	806	806
Payment for capital assets	4 936	-	(291)	4 645	4 360	285	93.9%	3 237	3 237
3.4 Transport and Maritime Capability									
Current payment	224 738	-	18 005	242 743	242 743	-	100.0%	212 568	212 568
Transfers and subsidies	324	-	299	623	623	-	100.0%	1 995	1 995
Payment for capital assets	4 188	-	795	4 983	4 983	-	100.0%	2 419	2 419
3.5 Air Combat and Reconnaissance Capability									
Current payment	238 566	-	(87 193)	151 373	151 373	-	100.0%	195 129	195 129
Transfers and subsidies	-	-	757	757	757	-	100.0%	727	727
Payment for capital assets	55	-	20 246	20 301	20 301	-	100.0%	6 131	6 131

DETAIL PER PROGRAMME 3 - AIR DEFENCE
for the year ended 31 March 2008 (continued)

Programme per subprogramme	2007/08						2006/07		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation	Final Appropriation R'000	Actual Expenditure R'000
3.6 Operational Support and Intelligence Capability									
Current payment	112 395	-	386	112 781	112 781	-	100.0%	109 466	109 466
Transfers and subsidies	-	-	1 452	1 452	1 452	-	100.0%	782	782
Payment for capital assets	2 101	-	(192)	1 909	1 909	-	100.0%	1 540	1 540
3.7 Command and Control Capability									
Current payment	145 259	-	1 777	147 036	147 036	-	100.0%	147 560	147 560
Transfers and subsidies	-	-	924	924	924	-	100.0%	304	304
Payment for capital assets	374	-	2 046	2 420	2 420	-	100.0%	6 973	6 973
3.8 Base Support Capability									
Current payment	838 941	-	19 044	857 985	857 985	-	100.0%	748 385	748 385
Transfers and subsidies	8 906	-	7 828	16 734	16 734	-	100.0%	25 230	25 230
Payment for capital assets	2 089	-	4 639	6 728	6 728	-	100.0%	6 187	6 187
3.9 Command Post									
Current payment	41 596	-	(11 242)	30 354	30 354	-	100.0%	62 694	62 694
Transfers and subsidies	150	-	1 390	1 540	1 540	-	100.0%	1 833	1 833
Payment for capital assets	162	-	12	174	174	-	100.0%	833	833
3.10 Training Capability									
Current payment	221 371	-	5 039	226 410	226 410	-	100.0%	190 016	190 016
Transfers and subsidies	156	-	1 872	2 028	2 028	-	100.0%	1 731	1 731
Payment for capital assets	72	-	6 000	6 072	6 072	-	100.0%	6 092	6 092

DETAIL PER PROGRAMME 3 - AIR DEFENCE
for the year ended 31 March 2008 (continued)

Programme per subprogramme	2007 / 08						2006 / 07		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
3.11 Technical Support									
Services									
Current payment	465 404	-	41 644	507 048	507 048	-	100.0%	446 866	446 866
Transfers and subsidies	754	-	4 070	4 824	4 824	-	100.0%	4 216	4 216
Payment for capital assets	5 336	-	2 223	7 559	7 559	-	100.0%	9 026	9 026
3.12 Authorised Losses									
Current payment	-	-	240	240	240	-	100.0%	1 464	1 464
3.13 Internal Services									
Current payment	-	-	(92 292)	(92 292)	(92 292)	-	100.0%	(108 874)	(108 874)
3.14 Income									
Current payment	-	-	(6 158)	(6 158)	(6 158)	-	100.0%	(2 904)	(2 904)
Total	2 687 213	-	70 830	2 758 043	2 757 758	285	100.0%	2 513 893	2 513 893

DETAIL PER PROGRAMME 3 - AIR DEFENCE
for the year ended 31 March 2008 (continued)

Economic classification	2007/08					2006/07			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
Current payments									
Compensation of employees	1 525 137	-	(37 467)	1 487 670	1 487 670	-	100.0%	1 359 744	1 359 744
Goods and services	1 131 334	-	52 141	1 183 475	1 183 475	-	100.0%	1 070 855	1 070 855
Financial transactions in assets and liabilities	-	-	240	240	240	-	100.0%	1 464	1 464
Transfers and subsidies									
Provinces and municipalities	-	-	6 251	6 251	6 251	-	100.0%	597	597
Households	10 340	-	13 458	23 798	23 798	-	100.0%	37 044	37 044
Capital									
Machinery and equipment	20 402	-	35 547	55 949	55 664	285	99.5%	43 801	43 801
Software and other intangible assets	-	-	660	660	660	-	100.0%	388	388
Total	2 687 213	-	70 830	2 758 043	2 757 758	285	100.0%	2 513 893	2 513 893

DETAIL PER PROGRAMME 4 - MARITIME DEFENCE
for the year ended 31 March 2008

Programme per subprogramme	2007/08					2006/07			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
4.1 Maritime Direction									
Current payment	354 949	-	(101 489)	253 460	253 460	-	100.0%	263 010	263 010
Transfers and subsidies	22 936	-	(6 619)	16 317	16 317	-	100.0%	11 441	11 441
Payment for capital assets	2 207	-	1 896	4 103	4 103	-	100.0%	1 591	1 591
4.2 Maritime Combat Capability									
Current payment	196 918	-	58 999	255 917	255 917	-	100.0%	366 261	366 261
Transfers and subsidies	-	-	4 496	4 496	4 496	-	100.0%	442	442
Payment for capital assets	1 358	-	563	1 921	1 921	-	100.0%	21 545	21 545
4.3 Maritime Logistic Support Capability									
Current payment	309 755	-	(17 092)	292 663	292 663	-	100.0%	178 308	178 308
Transfers and subsidies	52 127	-	8 062	60 189	60 188	1	100.0%	2 549	2 549
Payment for capital assets	13 511	-	(6 802)	6 709	6 709	-	100.0%	9 861	9 861
4.4 Maritime Training Capability									
Current payment	106 540	-	37 021	143 561	143 561	-	100.0%	132 648	132 648
Transfers and subsidies	-	-	426	426	426	-	100.0%	2 117	2 117
Payment for capital assets	90	-	217	307	307	-	100.0%	14	14
4.5 Base Support Capability									
Current payment	338 473	-	28 674	367 147	367 147	-	100.0%	313 821	313 821
Transfers and subsidies	-	-	4 795	4 795	4 795	-	100.0%	5 466	5 466
Payment for capital assets	4 906	-	15 831	20 737	20 737	-	100.0%	2 758	2 758

DETAIL PER PROGRAMME 4 - MARITIME DEFENCE
for the year ended 31 March 2008 (continued)

Programme per subprogramme	2007/08					2006/07			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation	Final Appropriation R'000	Actual Expenditure R'000
4.6 Authorised Losses									
Current payment	-	-	959	959	959	-	100.0%	312	312
4.7 Income									
Current payment	-	-	(302)	(302)	(302)	-	100.0%	(304)	(304)
Total	1 403 770	-	29 635	1 433 405	1 433 404	1	100.0%	1 311 840	1 311 840

Economic classification	2007/08					2006/07			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation	Final Appropriation R'000	Actual Expenditure R'000
Current payments									
Compensation of employees	799 438	-	(860)	798 578	798 578	-	100.0%	780 456	780 456
Goods and services	507 197	-	6 671	513 868	513 868	-	100.0%	473 288	473 288
Financial transactions in assets and liabilities	-	-	959	959	959	-	100.0%	312	312
Transfers and subsidies									
Provinces and municipalities	-	-	11 705	11 705	11 705	-	100.0%	288	288
Public corporations & private enterprises	52 127	-	6 400	58 527	58 526	1	100.0%	-	-
Households	22 936	-	(6 945)	15 991	15 991	-	100.0%	21 727	21 727

DETAIL PER PROGRAMME 4 - MARITIME DEFENCE
for the year ended 31 March 2008 (continued)

Economic classification	2007/08						2006/07		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
Capital									
Buildings & other fixed structures	-	-	13 717	13 717	13 717	-	100.0%	-	-
Machinery and equipment	21 742	-	(1 752)	19 990	19 990	-	100.0%	35 074	35 074
Software and other intangible assets	330	-	(260)	70	70	-	100.0%	695	695
Total	1 403 770	-	29 635	1 433 405	1 433 404	1	100.0%	1 311 840	1 311 840

DETAIL PER PROGRAMME 5 - MILITARY HEALTH SUPPORT
for the year ended 31 March 2008 (continued)

Programme per subprogramme	2007/08						2006/07		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
5.1 Strategic Direction									
Current payment	109 318	-	6 171	115 489	115 489	-	100.0%	81 963	81 963
Transfers and subsidies	107	-	1 632	1 739	1 739	-	100.0%	3 722	3 722
Payment for capital assets	3 030	-	(1 294)	1 736	1 736	-	100.0%	2 457	2 457
5.2 Military Health Support									
Current payment	54 239	-	19 444	73 683	73 683	-	100.0%	60 667	60 667
Transfers and subsidies	390	-	(68)	322	322	-	100.0%	637	637
Payment for capital assets	6 664	-	(3 981)	2 683	2 683	-	100.0%	2 554	2 554
5.3 Area Military Health Service									
Current payment	641 201	-	18 340	659 541	659 541	-	100.0%	596 161	596 161
Transfers and subsidies	-	-	5 273	5 273	5 273	-	100.0%	7 655	7 655
Payment for capital assets	17 440	-	(2 212)	15 228	14 721	507	96.7%	35 913	35 913
5.4 Specialist/Tertiary Health Service									
Current payment	600 496	-	23 052	623 548	622 776	772	99.9%	557 881	557 881
Transfers and subsidies	-	-	3 542	3 542	3 542	-	100.0%	6 115	6 115
Payment for capital assets	37 640	-	(14 462)	23 178	22 783	395	98.3%	21 657	21 657
5.5 Product Support Capability									
Current payment	125 477	-	(26 403)	99 074	99 074	-	100.0%	103 911	103 911
Transfers and subsidies	-	-	363	363	363	-	100.0%	445	445
Payment for capital assets	2 708	-	1 417	4 125	4 125	-	100.0%	4 907	4 907

DETAIL PER PROGRAMME 5 - MILITARY HEALTH SUPPORT
for the year ended 31 March 2008 (continued)

Programme per subprogramme	2007/08						2006/07		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
5.6 Base Support Capability									
Current payment	108 494	-	(15 444)	93 050	93 050	-	100.0%	98 776	98 776
Transfers and subsidies	4 734	-	(3 236)	1 498	1 498	-	100.0%	3 292	3 292
Payment for capital assets	5 925	-	26 030	31 955	19 984	11 971	62.5%	18 706	18 706
5.7 Military Health Training Capability									
Current payment	120 246	-	10 354	130 600	130 600	-	100.0%	100 033	100 033
Transfers and subsidies	5	-	1 340	1 345	1 345	-	100.0%	2 019	2 019
Payment for capital assets	6 540	-	(3 290)	3 250	3 250	-	100.0%	1 437	1 437
5.8 Authorised Losses									
Current payment	-	-	1 730	1 730	1 730	-	100.0%	247	247
5.9 Income									
Current payment	-	-	(2 665)	(2 665)	(2 665)	-	100.0%	(7 048)	(7 048)
Total	1 844 654	-	45 633	1 890 287	1 876 642	13 645	99.3%	1 704 107	1 704 107

**DETAIL PER PROGRAMME 5 - MILITARY HEALTH SUPPORT
for the year ended 31 March 2008 (continued)**

Economic classification	2007/08						2006/07		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
Current payments									
Compensation of employees	1 162 409	-	32 474	1 194 883	1 194 111	772	99.9%	1 063 049	1 063 049
Goods and services	597 062	-	375	597 437	597 437	-	100.0%	529 295	529 295
Financial transactions in assets and liabilities	-	-	1 730	1 730	1 730	-	100.0%	247	247
Transfers and subsidies									
Provinces and municipalities	-	-	281	281	281	-	100.0%	537	537
Households	5 236	-	8 565	13 801	13 801	-	100.0%	23 348	23 348
Capital									
Buildings & other fixed structures	-	-	754	754	754	-	100.0%	-	-
Machinery and equipment	79 911	-	1 490	81 401	68 528	12 873	84.2%	87 563	87 563
Software and other intangible assets	36	-	(36)	-	-	-	0.0%	68	68
Total	1 844 654	-	45 633	1 890 287	1 876 642	13 645	99.3%	1 704 107	1 704 107

DETAIL PER PROGRAMME 6 - DEFENCE INTELLIGENCE
for the year ended 31 March 2008

Programme per subprogramme	2007/08						2006/07		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
6.1 Strategic Direction									
Current payment	1 468	-	(192)	1 276	1 276	-	100.0%	1 232	1 232
6.2 Defence Counter Intelligence Services									
Current payment	5 457	-	(575)	4 882	4 882	-	100.0%	4 821	4 821
Payment for capital assets	314	-	36	350	350	-	100.0%	1 052	1 052
6.3 Defence Intelligence Support									
Current payment	152 543	-	(6 030)	146 513	146 513	-	100.0%	136 280	136 280
Transfers and subsidies	3 438	-	2 791	6 229	6 229	-	100.0%	2 027	2 027
Payment for capital assets	472	-	(149)	323	323	-	100.0%	2 080	2 080
6.4 Authorised Losses									
Current payment	-	-	-	-	-	-	0.0%	2	2
Total	163 692	-	(4 119)	159 573	159 573	-	100.0%	147 494	147 494

DETAIL PER PROGRAMME 6 - DEFENCE INTELLIGENCE
for the year ended 31 March 2008 (continued)

Economic classification	2007/08						2006/07		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
Current payments									
Compensation of employees	137 469	-	(5 466)	132 003	132 003	-	100.0%	124 443	124 443
Goods and services	21 999	-	(1 331)	20 668	20 668	-	100.0%	17 890	17 890
Financial transactions in assets and liabilities	-	-	-	-	-	-	0.0%	2	2
Transfers and subsidies									
Provinces and municipalities	-	-	13	13	13	-	100.0%	63	63
Households	3 438	-	2 778	6 216	6 216	-	100.0%	1 964	1 964
Capital									
Machinery and equipment	786	-	(113)	673	673	-	100.0%	3 132	3 132
Total	163 692	-	(4 119)	159 573	159 573	-	100.0%	147 494	147 494

DETAIL PER PROGRAMME 7 - JOINT SUPPORT
for the year ended 31 March 2008

Programme per subprogramme	2007/08						2006/07		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
7.1 Strategic Direction									
Current payment	1 368	-	163	1 531	1 531	-	100.0%	3 858	3 858
Transfers and subsidies	-	-	-	-	-	-	0.0%	55	55
Payment for capital assets	-	-	-	-	-	-	0.0%	222	222
7.2 Joint Logistic Services									
Current payment	1 062 493	-	(143 897)	918 596	838 776	79 820	91.3%	696 364	696 364
Transfers and subsidies	13 826	-	(335)	13 491	13 491	-	100.0%	16 091	16 091
Payment for capital assets	281 770	-	(17 174)	264 596	130 114	134 482	49.2%	94 088	69 164
7.3 Command and Management									
Information Services									
Current payment	1 024 697	-	(10 142)	1 014 555	1 014 555	-	100.0%	936 705	936 705
Transfers and subsidies	2 994	-	4 944	7 938	7 938	-	100.0%	9 781	9 781
Payment for capital assets	24 297	-	39 602	63 899	63 899	-	100.0%	23 727	23 727
7.4 Military Police									
Current payment	252 891	-	(24 005)	228 886	228 886	-	100.0%	213 013	213 013
Transfers and subsidies	3 034	-	1 539	4 573	4 573	-	100.0%	6 263	6 263
Payment for capital assets	10 283	-	4 809	15 092	15 092	-	100.0%	11 193	11 193
7.5 Service Corps									
Current payment	12 077	-	4 044	16 121	16 121	-	100.0%	42 219	42 219
Transfers and subsidies	449	-	268	717	717	-	100.0%	2 171	2 171
Payment for capital assets	-	-	3	3	3	-	100.0%	340	340

| Financial Performance |

DETAIL PER PROGRAMME 7 - JOINT SUPPORT
for the year ended 31 March 2008 (continued)

Programme per subprogramme	2007/08						2006/07		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
7.6 Acquisition Services									
Current payment	-	-	-	-	-	-	0.0%	296	296
Payment for capital assets	-	-	-	-	-	-	0.0%	13	13
7.7 Joint Training									
Current payment	32 035	-	11 100	43 135	43 135	-	100.0%	135 284	135 284
Transfers and subsidies	8 823	-	1 290	10 113	9 451	662	93.5%	11 467	11 254
Payment for capital assets	23	-	5	28	28	-	100.0%	2 580	2 580
7.8 Assistance									
Transfers and subsidies	-	-	-	-	-	-	0.0%	325	252
7.9 Departmental Support									
Current payment	89 048	-	(36 512)	52 536	52 536	-	100.0%	60 862	60 862
Transfers and subsidies	418 732	-	340	419 072	418 178	894	99.8%	399 012	398 786
Payment for capital assets	-	-	480	480	480	-	100.0%	-	-
7.10 British Military Advisory and Training									
Current payment	-	-	-	-	-	-	0.0%	5 624	5 624
7.11 Authorised Losses									
Current payment	-	-	18 908	18 908	18 908	-	100.0%	80	80
7.12 Income									
Current payment	-	-	(18)	(18)	(18)	-	100.0%	(89)	(89)
7.13 Internal Services									
Current payment	-	-	(604)	(604)	(604)	-	100.0%	-	-
Total	3 238 840	-	(145 192)	3 093 648	2 877 790	215 858	93.0%	2 671 544	2 646 108

DETAIL PER PROGRAMME 7 - JOINT SUPPORT
for the year ended 31 March 2008 (continued)

Economic classification	2007/08						2006/07		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
Current payments									
Compensation of employees	1 270 294	-	(48 573)	1 221 721	1 221 721	-	100.0%	1 284 964	1 284 964
Goods and services	1 204 315	-	(151 298)	1 053 017	973 197	79 820	92.4%	809 172	809 172
Financial transactions in assets and liabilities	-	-	18 908	18 908	18 908	-	100.0%	80	80
Transfers and subsidies									
Provinces and municipalities	-	-	1 247	1 247	1 247	-	100.0%	631	631
Departmental agencies and accounts	8 391	-	-	8 391	7 729	662	92.1%	7 933	7 720
Public corporations and private enterprises	415 300	-	-	415 300	415 300	-	100.0%	396 286	396 286
Non-profit institutions	3 432	-	340	3 772	2 878	894	76.3%	3 051	2 752
Households	20 735	-	6 459	27 194	27 194	-	100.0%	37 264	37 264
Capital									
Buildings and other fixed structures	217 775	-	(13 082)	204 693	77 105	127 588	37.7%	74 097	49 173
Machinery and equipment	91 179	-	40 547	131 726	124 832	6 894	94.8%	57 958	57 958
Software and other intangible assets	7 419	-	260	7 679	7 679	-	100.0%	108	108
Total	3 238 840	-	(145 192)	3 093 648	2 877 790	215 858	93.0%	2 671 544	2 646 108

DETAIL PER PROGRAMME 8 - FORCE EMPLOYMENT
for the year ended 31 March 2008

Programme per subprogramme	2007/08				2006/07				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
8.1 Strategic Direction									
Current payment	49 330	-	(1 861)	47 469	47 469	-	100.0%	180 917	180 917
Transfers and subsidies	1 250	-	(475)	775	775	-	100.0%	5 958	5 958
Payment for capital assets	1 070	-	1 478	2 548	2 548	-	100.0%	7 457	7 457
8.2 Special Operations									
Current payment	188 282	-	15 850	204 132	204 132	-	100.0%	156 053	156 053
Transfers and subsidies	2 655	-	(326)	2 329	2 329	-	100.0%	3 506	3 506
Payment for capital assets	7 588	-	155	7 743	7 743	-	100.0%	5 488	5 488
8.3 Operational Direction									
Current payment	121 964	-	21 338	143 302	143 302	-	100.0%	-	-
Transfers and subsidies	2 433	-	3 297	5 730	5 730	-	100.0%	-	-
Payment for capital assets	5 375	-	221	5 596	5 081	515	90.8%	-	-
8.4 Regional Security									
Current payment	843 968	-	(107 112)	736 856	700 001	36 855	95.0%	133 755	133 755
Payment for capital assets	14 306	-	8 335	22 641	22 641	-	100.0%	1 600	1 600
8.5 UN Peace Mission in DRC									
Current payment	-	-	-	-	-	-	0.0%	238 824	238 824
Payment for capital assets	-	-	-	-	-	-	0.0%	34 670	34 670
8.6 Protection Support Detachment in Burundi									
Current payment	-	-	-	-	-	-	0.0%	196 470	196 470
Payment for capital assets	-	-	-	-	-	-	0.0%	6 231	6 231

DETAIL PER PROGRAMME 8 - FORCE EMPLOYMENT
for the year ended 31 March 2008 (continued)

Programme per subprogramme	2007/08						2006/07		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
8.7 Military Observers									
Current payment	-	-	-	-	-	-	0.0%	1 101	1 101
8.8 African Mission in Sudan									
Current payment	-	-	-	-	-	-	0.0%	194 622	194 622
Payment for capital assets	-	-	-	-	-	-	0.0%	548	548
8.9 Support to the People									
Current payment	246 010	-	(73 912)	172 098	172 098	-	100.0%	148 747	148 747
Payment for capital assets	25 100	-	(8 517)	16 583	16 583	-	100.0%	14 684	14 684
8.10 Defence Capability Management									
Current payment	11 375	-	(899)	10 476	10 476	-	100.0%	9 979	9 979
Payment for capital assets	2 900	-	(2 240)	660	337	323	51.1%	5 479	5 479
8.11 Internal Services									
Current payment	-	-	104 761	104 761	104 761	-	100.0%	124 029	124 029
8.12 Authorised Losses									
Current payment	-	-	31	31	31	-	100.0%	43	43
8.13 Income									
Current payment	-	-	(274)	(274)	(274)	-	100.0%	(96)	(96)
Total	1 523 606	-	(40 150)	1 483 456	1 445 763	37 693	97.5%	1 470 065	1 470 065

DETAIL PER PROGRAMME 8 - FORCE EMPLOYMENT
for the year ended 31 March 2008 (continued)

Economic classification	2007/08						2006/07		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
Current payments									
Compensation of employees	666 423	-	99 338	765 761	765 761	-	100.0%	698 038	698 038
Goods and services	794 506	-	(141 447)	653 059	616 204	36 855	94.4%	686 363	686 363
Financial transactions in assets and liabilities	-	-	31	31	31	-	100.0%	43	43
Transfers and subsidies									
Provinces and municipalities	-	-	1 339	1 339	1 339	-	100.0%	112	112
Households	6 338	-	1 157	7 495	7 495	-	100.0%	9 352	9 352
Capital									
Buildings & other fixed structures	341	-	1 440	1 781	1 781	-	100.0%	-	-
Machinery & equipment	55 998	-	(2 008)	53 990	53 152	838	98.4%	76 157	76 157
Total	1 523 606	-	(40 150)	1 483 456	1 445 763	37 693	97.5%	1 470 065	1 470 065

DETAIL PER PROGRAMME 9 - SPECIAL DEFENCE ACCOUNT
for the year ended 31 March 2008

Programme per subprogramme	2007 / 08						2006 / 07		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
9.1 Procurement Services Transfers and subsidies	3 348 790	-	-	3 348 790	3 348 790	-	100.0%	2 947 329	2 947 329
9.2 Strategic Defence Procurement Transfers and subsidies	4 515 424	-	-	4 515 424	3 671 875	843 549	81.3%	4 536 249	4 536 249
9.3 Operating Transfers and subsidies	969 815	-	-	969 815	969 815	-	100.0%	590 193	590 193
9.4 Intelligence Related Transfers and subsidies	245 231	-	-	245 231	245 231	-	100.0%	206 967	206 967
Total	9 079 260	-	-	9 079 260	8 235 711	843 549	90.7%	8 280 738	8 280 738

Economic classification	2007 / 08						2006 / 07		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
Transfers and subsidies Departmental agencies and accounts	9 079 260	-	-	9 079 260	8 235 711	843 549	90.7%	8 280 738	8 280 738
Total	9 079 260	-	-	9 079 260	8 235 711	843 549	90.7%	8 280 738	8 280 738

NOTES TO THE APPROPRIATION STATEMENT for the year ended 31 March 2008

1. **Detail of transfers and subsidies as per Appropriation Act (after Virement):**
Detail of these transactions can be viewed in note 9 (Transfers and subsidies) and Annexure 1 (A-L) to the annual financial statements.
2. **Detail of specifically and exclusively appropriated amounts voted (after Virement):**
Detail of these transactions can be viewed in note 1 (Annual Appropriation) to the annual financial statements.
3. **Detail on financial transactions in assets and liabilities:**
Detail of these transactions per programme can be viewed in note 8 (Details of special functions (theft and losses)) to the annual financial statements.
4. **Explanations of material variances from Amounts Voted (after Virement):**
 - 4.1 **Per programme:**

	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	%
Administration				
Human Resource Support Services	7 068	6 427	641	9%

Under spending is due to vehicles ordered but not delivered.

Air Defence				
Helicopter Capability	4 645	4 360	285	6%

Under spending is due to vehicles ordered but not delivered.

Military Health Support Service				
Area Military Health Service	15 228	14 721	507	3%
Specialist/Tertiary Health Service	23 178	22 783	395	2%
Base Support Capability	31 955	19 984	11 971	38%

Under spending is due to vehicles ordered but not delivered.

Joint Support				
Joint Logistic Services	1 183 192	968 890	214 302	18%
Joint Training	10 113	9 451	662	7%

Under spending is due to unpaid commitments in respect of Capital Works Projects and vehicles ordered but not delivered.

NOTES TO THE APPROPRIATION STATEMENT for the year ended 31 March 2008

	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	%
Force Employment				
Operational Direction	5 596	5 081	515	9%
Regional Security	736 856	700 001	36 855	5%
Defence Capability Management	660	337	323	49%

Under spending is due to procurement of ammunition for Peace Support Operations, vehicles ordered but not delivered.

Special Defence Account				
Strategic Defence Procurement	4 515 424	3 671 875	843 549	19%

Under spending is due to milestones not met in the procurement of the Gripen and Hawk aircraft.

	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	%
4.2 Per economic classification:				
Current expenditure				
Goods and services	6 104 045	5 987 370	116 675	2%
Transfers and subsidies				
Departmental agencies and accounts	9 087 651	8 243 440	844 211	9%
Non - Profit institution	3 772	2 878	894	24%
Payments for capital assets				
Buildings and other fixed structures	220 945	93 357	127 588	58%
Machinery and equipment	417 468	395 937	21 531	5%

STATEMENT OF FINANCIAL PERFORMANCE for the year ended 31 March 2008

| Financial Performance |

REVENUE	Note	2007/08 R'000	2006/07 R'000
Annual appropriation	1	26 291 785	23 902 904
Departmental revenue	2	551 855	492 792
TOTAL REVENUE		26 843 640	24 395 696
EXPENDITURE			
Current expenditure			
Compensation of employees	4	9 735 905	9 037 595
Goods and services	5	5 987 370	5 444 919
Financial transactions in assets and liabilities	6	32 229	17 957
Local and foreign aid assistance	3	-	11 240
Total current expenditure		15 755 504	14 511 711
Transfers and subsidies	7	8 926 890	8 882 837
Expenditure for capital assets			
Buildings and other fixed structures	8	93 357	49 173
Machinery and Equipment	8	395 937	383 820
Software and other intangible assets	8	8 425	1 283
Total expenditure for capital assets		497 719	434 276
TOTAL EXPENDITURE		25 180 113	23 828 824
NET SURPLUS		1 663 527	566 872
Add back fruitless and wasteful expenditure	10	55	494
NET SURPLUS FOR THE YEAR		1 663 582	567 366
Reconciliation of Net Surplus for the year			
Voted Funds to be surrendered to the Revenue Fund	16	1 111 727	85 814
Departmental revenue to be surrendered to the Revenue Fund	17	551 855	492 792
Local and foreign aid assistance	3	-	(11 240)
NET SURPLUS FOR THE YEAR		1 663 582	567 366

STATEMENT OF FINANCIAL POSITION as at 31 March 2008

	Note	2007/08 R'000	2006/07 R'000
ASSETS			
Current assets		881 806	966 440
Unauthorised expenditure	9	20 625	20 625
Fruitless and wasteful expenditure	10	951	959
Cash and cash equivalents	11	57 768	67 330
Prepayments and advances	12	74 476	176 471
Receivables	13	715 624	688 693
Loans	15	12 362	12 362
Non-current assets		75 000	-
Investments	14	75 000	-
TOTAL ASSETS		956 806	966 440
LIABILITIES			
Current liabilities		762 832	857 067
Voted funds to be surrendered to the Revenue Fund	16	268 178	85 814
Departmental revenue to be surrendered to the Revenue Fund	17	105 724	37 919
Bank overdraft	18	228 501	690 987
Payables	19	160 429	42 347
Local and foreign aid assistance unutilised	3	-	-
TOTAL LIABILITIES		762 832	857 067
NET ASSETS		193 974	109 373
Represented by:			
Capitalisation Reserves		75 000	-
Recoverable revenue		118 974	109 373
TOTAL		193 974	109 373

STATEMENT OF CHANGES IN NET ASSETS for the year ended 31 March 2008

	Note	2007/08 R'000	2006/07 R'000
Capitalisation Reserves			
Opening balance		-	-
Other movements		75 000	-
Balance at 31 March		75 000	-
Recoverable revenue			
Opening balance		109 373	62 461
Transfers		9 601	46 912
Irrecoverable amounts written off	6.5	(4 084)	(5 016)
Debts revised	13.3	(3 796)	(2 401)
Debts recovered (included in departmental receipts)		(33 820)	(25 262)
Debts raised		51 301	79 591
Closing Balance at 31 March		118 974	109 373
TOTAL		193 974	109 373

CASH FLOW STATEMENT for the year ended 31 March 2008

	Note	2007/08 R'000	2006/07 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		25 871 178	24 389 947
Annual appropriated funds received	1	25 448 236	23 902 904
Departmental revenue received		422 942	487 043
Net decrease/(increase) in working capital		193 154	(128 244)
Surrendered to Revenue Fund		(569 864)	(514 625)
Current payments		(15 755 449)	(14 511 217)
Transfers and subsidies paid		(8 926 890)	(8 882 837)
Net cash flows available from operating activities	20	812 129	353 024
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for capital assets		(497 719)	(434 276)
Proceeds from sale of capital assets		128 913	5 749
Increase in investments		(75 000)	-
Net cash flows from investing activities		(443 806)	(428 527)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in net assets		84 601	46 912
Net cash flows from financing activities		84 601	46 912
Net increase/(decrease) in cash and cash equivalents		452 924	(28 591)
Cash and cash equivalents at beginning of period		(623 657)	(595 066)
Cash and cash equivalents at end of period	21	(170 733)	(623 657)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008

1. Annual Appropriation

1.1 Annual Appropriation

Included are funds appropriated in terms of the Appropriation Act for National Departments (Voted Funds)

Programmes	Final Appropriation R'000	Actual Funds Received R'000	Funds not requested/ not received R'000	Appropriation Received 2006/07 R'000
Administration	2 030 384	2 030 384	-	1 811 682
Landward Defence	4 363 729	4 363 729	-	3 991 544
Air Defence	2 758 043	2 758 043	-	2 513 893
Maritime Defence	1 433 405	1 433 405	-	1 311 840
Military Health Support	1 890 287	1 890 287	-	1 704 106
Defence Intelligence	159 573	159 573	-	147 494
Joint Support	3 093 648	3 093 648	-	2 671 542
Force Employment	1 483 456	1 483 456	-	1 470 065
Special Defence Account	9 079 260	8 235 711	843,549	8 280 738
Total	26 291 785	25 448 236	843,549	23 902 904

Under spending on the Strategic Defence Procurement Programme due to delivery of milestones not met on the Gripen and Hawk procurement programmes

	Note	2007/08 R'000	2006/07 R'000
2. Departmental revenue			
Sales of goods and services other than capital assets	2.1	172 484	169 763
Fines, penalties and forfeits		1 157	2 272
Interest, dividends and rent on land	2.2	1 710	813
Sales of capital assets	2.3	128 913	5 749
Financial transactions in assets and liabilities	2.4	247 591	314 195
Total		551 855	492 792

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008 (continued)

	Note	2007/08 R'000	2006/07 R'000
2.1 Sales of goods and services other than capital assets			
Sales of goods and services produced by the department		165 148	111 723
Administrative fees		12	-
Other sales		165 136	111 723
Sales of scrap, waste and other used current goods		7 336	58 040
Total		172 484	169 763
2.2 Interest, dividends and rent on land			
Interest		1 710	813
2.3 Sales of capital assets			
Vehicles		128 913	5 429
Equipment		-	320
Total		128 913	5 749
2.4 Financial transactions in assets and liabilities			
Nature of loss recovered			
Other receipts including recoverable revenue		247 591	313 774
Forex gains		-	211
Stale cheques		-	210
Total		247 591	314 195
3. Local and foreign aid assistance			
3.1 Assistance received in cash from RDP			
Foreign			
Opening balance		-	11 240
Revenue		-	-
Expenditure			
Current		-	11 240
Closing Balance		0	0

| Financial Performance |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008 (continued)

	Note	2007/08 R'000	2006/07 R'000
4.	Compensation of employees		
4.1	Salaries and wages		
	Basic salary	6 242 295	5 891 111
	Performance award	83 369	103 627
	Service Based	27 566	29 478
	Compensative/circumstantial	643 018	552 805
	Periodic payments	541	970
	Other non-pensionable allowances	1 696 856	1 476 138
	Total	8 693 645	8 054 129
4.2	Social contributions		
4.2.1	Employer contributions		
	Pension	991 746	938 837
	UIF	393	418
	Medical	50 121	-
4.2.2	Post retirement benefits		
	Medical	-	44 211
	Total	1 042 260	983 466
	Total compensation of employees	9 735 905	9 037 595
	Average number of employees	75 931	77 642
5.	Goods and services		
	Advertising	5 925	5 721
	Airport services	39 735	36 597
	Bank charges and card fees	5 876	5 536
	Catering	53 915	76 683
	Communication	94 039	91 173
	Computer services	694 123	666 770
	Consultants, contractors and special services	397 325	310 010
	Copy right services	12	26
	Courier and delivery services	4 260	3 519
	Tracing agents and debt collections	5	18
	Entertainment	5 814	4 816
	External audit fees	5.1	41 757
	Equipment less than R5 000	101 424	97 945
	Freight services	1 320	2 520
	Harbour services	5 235	20 745
	Inventory	5.2	1 237 916
	Legal fees	10	179
	Maintenance, repair and running cost	1 767 076	1 547 501
	Medical services	194 081	164 905
	Operating leases	303 269	441 478
	Mint of decorations/medals	-	1
	Plants, flowers and other decorations	3	5
	Preservation/restoration services	-	6 101
	Printing and publications	8 029	6 682

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008 (continued)

	Note	2007/08 R'000	2006/07 R'000
Professional bodies and membership fees		1 285	1 401
Resettlement costs		47 852	26 212
School and boarding fees		2 315	910
Subscriptions		62	59
Storage of furniture		87	143
Owned and leasehold property expenditure		339 003	295 409
Translations and transcriptions		23	-
Travel and subsistence	5.3	534 641	463 415
Venues and facilities		16 568	17 123
Protective, special clothing and uniforms		2 673	3 867
Training and staff development		81 679	75 618
Witness and related fees		33	127
Total		5 987 370	5 444 919
5.1 External audit fees			
Regulatory audits		41 077	29 207
Performance audits		652	1 060
Other audits		28	2 498
Total		41 757	32 765
5.2 Inventory			
Domestic consumables		95 358	96 324
Agricultural		1 321	1 142
Learning and teaching support material		8 221	4 912
Food and food supplies		393 185	292 956
Fuel, oil and gas		387 734	305 709
Other consumables		43 387	49 673
Parts and other maintenance material		38 876	28 474
Stationery and printing		66 300	60 458
Veterinary supplies		4	1
Medical supplies		203 530	199 290
Total		1 237 916	1 038 939
5.3 Travel and subsistence			
Local		370 926	292 299
Foreign		163 715	171 116
Total		534 641	463 415
6. Financial transactions in assets and liabilities			
Material losses through criminal conduct:			
Theft	6.1	-	6
Other material losses written off	6.2	26 760	14 812
Debts written off	6.3	2 431	1 631
Forex losses	6.4	3 038	1 508
Total		32 229	17 957

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008 (continued)

	Note	2007/08 R'000	2006/07 R'000
6.1	Material losses through criminal conduct		
	Nature of losses		
	Incident		Disciplinary steps taken/criminal proceedings
	Subsistence and travel fraud		Liability still to be determined
	Total	0	6
6.2	Other material losses written off:		
	Nature of losses		
	Settlement (dispute on tender process)	15 000	-
	Legal fees State Attorney	6 618	7 901
	Motor vehicle losses	1 902	2 395
	Other claims against the State	1 806	1 306
	Legal opinions	1 194	2 079
	Legal fees	101	114
	Interest claims	80	74
	Fruitless and wasteful expenditure	45	-
	Spectacle losses	14	24
	Compensation arising from a veld fire in Lohatla	-	919
	Total	26 760	14 812
6.3	Debts written off		
	Nature of debts written off:		
	Operations	946	-
	Salary related	609	837
	Collection of debt uneconomical (10 cases)	576	404
	Estates	187	107
	State guarantees	80	165
	Suppliers overpaid	29	9
	Treatment of private patients	4	4
	Subsistence and travel	-	76
	Loss of state property	-	8
	Debts raised concerning fruitless and wasteful expenditure	-	7
	Miscellaneous	-	7
	Departmental transfer	-	4
	Loss of state funds	-	3
	Total	2 431	1 631
6.4	Forex losses		
	Nature of loss		
	Foreign exchange losses on operations	3 038	1 508

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008 (continued)

	Note	2007/08 R'000	2006/07 R'000
6.5 Irrecoverable amounts written off:			
Receivables written off		4 084	5 016
Contractual liabilities		2 391	2 673
Motor vehicle accidents		1 058	900
Estates		208	189
Medical services rendered to other entities		77	181
Treatment of private patients		76	128
State guarantees		76	179
Dockyard		62	-
Loss of State property		57	98
Salary related		46	34
Damage to state property		27	6
Other		6	13
Aviation fuel		-	14
Aviation services		-	601
Total		4 084	5 016
7. Transfers and subsidies			
Provinces and municipalities	Annexure 1A	36 710	3 967
Departmental agencies and accounts	Annexure 1B	8 243 440	8 288 458
Public corporations and private enterprises	Annexure 1C	473 826	396 286
Non-profit institutions	Annexure 1D	2 878	2 752
Households	Annexure 1E	170 036	191 374
Total		8 926 890	8 882 837
8. Expenditure for capital assets			
Buildings and other fixed structures	32	93 357	49 173
Machinery and equipment	32	395 937	383 820
Computer software	33	8 425	1 283
Total		497 719	434 276
9. Unauthorised expenditure			
9.1 Reconciliation of unauthorised expenditure			
Opening balance		20 625	495 824
Amounts approved by Parliament		-	-
Transfer to receivables for recovery (not approved)		-	(475 199)
Unauthorised expenditure awaiting authorisation		20 625	20 625

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008 (continued)

	Note	2007/08 R'000	2006/07 R'000			
10. Fruitless and wasteful expenditure						
10.1 Reconciliation of fruitless and wasteful expenditure						
Opening balance		959	472			
Fruitless and wasteful expenditure - current year		55	494			
Current expenditure		55	494			
Amounts condoned		(18)	(1)			
Current expenditure		(18)	(1)			
Transfer to receivables for recovery (not condoned)		(45)	(6)			
Fruitless and wasteful expenditure awaiting condonement		951	959			
10.2 Analysis of current fruitless and wasteful expenditure						
Incident	Disciplinary steps taken/ criminal proceedings					
Non attendance of 157 students during the Navy Mess Youth Day celebration	Under investigation to determine liability	5				
Cancellation fee in respect of hotel accommodation	Under investigation to determine liability	3				
Deviation from State Contract	Under investigation to determine liability	34				
Members was not entitled to medical treatment (15 cases)	Under investigation to determine liability	12				
Various cases (4)	2 Cases to be deducted from members salary, 1 to be written off and 1 case under investigation	1				
Total		55				
11. Cash and cash equivalents						
Cash on hand		35 194	39 941			
Cash with commercial banks (local)		22 574	27 389			
Total		57 768	67 330			
12. Prepayments and advances						
Description						
Travel and subsistence		74 476	49 846			
Prepayments		-	126 625			
Total		74 476	176 471			
13. Receivables						
		Less than one year R'000	One to three years R'000	Older than three years R'000	2007/08 Total R'000	2006/07 Total R'000
Staff debtors	13.1	28 324	4 878	7 391	40 593	46 652

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008 (continued)

		Less than one year R'000	One to three years R'000	Older than three years R'000	2007/08 Total R'000	2006/07 Total R'000
Other debtors	13.2	57 049	49 353	508 555	614 957	630 405
Intergovernmental receivables		47 636	11 045	1 393	60 074	11 636
	Annexure 4					
Total		133 009	65 276	517 339	715 624	688 693
			One to three years R'000	Older than three years R'000	2007/08 Total R'000	2006/07 Total R'000
13.1 Staff debtors						
Description						
Salary related					22 508	26 603
Deposits					5 671	2 923
Students					4 935	7 885
Motor vehicle accidents					4 695	5 624
State guarantees					1 872	2 091
Loss of State money					642	1 074
Private patients					234	335
Damage to State property					36	37
Estates					-	80
Total					40 593	46 652
13.2 Other debtors						
Description						
Unauthorised expenditure not approved by Parliament and to be written off					467 704	467 704
Operations					65 648	91 376
Contractual liabilities					43 950	32 080
Loss of State funds not included in loss of State money					9 379	3 016
Salary related (ex-members)					9 183	7 722
Aviation services					6 795	6 801
Suppliers					5 020	5 342
Motor vehicle accidents					3 868	3 654
Estates					974	1 032
State guarantees					891	857
Medical claims					779	1 449
Private patients					319	446
Market support					271	2 719
Humanitarian aid					52	47
Institutions					51	64
Damage to State property					26	-
Dishonoured cheques					21	-
Dockyard					17	1 634
Miscellaneous					9	15
Loss of State money					-	4 447
Total					614 957	630 405

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008 (continued)

| Financial Performance |

13.3 Debts revised	Note	2007/08 R'000	2006/07 R'000
Description			
Aviation services		2 066	619
Students		792	1 185
Market support		673	-
Loss of state money		235	219
Private patients		200	201
Motor vehicle accidents		164	348
Medical claims		49	157
State guarantees		11	-
Salary related		5	75
Damage to state property		5	2
Estate		(404)	-
Humanitarian aid		-	66
Intergovernmental receivables		-	2
Institutions		-	(65)
Operations		-	(408)
Total		3 796	2 401
14. Investments			
Non-current			
Shares and other equity			
ARMSCOR		75 000	-
Total		75 000	-
15. Loans			
Public Corporations		12 362	12 362
Total		12 362	12 362
Analysis of Balance			
Opening Balance		12 362	12 362
Closing Balance		12 362	12 362
Current portion of loans		12 362	12 362
<p>This represents a loan to the South African Forces Institute (SAFI) for the purpose of finance bridging. This loan is unsecured. The interest rate is fixed at 0% per annum and was payable by March 2007.</p>			
16. Voted funds to be surrendered to the Revenue Fund			
Opening balance		85 814	5 653
Transfer from Statement of Financial Performance		1 111 727	85 814
Voted funds not requested/not received	16.1	(843 549)	-
Paid during the year		(85 814)	(5 653)
Closing balance		268 178	85 814

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008 (continued)

		2007/08 R'000	2006/07 R'000		
16.1	Voted funds not requested/not received				
	Funds not to be requested	(843 549)	-		
		<u>(843 549)</u>	<u>-</u>		
17.	Departmental revenue to be surrendered to the Revenue Fund				
	Opening balance	37 919	54 099		
	Transfer from Statement of Financial Performance	551 855	492 792		
	Paid during the year	(484 050)	(508 972)		
	Closing balance	<u>105 724</u>	<u>37 919</u>		
18.	Bank overdraft				
	Consolidated Paymaster General Account	228 501	690 987		
	Total	<u>228 501</u>	<u>690 987</u>		
19.	Payables - current				
	Description	30 Days R'000	30+ Days R'000	Total R'000	Total R'000
	Advances received 19.1	0	1	1	65
	Clearing accounts 19.2	326	270	596	819
	Other payables 19.3	143 184	16 648	159 832	41 463
	Total	<u>143 510</u>	<u>16 919</u>	<u>160 429</u>	<u>42 347</u>
19.1	Advances received				
	Deposits received for use of Naval facilities			1	65
19.2	Clearing accounts				
	Description				
	Subsistence and Travel			494	316
	Foreign Subsistence and Travel not included in Subsistence and Travel above			102	503
	Total			<u>596</u>	<u>819</u>
19.3	Other payables				
	Description				
	Suppliers			76 466	11 808
	Suppliers not included in Suppliers above			55 657	2 868
	Debtors in credit			10 405	10 328
	Unclaimed salaries			6 645	6 585
	Other payables			6 213	5 749
	State guarantees			4 446	4 125
	Total			<u>159 832</u>	<u>41 463</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008 (continued)

	2007/08 R'000	2006/07 R'000
20. Net cash flow available from operating activities		
Net surplus as per Statement of Financial Performance	1 663 582	567 366
Add back non cash/cash movements not deemed operating activities	(851 453)	(214 342)
(Increase)/decrease in receivables - current	(26 931)	(585 376)
Decrease/(increase) in prepayments and advances	101 995	(31 812)
Decrease/(increase) in other current assets	8	474 712
Increase in payables - current	118 082	14 232
Proceeds from sale of capital assets	(128 913)	(5 749)
Surrenders to Revenue Fund	(569 864)	(514 625)
Expenditure on capital assets	497 719	434 276
Voted funds not requested/not received	(843 549)	-
Net cash flow generated by operating activities	812 129	353 024
21. Reconciliation of cash and cash equivalents for cash flow purposes		
Consolidated Paymaster General Account	(228 501)	(690 987)
Cash on hand	35 194	39 941
Cash with commercial banks (local)	22 574	27 389
Total	(170 733)	(623 657)

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008

These amounts are not recognised in the financial statements, and are disclosed to enhance the usefulness of the financial statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999

22. Contingent liabilities

Liable to	Nature	Note	2007/08 R'000	2006/07 R'000
Housing loan guarantees	Employees	Annexure 3A	91 932	115 290
Claims against the department		Annexure 3B	320 529	1 301 853
Other departments (interdepartmental unconfirmed balances)		Annexure 5	18 988	31 441
Environmental rehabilitation liability		Annexure 3B	54 400	7 170
Other		Annexure 3B	18 983	-
Total			504 832	1 455 754

23. Commitments

Current expenditure				
Approved and contracted			1 457 938	1 196 766
Approved but not yet contracted			563 343	435 587
Total Commitments			2 021 281	1 632 353

24. Accruals

By economic classification	30 Days R'000	30+ Days R'000	Total R'000	Total R'000
Compensation of employees	67 677	-	67 677	73 951
Goods and services	25 988	22 223	48 211	154 162
Transfers and subsidies	-	21 851	21 851	37 922
Buildings and other fixed structures	-	2 417	2 417	-
Machinery and equipment	1 513	3 282	4 795	6 931
Total	95 178	49 773	144 951	272 966

Listed by programme level

Administration	19 323	99 946
Landward Defence	59 893	62 348
Air Defence	15 763	37 019
Maritime Defence	12 601	15 226
Military Health Support	25 721	30 130
Defence Intelligence	244	901
Joint Support	8 158	13 294
Force Employment	3 248	14 102
Total	144 951	272 966

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008 (continued)

	Note	2007/08 R'000	2006/07 R'000
25. Employee benefit provisions			
Leave entitlement		1 070	2 535
Thirteenth cheque		285 755	268 896
Capped leave commitments		865 398	886 750
Total		1 152 223	1 158 181
26. Lease Commitments			
26.1 Operating leases	Machinery and equipment	Total	Total
	R'000	R'000	R'000
Not later than 1 year	3 334	3 334	1 531
Later than 1 year and not later than 5 years	-	-	117
Total present value of lease liabilities	3 334	3 334	1 648
27. Receivables for departmental revenue			
Financial Transaction in asset and liabilities		147 004	-
28. Irregular expenditure			
28.1 Reconciliation of irregular expenditure			
Opening balance		272 121	955
Irregular expenditure - current year		4 440	271 640
Less: Amounts condoned		(271 792)	(474)
Current expenditure		(271 792)	(474)
Less: Not condoned		(59)	-
Current expenditure		(59)	-
Irregular expenditure awaiting condonement		4 710	272 121
Analysis of awaiting condonement per age classification			
Current		4 440	271 640
Prior years		270	481
Total		4 710	272 121

Note: The 2006/07 amounts were restated to include figures that were previously omitted as they were regarded as non-compliance

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008 (continued)

		2007/08 R'000	2006/07 R'000
28.2 Irregular expenditure			
Incident	Disciplinary steps taken/ criminal proceedings		
Hiring of goods after expiry of Government orders	Disciplinary action taken against involved member	10	-
Procurement of rations	Disciplinary action taken against involved member	44	-
Deviation from State Contract - Air tickets	Disciplinary action taken against involved member	1	-
Deviation from State Contract - Tyres	Disciplinary action taken against involved member	2	-
Possible fraudulent expenditure - Boshof Commando	Involved members removed from their posts and reprimanded	2	-
Total		59	-

29. Related party transactions

Armcor (Pty) Ltd, the Castle Control Board and the South African National Defence Force Fund (SANDF Fund) are related parties to the Department of Defence through the Minister of Defence as an intermediary. Armcor, the Castle Control Board, SANDF Fund and the Department of Defence are controlled by the Minister of Defence.

29.1 Armcor (Pty) Ltd

Armcor (Pty) Ltd is mandated by the Armcor Act, Act 51 of 2003, to meet the defence material and other related requirements of the Department.

The transactions between Armcor and the Department are mainly related to the sale and purchase of armament.

29.2 Castle Control Board

The Castle Control Board is the board of the Cape Town Castle. The Board is appointed in terms of the Castle Management Act, Act 207 of 1993 and its function is to control the Cape Town Castle.

The transactions between the Castle Control Board and the Department are mainly related to the provision of personnel, offices and transport by the Department.

29.3 SANDF Fund

The SANDF Fund is established in terms of the Fund Raising Act, Act 107 of 1968. The aim of the Fund is to render aid to SA National Defence Force and Auxiliary Services and their dependants who suffer financial hardship and distress as a result of duties in terms of the Defence Act.

The transactions between the SANDF Fund and the Department are mainly related to the provision of personnel, offices and transport by the Department.

29.4 Other related parties

Funds and Institutions such as the South African Forces Institute (SAFI), established in terms of the General Regulations to the Defence Act, Act 42 of 2002.

The transactions between the Funds and Institutions are mainly related to the provision of personnel and transport by the Department.

Related party transactions will be reported in the financial year 2008/09.

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008 (continued)

		Note	2007/08 R'000	2006/07 R'000
30.	Key management personnel			
	Description	No of individuals	Total	Total
	Political Office Bearers	2	2 015	1 826
	Officials			
	Level 15 to 16	13	11 191	9 767
	Level 14	10	6 780	4 344
	Total		19 986	15 937

Note: Only members of the Plenary Defence Staff Council are listed as key management personnel.

31.	Provisions			
	Potential irrecoverable debts			
	Staff debtors		1 478	1 988
	Other debtors		475 872	473 671
	Claims recoverable		1 393	459
			478 743	476 118
	Provisions			
	Provision for non-recoverable loans		12 362	-
	Total		491 105	476 118

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008 (continued)

32. Tangible Capital Assets

MOVEMENT IN TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2008

	Opening balance	Current Year Adjustments to prior year balances	Additions	Disposals	Closing balance
	Cost R'000	Cost R'000	Cost R'000	Cost R'000	Cost R'000
BUILDING AND OTHER FIXED STRUCTURES	-	-	93 357	-	93 357
Non-residential buildings	-	-	93 357	-	93 357
MACHINERY AND EQUIPMENT	-	-	395 937	128 913	267 024
Transport Assets	-	-	-	128 913	(128 913)
Specialised military assets	-	-	395 937	-	395 937
TOTAL TANGIBLE ASSETS	-	-	489 294	128 913	360 381

32.1 ADDITIONS TO TANGIBLE CAPITAL ASSET PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2008

	Cash	Non-Cash	(Capital work in progress - current costs)	Received current year, not paid (Paid current year, Received paid year)	Total
	Cost R'000	Fair Value R'000	Cost R'000	Cost R'000	Cost R'000
BUILDING AND OTHER FIXED STRUCTURES	93 357	-	-	-	93 357
Non Residential buildings	93 357	-	-	-	93 357
MACHINERY AND EQUIPMENT	395 937	-	-	-	395 937
Specialised military assets	395 937	-	-	-	395 937
TOTAL CAPITAL ASSETS	489 294	-	-	-	489 294

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008 (continued)

32.2 DISPOSALS OF TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2008

	Sold (cash) Cost R'000	Non-cash Fair Value R'000	Total Cost R'000	Cash Received Actual R'000
MACHINERY AND EQUIPMENT	128 913	-	128 913	128 913
Transport assets	128 913	-	128 913	128 913
TOTAL	128 913	-	128 913	128 913

33. Intangible Assets

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2008

	Opening balance Cost R'000	Current Year Adjustments to prior year balances Cost R'000	Additions Cost R'000	Disposals Cost R'000	Closing balance Cost R'000
COMPUTER SOFTWARE	-	-	8 425	-	8 425
TOTAL INTANGIBLE ASSETS	-	-	8 425	-	8 425

33.1 ADDITIONS OF INTANGIBLE CAPITAL ASSETS PE ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2008

	Cash Cost R'000	Non-cash Fair Value R'000	(Development work in progress - current costs) Cost R'000	Received current year, not paid (Paid current year, Received paid year) Cost R'000	Total Cost
COMPUTER SOFTWARE	8 425	-	-	-	8 425
TOTAL	8 425	-	-	-	8 425

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2008

ANNEXURE 1A
STATEMENT OF CONDITIONAL GRANTS TO MUNICIPALITIES

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER		SPENT			2006/07 Division of Revenue Act R'000
	Division of Revenue Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available Funds Transferred %	Amount received by municipality R'000	Amount spent by municipality R'000	
Benede Oranje District Council						0.0%			15
Bloem-area District Council						0.0%			310
Bo-Karoo Divisional Council						0.0%			8
Boland District Municipality						0.0%			2
Bosveld District Council						0.0%			10
Central Transitional District Council						0.0%			103
City of Cape Town						0.0%			376
Diamantveld District Council						0.0%			121
Durban Corporation District Council						0.0%			125
Eastern Free State District Council						0.0%			23
Eastern Gauteng Services Council						0.0%			67
Greater Johannesburg Metropolitan Council						0.0%			82
Highveld District Council						0.0%			43
Indlove Regional Council						0.0%			5
Kalahari District Council						0.0%			59
Klein Karoo Divisional Council						0.0%			28

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2008**

ANNEXURE 1A STATEMENT OF CONDITIONAL GRANTS TO MUNICIPALITIES (CONTINUED)										
NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER		SPENT		2006/07 Division of Revenue Act R'000		
	Division of Revenue Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available Funds Transferred %	Amount received by municipality R'000		Amount spent by municipality R'000	% of available funds spent by municipality %
Lowveld District Council						0.0%				53
Northern District Council						0.0%				252
OR Tambo District Council						0.0%				51
Oosvaal District Council						0.0%				18
Overberg District Council						0.0%				19
Pretoria Metro Council						0.0%				1 692
Rustenburg District Council						0.0%				2
Southern District Council						0.0%				120
Stormberg District Council						0.0%				1
Uthukela Regional Council						0.0%				49
Uthungule Regional Council						0.0%				36
West Coast Regional Services Council						0.0%				40
Fezile Dabi District Municipality						0.0%				26
Western Regional District Council						0.0%				142
Various						0.0%				89
Nelson Mandela Metropolitan Municipality	2 262	-	-	2 262	2 262	100.0%	-	-	-	-
Ekurhuleni Metropolitan Municipality	1 380	-	-	1 380	1 380	100.0%	-	-	-	-
Fancs Baard District Municipality	1 398	-	-	1 398	1 398	100.0%	-	-	-	-

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2008

ANNEXURE 1A STATEMENT OF CONDITIONAL GRANTS TO MUNICIPALITIES (CONTINUED)									
NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER		SPENT		2006/07 Division of Revenue Act R'000	
	Division of Revenue Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available Funds Transferred %	Amount received by municipality R'000		Amount spent by municipality R'000
City of Cape Town Metropolitan Municipality	5 371	-	-	5 371	5 371	100.0%	-	-	-
Southern District Municipality	1 324	-	-	1 324	1 324	100.0%	-	-	-
City of Johannesburg Metropolitan Municipality	1 448	-	-	1 448	1 448	100.0%	-	-	-
City of Tshwane Metropolitan Municipality	19 477	-	-	19 477	19 477	100.0%	-	-	-
Capricorn District Municipality	3 156	-	-	3 156	3 156	100.0%	-	-	-
West Coast District Municipality	894	-	-	894	894	100.0%	-	-	-
Total	36 710	-	-	36 710	36 710		-	-	3 967

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2008**

ANNEXURE 1B STATEMENT OF TRANSFERS TO DEPARTMENTAL AGENCIES AND ACCOUNTS							
DEPARTMENTS/ AGENCY/ACCOUNT	TRANSFER ALLOCATION			TRANSFER		2006/07 Final Appropriation Act R'000	
	Adjusted Appropriation Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000		% of Available Funds Transferred %
Safety and Security Sector Education and Training Authority (SASSETA)	8 391	-	-	8 391	7 729	92.1%	7 720
Special Defence Account	9 079 260	-	-	9 079 260	8 235 711	90.7%	8 280 738
Total	9 087 651	-	-	9 087 651	8 243 440		8 288 458

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2008

ANNEXURE 1C STATEMENT OF TRANSFERS/SUBSIDIES TO PUBLIC CORPORATIONS AND PRIVATE ENTERPRISES										
PUBLIC CORPORATION/ PRIVATE ENTERPRISE	TRANSFER ALLOCATION				EXPENDITURE				2006/07	
	Adjusted Appropriation Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available Funds Transferred %	Capital R'000	Current R'000	Total Available R'000	
Public Corporation Armaments Corporation of South Africa	473 826	-	-	473 826	473 826	100,0%	-	-	396 286	
Total	473 826	-	-	473 826	473 826		-	-	396 286	

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2008

ANNEXURE ID		STATEMENT OF TRANSFERS/SUBSIDIES TO NON-PROFIT INSTITUTIONS						
NON PROFIT ORGANISATION	TRANSFER ALLOCATION				EXPENDITURE		2006/07 Final Appropriation Act R'000	
	Adjusted Appropriation Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available Transferred %		
Transfers								
SA First Aid League	50	-	-	50	-	0.0%	-	
St Johns Ambulance Brigade	120	-	-	120	-	0.0%	50	
Red Cross Society	125	-	-	125	-	0.0%	-	
Medical Fund	275	-	-	275	-	0.0%	275	
Reserve Force Council	3 202	-	-	3 202	2 878	89.9%	2 726	
Total	3 722	-	-	3 772	2 878		3 051	

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2008

ANNEXURE 1E
STATEMENT OF TRANSFERS/SUBSIDIES TO HOUSEHOLDS

HOUSEHOLD	TRANSFER ALLOCATION				EXPENDITURE		2006/07 Final Appropriation Act R'000
	Adjusted Appropriation Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available Transferred %	
DOD members	170 036	-	-	170 036	170 036	100.0%	191 374
	170 036	-	-	170 036	170 036		191 374

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2008**

ANNEXURE 1F

**STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS RECEIVED FOR THE YEAR
ENDED 31 MARCH 2008**

NAME OF ORGANISATION	NATURE OF GIFT, DONATION OR SPONSORSHIP	2007/08 R'000	2006/07 R'000
Received in kind			
Capitec Bank	Pens	3	-
Le Coco	Water bottle	1	-
Capitec Bank	Medals	1	-
Capitec Bank	Hi- gas cooker	1	-
CSIR	Chair stackable	-	299
CSIR	Video, camera and sound equipment	-	244
Old Mutual	SA Navy Empowerment Conference	-	50
Capitec Bank	Navy College open day	-	40
CSIR	Fans	-	37
Various Institutions	Various gifts R1000,00 and less	5	16
CSIR	Fridges and microwave	-	15
CSIR	Tables	-	14
Edit Café	Equipment for a bar	-	12
Makhado Spar	Donation: Camp for the disabled	-	10
SAAF Benevolent	Donation: Camp for the disabled	-	10
CSIR	Drive rack	-	10
CSIR	Twisted Wind Turbine	-	9
Coke Makhado	Coca Cola	-	7
Lilanga Lodge	Accommodation: Camp for the disabled	-	7
Edit Cape Prod	Samsung television and DVD System	-	6
CSIR	Vacuum cleaner	-	6
AAD	Television sets (6)	-	6
Palm Haven	Donation: Camp for the disabled	-	4
CSIR	Lounge suite	-	4
Rotary Club	Donation: Camp for the disabled	-	4
Dinnermates	Donation: Camp for the disabled	-	3
Shaheems	Snacks, hamburgers and patties	-	2
Mr N. Scott	Trophies	-	2
Limpopo Dairy	Donation: Camp for the disabled	-	2
Spa G/Bay	Navcol open day	-	1
Leach Printers	Printer	-	1
Come & Play	Face painting & jumping castle	-	1
CSIR	Hose airless	-	1
Total		11	823

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2008

ANNEXURE 1G
STATEMENT OF LOCAL AND FOREIGN AID ASSISTANCE RECEIVED FOR THE YEAR ENDED 31 MARCH 2008

NAME OF DONOR	PURPOSE	OPENING BALANCE R'000	REVENUE R'000	EXPENDITURE R'000	CLOSING BALANCE R'000
Received in kind					
Government of the United States of America (National Institute of Allergy and Infectious Disease)	Aids awareness program	-	61 710	-	61 710
Government of the United States of America (Emergency Programme for AIDS relief)	Aids awareness program	-	6 070	-	6 070
Government of the United States of America	Aircrew simulator training	-	1 000	-	1 000
Government of the United Kingdom (Department of Foreign International Development)	Aids awareness program	-	938	-	938
Government of the United States of America	Training courses	-	329	-	329
Government of the French Republic	Training courses	-	138	-	138
Kingdom of Sweden	Training courses	-	39	-	39
TOTAL		-	70 224	-	70 224

Note: Totals do not form part of the totals on the face of the Statement of Financial Performance.

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2008

ANNEXURE 1H			
STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS MADE AND REMISSIONS REFUNDS AND PAYMENTS MADE AS AN ACT OF GRACE FOR THE YEAR ENDED 31 MARCH 2008			
NATURE OF GIFT, DONATION OR SPONSORSHIPS	2007/08 R'000	2006/07 R'000	
Made in kind			
Vehicles, clothing and tools - Central African Republic	40 931	-	
General equipment - South African Police Service	1 274	-	
Tactical radio equipment - Namibian Defence Force	699	-	
Containers - Democratic Republic of Congo	360	-	
General equipment - Mozambican Defence Force	-	15 088	
Vehicles - South African Police Service	-	7 224	
Clothing and ETS - Central African Republic	-	2 320	
Impala Aircraft spares - Zambian Air Force	-	1 970	
Farm implements - South African Police Service	-	1 540	
Ammunition - South African Police Service (Special Task Force)	-	528	
Clothing - Department of Social Development	-	374	
Clothing - Zambian Air Force	-	243	
Vehicles - Department of Agriculture Conservation and Environment	-	200	
Game - Government of the Eastern Cape	-	128	
Tactical signal equipment - South African Police Service	-	64	
Music instruments - SAMEI	-	27	
Filing cabinets - Dr I. Monare School	-	5	
Total	43 264	29 711	
- Totals do not form part of the totals as on the face of the Statement of Financial Performance			

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2008**

ANNEXURE 2A STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO NATIONAL/PROVINCIAL PUBLIC ENTITIES AS AT 31 MARCH 2008 (Only Public and Private Entities)												
Name of Public Entity	State Entity's PFMA Schedule type (state year end if not 31 March)	% Held 07/08	% Held 06/07	Number of shares held		Cost of investment		Net Asset value of investment		Profit/(Loss) for the year		Losses guaranteed
				2007/08	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07	
R'000												
National/Provincial Public Entity												
Castle Control Board (under control of the Minister of Defence)	3A	100.0%	100.0%	75 000 000 (Issued to the President of the Republic of South Africa and in custody at the Department of Defence)	75 000 000 (Issued to the President of the Republic of South Africa and in custody at the Department of Defence)	-	75 000	7 886	6 023	1 863	1 510	No
Armaments Corporation of South Africa (managed and controlled by a board of Directors appointed by the Minister of Defence). Profit/(loss) for the year is for the Armscor Group.	2	100.0%	100.0%	75 000 000 (Issued to the President of the Republic of South Africa and in custody at the Department of Defence)	75 000	75 000	536 900	470 600	44 000	58 000		No
South African National Defence Force Fund	3A (Not listed)	100.0%	100.0%			-		9 575	8 740	835	580	No
Subtotal						75 000	75 000	554 361	485 363	46 698	60 090	
Total						75 000	75 000	554 361	485 363	46 698	60 090	
COMMENTS												

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2008**

ANNEXURE 2B STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO CONTROLLED/PUBLIC ENTITIES AS AT 31 MARCH 2008 (Only Public and Private Entities)									
Name of Public Entity	Nature of business	Cost of investment		Net Asset value of Investment		Amounts owing to Entities		Amounts owing by Entities	
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
		2007/08	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
Controlled entities									
South African National Defence Force Fund	The SANDF Fund is established in terms of the Fund Raising Act, Act 107 of 1968. The aim of the fund is to render aid to SA National Defence Force and Auxiliary Services and their dependants who suffer financial hardship and distress as a result of duties in terms of the Defence Act.	-	-	9 575	8 740	-	-	-	-
Castle Control Board (under control of the Minister of Defence)	To preserve and protect the military and cultural heritage of the castle; optimise the tourism potential of the Castle; and maximise the accessibility to the public of the whole or any part, as the case may be, of the Castle which is not used by the SANDF, or any part thereof.	-	-	7 886	6 023	-	-	-	-
Armaments Corporation of South Africa (managed and controlled by a Board of Directors appointed by the Minister of Defence)	To acquire defence products, mainly for the SANDF, and co-manage, with the SANDF, the development of technologies for future weapon systems and products and also to manage the disposal of excess, forfeited, redundant, or surplus defence material for the SANDF and the subsidy companies which directly support technology and acquisition strategies.	75 000	75 000	536 900	470 600	-	-	5 031	6 695
Total		75 000	75 000	554 361	485 363	-	-	5 031	6 695

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2008

ANNEXURE 3A
STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2008 - LOCAL

Guarantor Institution	Guarantee in respect of	Original Guaranteed capital amount	Opening balance as at 1 April 2007	Guarantee drawdowns during the year	Guarantee repayments/ cancelled/ reduced/ released during the year	Revaluations	Closing balance 31 March 2008	Guaranteed interest outstanding as at 31 March 2008	Realised losses not recoverable	
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Housing										
ABSA		-	29 609	-	6 141	-	23 468	-	84	
African Bank		-	952	-	125	-	827	-	59	
BOE Bank (Boland)		-	280	-	-	-	280	-	-	
Business Partners		-	5	-	-	-	5	-	-	
Cape of Good Hope Bank		-	112	-	-	-	112	-	-	
Ciskei Peoples Development Bank		-	5	-	-	-	5	-	-	
First National/First Rand Bank		-	22 702	13	5 007	-	17 708	-	10	
Free State Development Corporation		-	1 257	-	152	-	1 105	-	-	
Grahamstown Building Society		-	35	-	16	-	19	-	-	
Greenstart Home Loans		-	1 718	100	112	-	1 706	-	-	
Ithala Development Finance Corporation		-	759	49	70	-	738	-	-	
Khayaletu Home Loans		-	27	-	-	-	27	-	-	
Masikheni		-	405	-	-	-	405	-	-	
Nedbank		-	10 641	-	-	-	10 641	-	-	
Perm/Peoples Bank/Nedcor		-	22 084	-	6 800	-	15 284	-	-	
Northern Province Development Corporation		-	9	-	-	-	9	-	-	
Old Mutual Bank		-	9 518	-	2 701	-	6 817	-	22	
Risima Housing Corporation		-	108	-	-	-	108	-	-	
SA Development Corporation Ltd		-	18	-	-	-	18	-	-	
SA Home Loans		-	61	-	-	-	61	-	-	
South Fin		-	821	-	-	-	821	-	-	

| Financial Performance |

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2008**

ANNEXURE 3A

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2008 - LOCAL (CONTINUED)

Guarantor Institution	Guarantee in respect of	Original Guaranteed capital amount	Opening balance as at 1 April 2007	Guarantee drawdowns during the year	Guarantee repayments/ cancelled/ reduced/ released during the year	Revaluations	Closing balance 31 March 2008	Guaranteed interest outstanding as at 31 March 2008	Realised losses not recoverable
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Standard Bank		-	13 302	-	2 118	-	11 184	-	10
Venda Building Society		-	850	-	278	-	572	-	-
Venda National Development Corporation		-	12	-	-	-	12	-	-
Subtotal		-	115 290	162	23 520	-	91 932	-	185
Total		-	115 290	162	23 520	-	91 932	-	185

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2008**

ANNEXURE 3B STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2008					
Nature of Liability	Opening Balance 1 April 2007 R'000	Liabilities incurred during the year R'000	Liabilities paid/can- celled/reduced during the year R'000	Liabilities recoverable R'000	Closing Balance 31 March 2008 R'000
Claims against the depart- ment					
Civil claims	1 296 983	36 104	1 017 274	-	315 813
Motor vehicle accident claims	4 870	577	731	-	4 716
	1 301 853	36 681	1 018 005	-	320 529
Environmental Liability					
Environmental Liability	7 170	54 400	7 170	-	54 400
	7 170	54 400	7 170	-	54 400
Other					
Regional Service Councils Levies	-	18 983	-	-	18 983
	-	18 983	-	-	18 983
Total	1 309 023	110 064	1 025 175	-	393 912

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2008

Government Entity		Confirmed balance		Unconfirmed balance		TOTAL	
		31/03/2008 R'000	31/03/2007 R'000	31/03/2008 R'000	31/03/2007 R'000	31/03/2008 R'000	31/03/2007 R'000
ANNEXURE 4							
INTER-GOVERNMENTAL RECEIVABLES							
Department							
Department of Foreign Affairs	-	-	33 563	2 063	33 563	2 063	2 063
National Treasury		7 495	356	106	356	106	7 601
Department of Education	6	3	-	11	6	11	14
Department of Health	-	-	364	223	364	223	223
Department of Social Development	-	-	3	6	3	6	6
Department of Correctional Services	-	14	18	5	18	5	19
National Intelligence	-	-	3	3	3	3	3
Department of Home Affairs	-	-	135	75	135	75	75
Department of Safety and Security	-	-	140	40	140	40	40
Department of Agriculture	10	-	906	917	916	917	917
Department of Justice	-	-	14	-	14	-	0
Department of Environmental Affairs and Tourism	-	-	80	67	80	67	67
Department of Transport	-	-	423	423	423	423	423
Department of Trade and Industry	-	-	12	-	12	-	0
Local Government Western Cape	-	-	12	-	12	-	0
Gauteng Provincial Government	-	179	-	1	0	1	180
	16	7 691	36 029	3 940	36 045	3 940	11 631

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2008

ANNEXURE 4 INTER-GOVERNMENTAL RECEIVABLES (CONTINUED)						
Government Entity	Confirmed balance		Unconfirmed balance		TOTAL	
	31/03/2008 R'000	31/03/2007 R'000	31/03/2008 R'000	31/03/2007 R'000	31/03/2008 R'000	31/03/2007 R'000
Other Government Entities						
State Information Technology Agency	-	-	-	5	-	5
South African Revenue Services	24 029	-	-	-	24 029	-
Total	24 045	7 691	36 029	3 945	60 074	11 636

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2008

ANNEXURE 5 INTER-DEPARTMENTAL PAYABLES						
Government Entity	Confirmed balance		Unconfirmed balance		TOTAL	
	31/03/2008	31/03/2007	31/03/2008	31/03/2007	31/03/2008	31/03/2007
	R'000	R'000	R'000	R'000	R'000	R'000
Department						
Current						
Department of Public Works	-	-	5	821	5	821
National Treasury	-	-	940	941	940	941
Department of Education	-	-	-	25	-	25
Department of Health	-	-	49	180	49	180
Department of Correctional Services	-	-	9	36	9	36
Department of Justice and Constitutional Development	-	-	6	704	6	704
Department of Safety and Security	-	-	35	32	35	32
Department of Provincial and Local Government	-	-	-	4	-	4
Department of Water Affairs and Forestry	-	-	-	25	-	25
Department of Public Service and Administration	-	-	-	41	-	41
Department of Foreign Affairs	-	-	17 807	28 321	17 807	28 321
Government Garage Transport	-	-	106	310	106	310
Social Welfare Northern Cape	-	-	-	1	-	1
Free State Provincial Government	-	-	1	-	1	-
Department of Social Services and Population	-	-	12	-	12	-
Gauteng Shared Services	-	-	18	-	18	-
Total	-	-	18 988	31 441	18 988	31 441

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE SPECIAL DEFENCE ACCOUNT for the year ended 31 March 2008

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Special Defence Account which comprise the balance sheet as at 31 March 2008, income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 337 to 345.

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the entity-specific basis of accounting, as set out in note 1 to the financial statements and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 5 of the Defence Special Account Act, 1974 (Act No. 6 of 1974), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE SPECIAL DEFENCE ACCOUNT for the year ended 31 March 2008 (continued)

7. I have determined that my audit of certain sensitive expenditure incurred in connection with special defence activities per section 2(2)(a) of the Defence Special Account Act, 1974, as amended, have been limited to those procedures necessary for the purpose of expressing an opinion on the financial statements and were not extended to include the circumstances under which they were incurred and utilised, or compliance to any legislation and approvals in respect thereof.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

9. The Special Defence Account's (SDA) policy is to prepare financial statements on the entity-specific basis of accounting, as set out in note 1 to the financial statements.

Opinion

10. In my opinion the financial statements of the Special Defence Account as at 31 March 2008 and its financial performance and cash flows for the year then ended have been prepared, in all material respect, in accordance with the basis of accounting as set out in note 1 to the financial statements and in the manner required by PFMA.

Emphasis of matters

Without qualifying my audit opinion, I draw attention to the following matters:

Significant uncertainties

Contingent liability

11. With reference to note 11 to the financial statements, the SDA, through the department, and its service providers were the defendants in lawsuits. The ultimate outcome cannot be determined and no provision for any liability that may result was made in the financial statements.

Highlighting critically important matters presented or disclosed in the financial statements

Amendments to the applicable basis of accounting

12. As set out in accounting policy note 1, the National Treasury approved the SDA's application of the entity-specific basis of accounting on 31 March 2008.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE SPECIAL DEFENCE ACCOUNT for the year ended 31 March 2008 (continued)

OTHER MATTERS

Without qualifying my audit opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Non-compliance with applicable legislation

Defence Special Account Act, 1974 (Act No. 6 of 1974)

13. According to section 3 of the Defence Special Account Act, 1974 (Act No. 6 of 1974) any moneys standing to the credit of the account, which are not required for immediate use or as a reasonable working balance, must be invested. During the period under review the SDA did not comply with this requirement.

Matters of governance

14. The PFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
Audit committee		
The Special Defence Account had an audit committee in operation throughout the financial year.	X	
The audit committee operates in accordance with approved, written terms of reference.	X	
The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 3.1.10.	X	
Internal audit		
The Special Defence Account had an internal audit function in operation throughout the financial year.	X	
The internal audit function operates in terms of an approved internal audit plan.	X	
The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 3.2.	X	
Other matters of governance		
The annual financial statements were submitted for auditing as per the legislated deadlines section 40 of the PFMA for departments and constitutional institutions.	X	
The financial statements submitted for auditing were not subject to any material amendments resulting from the audit.		X
No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	X	
The prior year's external audit recommendations have been substantially implemented.	X	
SCOPA resolutions have been substantially implemented.	X	

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE SPECIAL DEFENCE ACCOUNT for the year ended 31 March 2008 (continued)

OTHER REPORTING RESPONSIBILITIES

REPORT ON PERFORMANCE INFORMATION

15. I have reviewed the performance information as set out on pages 46 to 54.

Responsibility of the accounting officer for the performance information

16. The accounting officer has additional responsibilities as required by section 40(3)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the Special Defence Account.

Responsibility of the Auditor-General

17. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*.

18. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

Audit findings (performance information)

19. I believe that the evidence I have obtained is sufficient and appropriate to report that no significant findings have been identified as a result of my review.

APPRECIATION

20. The assistance rendered by the staff of the Department of Defence and Armscor during the audit is sincerely appreciated.

Auditor - General

Pretoria

31 July 2008



SPECIAL DEFENCE ACCOUNT BALANCE SHEET as at 31 March 2008

	Note	2007/08 R'000	2006/07 R'000
ASSETS			
Current assets		4 235 005	4 044 938
Advances	2	14 727	12 049
Trade and other receivables	3	73 668	117 066
Cash and cash equivalents	4	4 127 957	3 898 893
Investments	5	18 653	16 930
Total assets		4 235 005	4 044 938
EQUITY AND LIABILITIES			
Equity			
Reserves		3 973 106	3 441 586
Current liabilities			
Creditors	6	261 899	603 352
Total equity and liabilities		4 235 005	4 044 938

| Financial Performance |

SPECIAL DEFENCE ACCOUNT INCOME STATEMENT for the year ended 31 March 2008

	Note	2007/08 R'000	2006/07 R'000
Revenue		8 277 772	8 378 468
Transfer from Department of Defence		8 235 711	8 280 738
Other revenue	7	42 048	97 720
Interest received		13	10
<i>Less:</i> Expenditure	8	7 747 631	7 700 027
Net profit for the period		530 141	678 441

SPECIAL DEFENCE ACCOUNT STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2008

	Note	2007/08 R'000	2006/07 R'000
		Accumulated income	Accumulated income
Balance at beginning of the year		3 441 586	2 763 145
Error	9	1 379	-
Restated balance		3 442 965	2 763 145
Net profit for the year		530 141	678 441
Balance at end of the year		3 973 106	3 441 586

SPECIAL DEFENCE ACCOUNT CASH FLOW STATEMENT for the year ended 31 March 2008

	Note	2007/08 R'000	2006/07 R'000
Cash flow from operating activities			
Net profit		530 141	678 441
Adjustment for investment income		(13)	(10)
Operating profit before working capital changes		530 128	678 431
Working capital changes		(299 354)	(484 921)
Increase in trade and other receivables		43 398	(29 674)
Increase in advances		(2 678)	(3 207)
Error	9	1 379	-
Decrease in creditors		(341 453)	(452 040)
Cash generated from operations		230 774	193 510
Interest received		13	10
Net cash flow from operating activities		230 787	193 520
Cash flow from investing activities			
Investment		(1 723)	(1 277)
Net cash outflow from investing activities		(1 723)	(1 277)
Net increase in cash and cash equivalents		229 064	192 243
Cash and cash equivalents at beginning of the year		3 898 893	3 706 650
Cash and cash equivalents at end of the year	4	4 127 957	3 898 893

SPECIAL DEFENCE ACCOUNT

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

1. Accounting policy

The Minister of Defence approves an annual budget in accordance with the provisions of the Defence Special Account Act, 1974 (Act No. 6 of 1974) as amended, whereafter the budgeted amount is dealt with as a transfer payment from the Department of Defence. The actual expenditure is reflected in the financial statements.

The financial statements are prepared on the historical cost basis. The following are the principal accounting policies used by the Special Defence Account, which are consistent with those of the previous year and approved by the Accountant General.

1.1 Underlying assumption

The financial statements are prepared on the modified accrual basis.

1.2 Expenditure on fixed assets

For the purpose of the Special Defence Account, assets purchased are written off when they are paid for. The cost is brought to account as expenditure. Advance payments made in terms of contracts are expensed at date of payment. The assets are included in the asset register of the Department of Defence at the date of delivery of the asset.

1.3 Revenue

With the exception of funds transferred from the Vote, excluding the Strategic Defence Procurement Programme, revenue from the sale of equipment is recognised after the Department of Defence identify it for sale and all the significant risk and rewards of ownership are transferred to the buyers and it is probable that the economic benefits, which could be measurable reliably, will flow to the Special Defence Account (SDA). The funds transferred from the Vote, excluding the Strategic Defence Procurement Programme, are accounted for on a cash basis.

1.4 Foreign exchange

Transactions in foreign currency are translated at the rates of exchange ruling at transaction dates. Monetary assets and liabilities are translated at the rates of exchange ruling at balance sheet date.

1.5 Contractual commitments

The outstanding commitments at 31 March 2008 arising from contractual commitments are accounted for in the financial statements of the SDA (Note 10) and comprise the amount still outstanding on delivery plus estimated additional costs based on historical information.

The commitments for the Strategic Defence Packages represent the capital amount outstanding as at 31 March 2008. The foreign portion is converted at prevailing exchange rates at year-end. The local and foreign portions exclude escalation and other additional costs.

SPECIAL DEFENCE ACCOUNT NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2008 (continued)

| Financial Performance |

	2007/08 R'000	2006/07 R'000
2. Advances	14 727	12 049
National Defence Force projects	10 522	5 251
Strategic Defence Procurement Programme (SDPP) subsistence & travel advances	4 205	6 798
3. Trade and other receivables	73 668	117 066
Trade debtors	28 000	72 792
Intelligence division	31 085	26 844
Special forces	9 007	8 896
Clearing account	5 576	8 534
3.1 Included in the amount of Trade debtors is a short-term receivable of R4 million and a long-term receivable of R24 million		
4. Cash and cash equivalents		
Paymaster General Account	4 127 957	3 898 893
5. Investments	18 653	16 930
Corporation for Public Deposits	140	127
Corporation for Public Deposits (Compliance Programme)	18 513	16 803
6. Creditors	261 899	603 352
Compliance Programme as per agreement between the USA and SA Governments	18 513	16 803
Opening balance at beginning of year	16 803	15 536
Interest earned on investment	1 710	1 267
Contract fines	17 120	20 827
Revenue payable to the National Revenue Fund	120 480	125 423
Trade creditors	90 987	205 116
Provision for Strategic Defence Procurement Programme	11 520	225 577
Other	3 279	9 606

6.1 Included in the provision of R11 520 486 is no foreign component of the Strategic Defence Procurement Programme. This amount relates to invoices and goods received prior to 31 March 2008 in respect of the Strategic Defence Procurement Programme. The amount is contractually payable in the 2008/2009 financial year and will be funded from the 2008/2009 Department of Defence transfer payment. No forward cover was utilised.

SPECIAL DEFENCE ACCOUNT NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2008 (continued)

	2007/08 R'000	2006/07 R'000
7. Other revenue	42 048	97 721
Other revenue	162 528	223 144
Sales of strategic equipment	28 166	116 589
Contract fines	56 410	51 634
Foreign exchange profit on sales of strategic equipment	-	2 047
Foreign exchange profit on the SDPP	74 980	51 366
Sensitive projects	2 972	1 165
Interest received on replacement orders	-	19
Sundry	-	324
<i>Less:</i> Payable to National Revenue Fund	(120 480)	(125 423)
8. Expenditure	7 747 632	7 700 027
Major projects	5 820 712	6 520 356
Other projects	769 490	359 168
Landward Defence	142 363	73 178
Air Defence	94 774	79 328
Maritime Defence	321 474	58 394
Military Health Support	1 805	600
Command and Control	207 145	52
Joint Support	1 929	147 616
Operating projects	964 934	590 809
Sensitive projects	79 360	85 875
Foreign exchange rate adjustments	113 136	143 819
9. Error		
Adjustments to prior years: Sensitive projects	1 379	-

- 8.1** General expenditure such as auditor's remuneration is included in the General Defence Account.
- 8.2** The total fruitless and wasteful expenditure amounts to R9 800 (2006/2007: R721 071).
- 8.3** Included in major projects are legal fees of R0 (2006/2007: R154 644) relating to the contingent liability in note 11.
- 8.4** Included in expenditure for sensitive projects is a foreign exchange profit of R840 964 (2006/2007: R64 352).

SPECIAL DEFENCE ACCOUNT NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2008 (continued)

	2007/08 R'000	2006/07 R'000
10. Future expenditure approved by Armscor	18 816 492	17 494 992
Strategic Defence Procurement Programme capital commitment	4 268 881	5 808 452
Commitments	14 547 611	11 686 540
Commitments in respect of contracts entered into	8 775 087	5 713 157
Commitments approved, but contracts not yet entered into	5 772 524	5 973 383

10.1 The amount relating to the Strategic Defence Procurement Programme capital commitment represents the capital amount at prevailing exchange rates at year end, but excludes escalation and other additional costs (eg. Finance costs). Included in the amount of R4 268 881 051 (2006/2007: R5 808 452 433) is a foreign component of EUR 5 311 450, USD 115 970 293, GBP 76 678 567 and SEK 1 414 398 749 (2006/2007: EUR 20 079 008, USD 178 024 317, GBP 137 028 078 and SEK 1 972 250 865). No forward cover was utilised.

10.2 It is intended to finance expenditure from future Department of Defence transfer payment funds and from working capital generated within the Special Defence Account.

11. Contingent liability		
Claims against the state	2 530 910	139 872

11.1 Included in claims against the state is a claim of EUR 192 000 000 relating to a commission claim. The claim will be defended in a civil court in Lisbon, Portugal.

11.2 An amount of R113 000 000 was erroneously disclosed in 2006/2007. The figures for 2006/2007 have been adjusted accordingly.

12. Defence Industrial Participation (DIP)		
12.1 DIP credits awarded and planned for current year		
DIP credits awarded	1 407 770	2 206 548
DIP credits awarded - SDPP	1 088 118	2 134 671
DIP credits awarded - Non-SDPP	319 652	71 877
DIP credits planned	1 381 942	1 587 450
DIP credits planned - SDPP	1 037 250	1 570 200
DIP credits planned - Non-SDPP	344 692	17 250

SPECIAL DEFENCE ACCOUNT NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2008 (continued)

	2007/08 R'000	2006/07 R'000
12.2 Previous years DIP credits awarded and planned		
Cumulative DIP credits awarded	17 710 131	16 906 918
Cumulative DIP credits awarded - SDPP	12 505 829	11 417 711
Cumulative DIP credits awarded - Non-SDPP	5 204 302	5 489 207
Cumulative DIP credits planned	17 014 881	15 708 948
Cumulative DIP credits planned - SDPP	11 814 482	10 853 241
Cumulative DIP credits planned - Non-SDPP	5 200 399	4 855 707
12.3 Outstanding DIP obligations		
Outstanding DIP obligations	2 761 958	4 429 044
Outstanding DIP obligations - SDPP	2 604 932	3 693 050
Outstanding DIP obligations - Non-SDPP	157 026	735 994

12.4 The DIP programme applies to all foreign defence purchases with an import content exceeding 2 million USD and attracts a DIP obligation of at least 50% of the import content. Armscor is responsible for the management and monitoring of the DIP programme on behalf of the Department of Defence (DOD). National Industrial Participation (NIP) applies to all foreign contracts above 10 million USD and are handled by the Department of Trade and Industry.

12.5 DIP represents the obligations of foreign Original Equipment Manufacturers that supply military equipment to the DOD through Armscor. The obligation represents the value of orders to be placed on SA industry, and technology to be transferred.

13. Post Balance Sheet Event
Revenue Payable to National Revenue Fund

National Treasury has approved that the revenue payable to the National Revenue Fund in the 2007/2008 financial year, as disclosed in note 7, will be refunded in the 2008/2009 financial year.

ASSURANCE REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON COMPLIANCE WITH SECTION 4 OF THE NATIONAL CONVENTIONAL ARMS CONTROL ACT, 2002 (ACT NO. 41 OF 2002), IN TERMS OF SECTION 12 OF THE NATIONAL CONVENTIONAL ARMS CONTROL ACT, 2002 (ACT NO. 41 OF 2002) for the year ended 31 March 2008

Introduction

1. I have performed my limited assurance engagement on compliance by the National Conventional Arms Control Committee (NCACC) with reference to section 4 of the National Conventional Arms Control Act, 2002 (Act No. 41 of 2002) (act) as required by section 12 of the act.

To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than Parliament, for my work, for this report, or for the conclusions I have formed.

The NCACC's responsibility

2. The NCACC is responsible for compliance with the act and related regulations.

Auditor-General's responsibility

3. As required by section 12 of the Act my responsibility is to conclude in compliance of the NCACC with section 4 of the act. I performed my assurance engagement in accordance with the International Standard on Assurance Engagements (3000), *Assurance Engagements Other Than Audits or Reviews of Historic Financial Information*. That standard requires me to comply with ethical requirements and to plan and perform my assurance engagement to obtain sufficient, appropriate evidence regarding the subject matter of the engagement to support my assurance conclusion, expressed below.

Summary of work performed

4. As the auditor of the NCACC I have also audited the Department of Defence, which provides the secretariat to the NCACC, for the year ended 31 March 2008. My limited assurance procedures included the following specific procedures:

- Inspected the processes and structures established by the committee for effective control of trade in conventional arms.
- Inspected the guidelines, structures and processes established by the committee for the scrutiny and assessment of the application for the issuing of a permit.
- Confirmed that the committee liaised with relevant government agencies regarding enforcement of the act.
- Inspected all instances where the issuing of a permit was refused by the committee and confirmed that this was done as set out in section 14 of the act.
- Inspected issued permits and confirmed that all these permits complied with the conditions as indicated in the regulations. I have, however, not performed compliance procedures in the following areas of the NCACC's responsibilities:
 - Valuation of end-user certificates received
 - Control evaluation at development and manufacturing companies
 - Compliance visit reports, conclusions and recommendations.

ASSURANCE REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON COMPLIANCE WITH SECTION 4 OF THE NATIONAL CONVENTIONAL ARMS CONTROL ACT, 2002 (ACT NO. 41 OF 2002), IN TERMS OF SECTION 12 OF THE NATIONAL CONVENTIONAL ARMS CONTROL ACT, 2002 (ACT NO. 41 OF 2002) for the year ended 31 March 2008

- Inspected the register that must be kept in the prescribed form of persons involved in trade in conventional arms.
 - Inspected the register for all permits issued:
 - Selected a sample of permits issued and followed through to the register.
 - Selected a sample of entries in the register and followed through to the issued permits.
 - Confirmed that all reports issued have been issued as required by section 23 of the act.
 - Performed an analysis to identify anomalies in reported data.
 - Determined whether information supplied was relevant, reliable, comparable and understandable.
5. For the purpose of my limited assurance conclusion, my evidence-gathering procedures were more limited than for a reasonable assurance engagement, and therefore less assurance was obtained than in a reasonable assurance engagement.
6. I believe that the evidence obtained as part of my assurance engagement of the NCACC for the year ended 31 March 2008, is sufficient and appropriate to provide a basis for my conclusion expressed below.

Conclusion

7. Based on my work performed, except for the findings listed below, nothing came to my attention to indicate that the NCACC did not comply with section 4 of the act.
- As required by section 4(1)(a) of the Act the NCACC should establish processes and structures necessary for effective control over trade in conventional arms. The administrative structure of the NCACC, the Directorate of Conventional Arms Control (DCAC), operated in terms of the draft DCAC processing unit's operating procedures until 29 May 2008. During the NCACC meeting held on 29 May 2008 the DCAC's internal operating procedures and processes were approved.
 - Not all reporting requirements as per section 23 of the Act were complied with. The following matter relates to non-compliance with section 23 of the Act, due to capacity constraints at the administrative function of the DCAC:
 - Section 23(1)(b) of the Act requires that the NCACC should submit quarterly reports to the Cabinet and a committee of Parliament. For the year under review no such quarterly reports have been submitted. The DCAC only submitted an annual report to Parliament which contained the information for all four quarters.
 - Section 23(1)(c) of the Act requires that the annual report to Parliament should be submitted at the end of the first quarter of the following period. The January 2007 to December 2007 report was only submitted on 9 June 2008.

**ASSURANCE REPORT OF THE AUDITOR-GENERAL TO
PARLIAMENT ON COMPLIANCE WITH SECTION 4 OF THE
NATIONAL CONVENTIONAL ARMS CONTROL ACT, 2002
(ACT NO. 41 OF 2002), IN TERMS OF SECTION 12 OF THE
NATIONAL CONVENTIONAL ARMS CONTROL ACT, 2002
(ACT NO. 41 OF 2002) for the year ended 31 March 2008**

Appreciation

8. The assistance rendered by the staff of the DCAC during the engagement is sincerely appreciated.

Auditor - General

Pretoria

27 July 2008



List of Abbreviations and Acronyms

ACTC	Army Combat Training Centre
AFB	Air Force Base
AIDS	Acquired Immune Deficiency Syndrome
AMHU	Area Military Health Unit
ARMSCOR	Armaments Corporation of South Africa Ltd
C ⁴ I ² RS	Command, Control, Computers, Communication, Information, Intelligence, Reconnaissance and Surveillance
CIOR	Confederation Internallie des Officiers des Reserves
DIDTETA	Diplomacy, Intelligence, Defence and Trade Education and Training Authority
DOD	Department of Defence
DRC	Democratic Republic of the Congo
DSC	Defence Staff Council
EEZ	Economic Exclusion Zone
ETD	Education, Training and Development
FY	Financial Year
GCIS	Government Communication and Information System
HIV	Human Immunity Virus
IRPS	International Relations Peace and Security
ISDSC	Inter-State Defence and Security Committee
MOU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NCACC	National Conventional Arms Control Committee
NICOC	National Intelligence Co-ordinating Committee
OSIS	Operational Support Information System
P5 Countries	Permanent members of United Nations Security Council: France, People's Republic of China, Russian Federation, United Kingdom and United States of America
PSAP	Public Service Act Personnel (civilians)
PSO	Peace Support Operations
Reg F	Regular Force
Res F	Reserve Force
RSA	Republic of South Africa
SAAF	South African Air Force
SADC	Southern African Development Community
SAMHS	South African Military Health Service
SAN	South African Navy
SANDF	South African National Defence Force
SAPS	South African Police Service
SCAMP	SANDF Capital Acquisition Master Plan
SCOPA	Standing Committee on Public Accounts
SDP	Strategic Defence Package
SECDEF	Secretary of Defence

Services	SA Army; SA Air Force; SA Navy; SA Military Health Service
SITA	State Information Technology Agency
STFEP	Short Term Force Employment Plan

SANDF OPERATIONS

FIBRE	Administrative control and support to the SANDF contingent deployed in support of the United Nations Mission in Burundi (ONUB), as well as operational command of the VIP Protection Unit until completion of VIP protection task Force commander, staff officers and military observers deployed as part of the ONUB Headquarters VIP protection for returned political leaders in accordance with bilateral agreement
HUMAN	Prevention of the spreading of the Foot-and-Mouth disease outbreak in the Limpopo Province in support of the Department of Health. Deployment in support of the Department of Health to curb the Avian Flu in the Eastern Cape.
INTEXO	Border Line Control
MISTRAL	Deployment of SANDF specialist teams (Aircraft Handling Team, Military Police, Air Medical Evacuation Team, Aircraft Rescue Fire Fighting Team) in support of the United Nations Mission in the Democratic Republic of Congo (MONUC) Deployment of SANDF Task Force to Kindu, in support of the United Nations Mission in the Democratic Republic of Congo (MONUC III) Deployment of staff officers, military liaison officer and military observers as part of the United Nations Mission for the Democratic Republic of Congo (MONUC)
NEPTUNE	Combating of illegal fishing and smuggling of marine resources (Part of Operation INTEXO)
STIPPER	Rural Safeguarding in support of the SA Police Service
TRITON III	Assistance to the Electoral process in the Union of the Comoros
TEUTONIC	The RSA detachment assisted with integration and democracy training of the Congolese Army for integration purposes (“bridging training”)
VUSELELA	Sub-programme of ‘Working for Water’ focusing on the eradication of alien invasive plants on DOD properties using unemployed military veterans

PEACE–SUPPORT MISSIONS OF INTERNATIONAL ORGANISATIONS

AMIB	African Union Mission in Burundi
AMIS	African Union Mission in the Sudan
MONUC	United Nations Mission in the Democratic Republic of Congo
ONUB	United Nations Mission in Burundi
OLMEE	United Nations Mission in Ethiopia
UNMEE	United Nations Mission in Eritrea
UNMIL	United Nations Mission in Liberia

