Department of Defence

Annual Report 2011/12

Safeguarding South Africa For A Better Life For All

defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF DEFENCE

Annual Report

(This Annual Report includes information on the Department of Military Veterans)

1 April 2011 to 31 March 2012

Doing things differently to achieve more with less!

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REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF DEFENCE ANNUAL REPORT FY2011/12

Ms N.N. Mapisa-Nqakula, MP
Minister of Defence and Military Veterans

Dear Minister,

I have the honour of submitting the Annual Report of the Department of Defence (DOD) for the reporting period 01 April 2011 to 31 March 2012.

(DR S.M. GULUBE)
SECRETARY FOR DEFENCE: DIRECTOR-GENERAL

Foreword by the Honourable Minister of Defence and Military Veterans, Ms N.N. Mapisa-Nqakula, MP

Building on the momentum that has seen the Department of Defence reinvent itself over the past few years, I am pleased to present the FY2011/12 Annual Report for the Department of Defence (DOD). This report represents a summary of many activities carried out by the Department of Defence in fulfilling its constitutional mandate to defend the sovereignty of the Republic of South Africa and to provide support to its people.

In the year under review, the DOD continued to play a crucial role in supporting the South African government's foreign policy by being ready to respond to calls to support and promote peace in the continent whether on a bi-lateral or multi-lateral level. This ongoing support to government foreign policy initiatives has sparked increased co-operation between both regional and continental defence forces, thereby promoting stability and security in the SADC and the African continent. Some of the results of which is the standing agreement of co-operation in curbing the piracy scourge from the Southern African Development Community (SADC) region waters between SA, Mozambique and Tanzania. Further support was provided to the Mozambique Defence Force with counter-piracy operations during which South African Naval vessels patrolled the Mozambique Channel.

In pursuance of the new growth path which places people's employment at the centre of Governments' economic policy, the Department of Defence and Military Veterans continued during the FY2011/12 with the implementation of its Overarching Human Resource Strategy. The strategy aims to ensure an appropriately composed, empowered and managed defence human resource complement to execute the Department's mandate and mission. The emphasis of implementation remained the rejuvenation of the South African National Defence Force's human resources, the ongoing configuration of the Department's human resource composition to meet operational requirements and the development of the Department's human capital, including youth development initiatives embedded in the Military Skills Development System (MSDS) and National Youth Service (NYS).

During FY2011/12 the Department continued to pursue a human resource composition of appropriate quality, quantity, composition and cost, accountable human resource administration and meeting its commitments in pursuance of Government's human resource policy and strategy.

Ms N.N. Mapisa-Nqakula
Minister of Defence and Military Veterans

In line with the Ministerial Priorities:

- The promulgation of the Defence Amendment Act, 2010 (Act No. 22 of 2010), which came into operation on 15 April 2011 and provided for the establishment of the Permanent Defence Force Service Commission (PDFSC) was finalised.

- During 2011, the DOD developed and adopted the South African Maritime Strategy which is currently in the process of integration with the broader SADC Maritime Security Strategies.

- The modernization of the Landward System through the enablement of the Landward System has furthermore remained stagnant, pending the finalisation of the Defence Review which will in-

form the required future Landward Defence Capabilities of the SANDF.

- The Reserves are currently being transformed and revitalised so that they are enabled to fulfil their primary role of providing the majority of the conventional landward capability of the SANDF, whilst at the same time supplementing the peace support missions conducted by the Regulars.

The afore-mentioned achievements are a testament to the courage, selflessness and teamwork of the South African National Defence Force. This annual report showcases DOD commitment to serve the country and its people within the governmental financial framework and reflects our confidence in our commitment to good corporate governance.

(MS N.N. MAPISA-NQAKULA)
MINISTER OF DEFENCE AND
MILITARY VETERANS

Introduction by the Secretary for Defence, Dr S.M. Gulube

The Secretary for Defence is the Head of the Department, the Accounting Officer, the Information Officer and the principal adviser to the Minister of Defence on Defence policy matters. The Defence Secretariat was established in terms of section 204 of the Constitution of the Republic of South Africa, 1996, given substance to by section 6 of the Defence Act, 2002 (Act No. 42 of 2002) and executes its functions within the parameters of section 8 thereof.

As illustrated in the Vote 22 Chapter of the Estimate of National Expenditure (ENE), to continue to deliver on its mandate, the DOD focuses on strategic priorities determined in response to changing circumstances. By implication, the role of the Defence Secretariat focuses on the implementation of these emerging priorities aimed at the realisation of the Defence mandate.

The Defence Secretariat remains committed to the responsibility of providing the latest and fit for purpose policy and legislative instruments to realise a Defence Force that is both an honest peace broker as well as an insurance for security for its citizens.

The role of the Department of Defence as the Secretariat and the co-ordinator of the International Co-operation Trade and Security (ICTS) Cluster, presents an opportunity for the Defence Secretariat to take centre stage in providing policy directives that will guide the footprint of defence as well as provide a focused approach to the management of the five security domains.

In pursuit of the promotion of international and regional peace, security and stability, the Republic of South Africa is a signatory to a number of international peace and security protocols, including, *inter alia*, under the United Nations (UN), African Union (AU) and Southern African Development Community (SADC) Peace and Security Protocols, and bears a constitutional responsibility to meet these international obligations.

The balanced approach to the protection of territorial integrity has indeed ushered in an increased focus on domestic security, through the Border Safeguarding mandate, thus giving substance to Outcome 3 that *"All people in South Africa are and feel safe."* The phased implementation of the border safeguarding function has seen the Defence Force deployed for border safeguarding along the borders

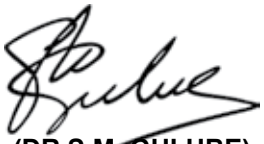
Dr S.M. Gulube
Secretary for Defence

of the Republic of South Africa (RSA) and her neighbouring countries since April 2010. Seven South African National Defence Force (SANDF) sub-units were deployed to the borders of Limpopo, Mpumalanga, KwaZulu-Natal and the Free State. Our phased approach in the implementation of border safeguarding will gradually extend to the rest of the borderline areas with the speed allowed by the provided resources.

In embracing the government priority of creating decent jobs, the massification of the Military Skills Development System (MSDS) has seen a total of 11 213 young South Africans recruited in the reporting year. Furthermore, partnerships with other organs of state; notably Sector Education and Training Authorities (SETAs), Department of Higher Education and Training, will be explored in the quest for widening the basket of opportunities to realise a creation of decent work.

Another initiative that profiles Defence's commitment to the creation of decent work is the National Youth Service Concept. During the reporting year, a total of 1 680 NYS members underwent training under the auspices of Training Command in De Brug (Bloemfontein) and SAS Saldhana (Saldanha Bay).

Finally, our successful service delivery is made possible by the men and women in Defence who serve this country with pride.



(DR S.M. GULUBE)
SECRETARY FOR DEFENCE: DIRECTOR-GENERAL

Introduction by the Chief of the South African National Defence Force, General S.Z. Shoke

The South African National Defence Force (SANDF), as the constitutionally mandated government organ that stands in defence of the territorial sovereignty of the Republic of South Africa (RSA) and its people, acknowledges the importance of having a solid financial expenditure report which underpins the ability to provide a combat-ready accountable force to the country in line with the government's financial policy.

In the year under review, the SANDF remained the primary instrument of government which has been able to establish, promote and sustain a condition of stability, safety and security that is conducive for the unhindered and focused economic, social and political development of the country, the SADC region and the African continent.

Consequent to a cabinet decision in 2009 to utilise the military in border safeguarding tasks, the SANDF continues to register milestone achievements in this function. In the period under review small calibre weapons were confiscated, thousands of illegal immigrants were apprehended, more than 300 criminals were arrested, stolen vehicles recovered and more than 400 kilograms of copper and contraband worth more than R14 million were confiscated. In essence cross-border crime is on the decline, notwithstanding the fact that only four of the six borderline areas are covered. Our phased approach in the implementation of border safeguarding will gradually extend to the rest of the borderline areas with the speed allowed by the provided resources.

Our different capabilities continue to prove their operational prowess beyond any cloud of doubt on land, sea and air, and make a strategic difference whenever employed. In support of the people of South Africa, the SANDF has demonstrated its collateral utility. Bailey bridges were constructed by the SA Army Engineers for communities in distress and in dire need of access to social amenities. Medical care was given to a Chinese ship at sea near Tristan Da Cunha Island.

During the period under review, not only were three large-scale operations executed in the Republic of the Congo (DRC), Sudan and along the Mozambican coast but also five general military assistance operations were also extended to five African countries.

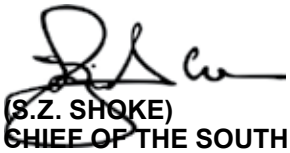
General S.Z. SHOKE,
Chief of the South African National Defence Force

The stewardship of our armed forces, under the auspices of the SA Navy, piloted the development of a Southern African Development Community (SADC) Maritime Strategy. Through this strategy, which the SANDF implemented with zeal and determination, pirates were chased off Mozambican and Tanzanian waters. However, the SANDF could not secure adequate funding for this operation and as such executed it at the expense of other planned objectives. We are confident that this situation will of necessity change in the next reporting period.

A tri-lateral agreement amongst three African littoral states (the RSA, Mozambique and Tanzania), institutionalised through a memorandum of understanding (MOU) during the period under review, will give the necessary impetus to reduce pirate activities in SADC waters. This MOU reinforced the SANDF strategic reach realised thus

far through a regional, continental and global defence diplomacy footprint.

The SANDF continued to contribute substantially to all defence related and stipulated government outcomes notwithstanding the resource constraints it faces. We have received the first draft of the Defence Review with open minds and an understanding that it is a document that will give direction for our country's defence posture in the foreseeable future. The SANDF will embrace the strategic thrust of this document upon promulgation.



(S.Z. SHOKE)
CHIEF OF THE SOUTH AFRICAN NATIONAL DEFENCE FORCE: GENERAL

DEPARTMENT OF DEFENCE
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PART 1
GENERAL INFORMATION

VISION, MISSION AND VALUES

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 provided through the proper management, provision, preparedness and employment of Defence capabilities, which are in line with the domestic and global needs of South Africa."

VALUES

Organisational Values

The Department of Defence (DOD) has committed itself to organisational values that are rooted in individual values, codes of conduct and unit cohesion. In delivering the defence mission, the DOD is following the principles set out below:

- **Service Standards.** Service standards are based on clear direction and strong leadership. Our priority is, and shall always be, to maximise our defence capability and our contribution to peace and security. We shall maintain high standards of excellence and professionalism in everything we do.
- **Excellence.** We shall build on what we do well and actively foster a climate of success. We shall invest in our people and encourage innovation. We shall provide the right incentives and recognise individual and team contributions.
- **Ethics.** We shall adopt and encourage reasonable working practices. We shall not be deflected by the demands of vested interests. We shall foster fairness and trustworthiness in all that we do. We shall not ignore difficult issues.
- **Openness and transparency.** We shall ensure clear communication and better understanding. We shall ensure that our messages are understood. We shall listen to clients' concerns and make sure we understand what they are saying to us. We shall aim to create a climate of trust and transparency in our decision-making.
- **Consultation rooted in Effective and Efficient Partnership and Collaboration.** We shall encourage and improve links with other Government departments and other relevant organs of state. We will strengthen partnerships with industry, allies and the community at large. We shall promote collaboration within the DOD, harmonise activities and systems and, where sensible, share knowledge.
- **People.** We shall uphold the values as espoused in the founding principles of the Constitution and further expressed in the Bill of Rights.
- **Teamwork.** Within the DOD we are one team and embrace one purpose. We shall debate issues fully, whilst rigorously representing our individual responsibilities. Our overriding aim, however, is to reach conclusions that are best for the entire department and then to act on them.
- **Accountability.** We shall create a learning organisation in which all employees seek and share knowledge and information, whilst committing themselves to personal growth. We shall lead by example and influence others to follow these principles. We shall be sensible to the demands we make on people and recognise the unique commitments they make.
- **Discipline.** We shall consistently strive towards upholding a high level of discipline. We shall individually and collectively rebuild the profile and image of the defence establishment as the best-disciplined profession.

Individual Values

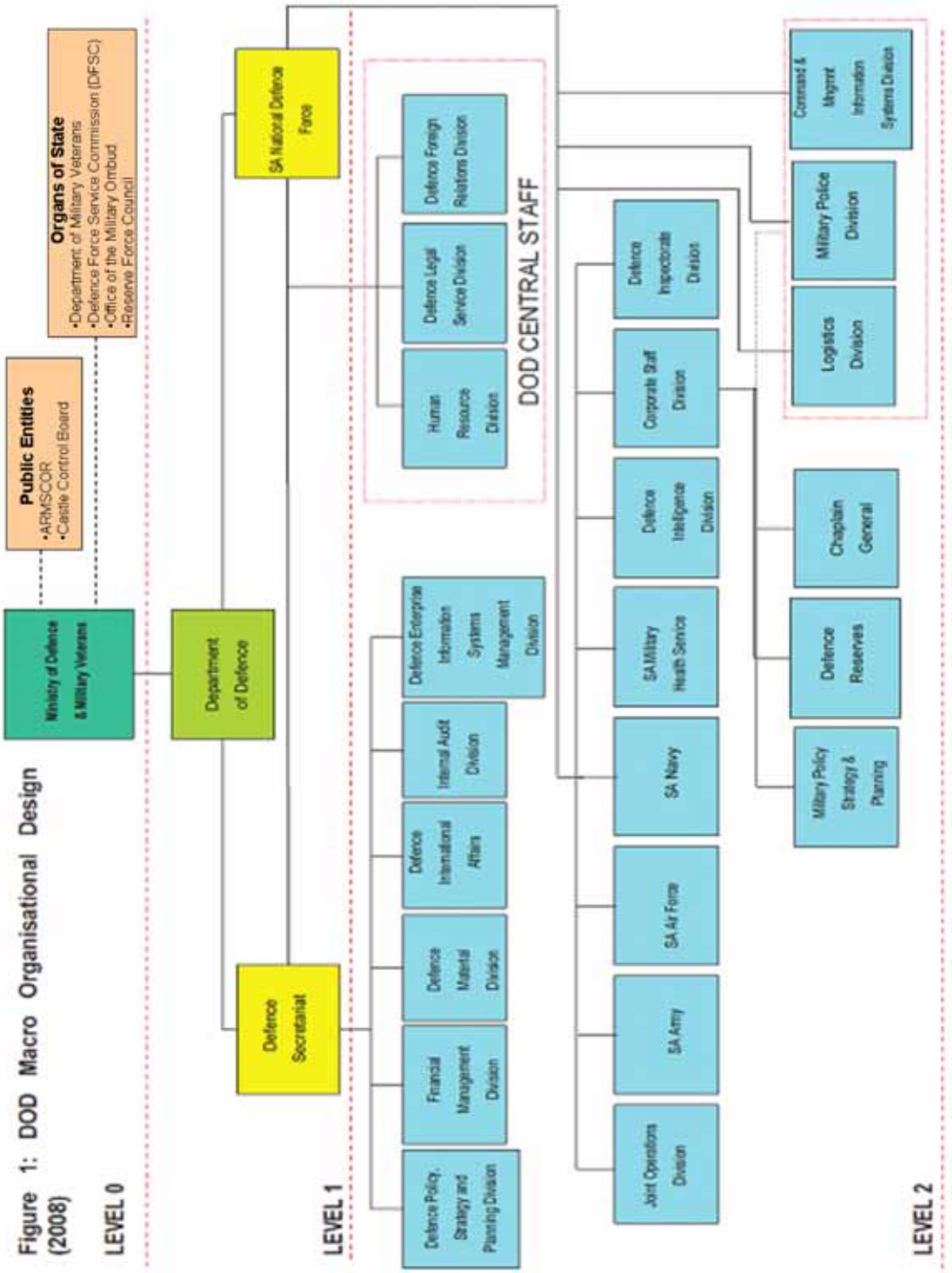
The following individual values are pursued by members of the DOD in support of the Defence Mandate:

- Discipline.
- Transparency.
- Excellence through Leadership.
- Honesty and Integrity.
- Accountability.
- Fairness.
- Teamwork.

ORGANISATIONAL 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 alignment with the execution of its mandate. Furthermore, alignment is ensured between the Department's outputs, the budget allocation, ordered commitments and planned operations. The approved DOD Macro Organisation Structure (2008) for FY2011/12 is represented in Figure 1.1.

Figure 1: DOD Macro Organisation Structure



LEGISLATIVE MANDATE

DEFENCE CONSTITUTIONAL MANDATE

The Department of Defence (DOD) derives its mandate primarily from Section 200(2) of the Constitution of the Republic of South Africa, 1996. This mandate is given substance by the Defence Act, 2002 (Act No. 42 of 2002), the White Paper on Defence (1996), the Defence Review (1998) and delegated legislation. The DOD as outlined in the macro organisational structure (Figure 1), comprises of the South African National Defence Force (SANDF) and the Defence Secretariat (Def Sec), established in terms of section 202 and 204 of the Constitution of the Republic of South Africa (RSA) and the Defence Act, 2002 (Act No. 42 of 2002).

LEGISLATION TABLED IN PARLIAMENT

In the FY2011/12, the DOD introduced the following legislation to Parliament:

- **Implementation of the Geneva Conventions Bill.** The Bill provides for the incorporation and enactment of the Geneva Conventions and their additional protocols into South African law. Section 231(4) of the Constitution provides that international agreements only become law within the Republic once they have been incorporated into law by an Act of Parliament. This Bill intends to give effect to this constitutional imperative and has been adopted by the Portfolio Committee on Defence and Military Veterans (PCD&MV) and sent to the National Council of Provinces.
- **Military Ombud Bill.** The Minister of Defence and Military Veterans (MOD&MV) introduced the Military Ombud Bill in Parliament on 22 June 2011. While the PCD&MV was still to deliberate on the bill clause by clause, the Committee expressed support for the bill. The Military Ombud Bill was approved by Cabinet on 10 October 2011 (for certification before introduction to Parliament for consideration) and was passed by Parliament during March 2012. The Bill seeks to establish the Office of the Military Ombud (the Office), which shall attend to complaints emanating from members of the Defence Force and members of the public, and which must ensure speedy resolution of complaints within and against the Defence Force. It is expected that the President will ascend the Military Ombud Bill during May of the FY2012/13.
- **Defence Amendment Bill 2011.** The Defence Amendment Bill 2011 was approved by Cabinet and is being deliberated by the PCD&MV. This Bill seeks to amend the Defence Act, 2002 (Act No. 42 of 2002) so as to include the Chief of Central Staff (CCS) as a member of the Military Command Council (MCC), the 2010 Amendment Act (Act No. 22 of 2010) omitted the CCS in the MCC, this bill seeks to correct this omission.

REGULATIONS TABLED IN PARLIAMENT

The DOD introduced the following regulations in the FY2011/12:

- **Regulations to the National Conventional Arms Control Amendment Act to implement the specific amendment areas of the Act.** The regulations address two key objectives. Firstly, to improve and facilitate the regulatory role of the National Conventional Arms Control Committee (NCACC) in relation to the transfer of conventional arms within the South African context. Secondly, to bring this Act in line with the business realities that the NCACC and the Defence Industry are confronted with. The regulations will be formally promulgated and gazetted in April 2012 for implementation.

INFORMATION ON THE MINISTRY

ENTITIES REPORTING TO THE MINISTER

The DOD has an oversight role for two Public Entities which fall under Schedule 2 and 3 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) namely ARMSCOR and the Castle Control Board. The Secretary for Defence (Sec Def) therefore, as an Accounting Officer of the Department, will oversee the performance of these Public Entities. ARMSCOR receives allocations from the fiscus while the Castle Control Board generates its own revenue.

Table 1.1: Entities reporting to the MOD&MV

Name of Entity	Legislation	Nature of Business
ARMSCOR	• Public Entity, under Schedule 2 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) • ARMSCOR Act, 2003 (Act No. 51 of 2003)	The mandate of ARMSCOR is derived from the ARMSCOR Act, 2003 (Act No. 51 of 2003) to assist the MOD&MV with the following: • To be a nodal centre for acquisition. • Disposal of equipments. • Decision support to defence matériel requirements of the DOD requirements. • Conduct the Defence technology, research, development, analysis, tests and evaluation requirements of the DOD effectively, efficiently and economically. • Custodian of Defence Matériel Intellectual Property, including an asset register.
Castle Control Board	• Public Entity, under Schedule 3 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) • Public Entity, under the Public Finance Management Act, 1999 (Act No. 1 of 1999) Section 1	The Castle Control Board, as a public entity, under the Public Finance Management Act, 1999 (Act No. 1 of 1999) Section 1, has the mandate to manage and protect the Castle of Good Hope on behalf of the MOD&MV having the ultimate ownership responsibility for the Castle of Good Hope.

ORGANS OF STATE REPORTING TO THE EXECUTIVE AUTHORITY

The following organs of State report to the Executive Authority:

- Department of Military Veterans.
- Defence Force Service Commission (DFSC).
- Office of the Military Ombud.
- Reserve Force Council.

MINISTERIAL VISITS ABROAD

Table 1.2: International Visits by the MOD&MV

Date	Country	Purpose
3-7 February 2012	Tanzania	Sign a bilateral Memorandum of Understanding
16-20 December 2011	DRC-Ethiopia	To meet Ethiopian Prime Minister and counterpart The inauguration of the President of DRC
7 December 2011	Mozambique	Meet with counterpart to discuss matters of mutual concern and understanding
8-12 December 2011	Congo –Brazaville	Meet with counterpart to discuss matters of mutual concern and understanding
11-15 December 2011	Mozambique State Visit	Accompanying the President

Date	Country	Purpose
15–17 December 2011	Botswana	Meet with counterpart to discuss matters of mutual concern and understanding
17–20 December 2011	Ethiopia	Meet with counterpart to discuss matters of mutual concern and understanding
11–17 November 2011	UAE and Oman	State Visit
20–21 November 2011	Congo	Meet with counterpart
22–28 November 2011	DRC	Meet with counterpart to discuss matters of mutual concern and understanding
29 October–3 November 2011	Zimbabwe	Attending a Joint Permanent Commission on Defence and Security (JPDSC) Session
21–22 October 2011	Mozambique	Meet with counterpart to discuss matters of mutual concern and understanding
23 September 2011	Zambia	State visit
4–16 September 2011	UK	Standard operating procedures for Defence co-operation pertaining to State ceremonies
27 August–2 September 2011	Guinea Bissau	Working visit
13–19 August 2011	Angola	Attend SADC summit including discussion of piracy issues
14–19 April 2011	Cuba	To attend a Military Parade and Commemoration 50th Anniversary of Socialist of Revolution and Military Victory

Table 1.3: International Visits by the Deputy MOD&MV

Date	Country	Purpose
14-19 April 2011	Cuba	To attend a Military Parade and Commemoration of 50th Anniversary of Socialist of Revolution and Military Victory
22-26 June 2011	France	Official Visit
10-12 August 2011	Burundi	Official Visit
14-17 August 2011	Angola	Attend SADC Summit
27 August – 2 Sept 2011	Guinea Bissau	State Visit
4-16 September 2011	London-UK	Standard operating procedures for Defence co-operate, pertaining to State ceremonies
21-22 October 2011	Mozambique	Meeting with counterpart to discuss matters of mutual concern and understanding
29 October-03 November	Zimbabwe	Attending a JPDSC Session
11-17 November 2011	UAE and Oman	State Visit
20-21 November 2011	DRC	Meeting with counterpart to discuss matters of mutual concern and understanding
22-28 November 2011	DRC	Meeting with counterpart to discuss matters of mutual understanding
6-7 December 2011	Mozambique	Meeting with counterpart to discuss matter of mutual concern and understanding
8-12 December 2011	Congo-Brazaville	Meeting with counterpart to discuss matters of mutual concern and understanding
11-15 December 2011	Mozambique	State Visit
17-20 December 2011	Ethiopia	Meeting with counterpart to discuss matters of mutual concern and understanding
22-28 January 2012	Italy	Official visit
3-7 February 2012	Tanzania	Signing of a bilateral Memorandum of Understanding
3-7 March 2012	Thailand	Official visit

APPEARANCES BEFORE THE PARLIAMENTARY COMMITTEES

- 28 June 2011 Meeting with Portfolio Committee on Defence and Military Veterans (PCD&MV)
- 30 June 2011 Meeting with Joint Standing Committee on Defence (JSCD)

HIGH LEVEL DOD MEETINGS CHAIRED BY MINISTER OF DEFENCE AND MILITARY VETERANS

- 21 April 2011 COD Meeting
- 26 April 2011 MCC Meeting
- 05 May 2011 MCC Meeting
- 20 May 2011 MCC Meeting
- 23 May 2011 MCC Meeting with President
- 30 June 2011 COD Meeting
- 06 July 2011 AAC Meeting
- 04 August 2011 COD Meeting
- 09 September 2011 COD Meeting
- 07 November 2011 MCC Meeting
- 30 November 2011 COD Meeting
- 16 January 2012 COD Meeting
- 28 February 2012 AAC Meeting
- 13 March 2012 COD Meeting
- 19 March 2012 COD Meeting
- 28 March 2012 COD Meeting

SUB-PROGRAMME PERFORMANCE

Purpose

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.

Strategic Objectives (Outputs)

The Sub-programme provides political direction to the DOD through the following:

- To provide political direction to the Department.
- To provide ministerial direction to the Department.

Service Delivery Objectives and Indicators (Overview)

During the year under review, the MOD&MV and the Deputy MOD&MV, as the Executive Authorities, continued to uphold and fulfill the mandate of the DOD as spelt out in the Constitution of the Republic of South Africa. The primary responsibility of the Ministry of Defence was to provide political direction to the DOD enabling a contribution to global peace, security and stability through the deployment of the SANDF in peacekeeping missions and the participation in defence-related bilateral and multilateral engagements.

The MOD&MV appointed a new Secretary for Defence (Sec Def), namely Dr S.M. Gulube and Chief Audit Executive, namely Ms G.N. Spelman. Also provided strategic direction to the Defence Review Committee, the repositioning of the Defence Secretariat, the NYS programme and the repositioning of the Defence Industry. The following significant highlights were achieved:

- **National Defence Force Service Commission.** The promulgation of the Defence Amendment Act, 2010 (Act No. 22 of 2010) came into Op on 15 April 2011 and provided for the establishment of the Permanent Defence Force Service Commission (PDFSC). The mandate of the DFSC, amongst others, focused on the improvement of the conditions of service of the SANDF members. An improvement of service conditions of the SANDF members, particularly salary levels 1-12, was finalised and implemented in December 2009. The Occupation Specific Dispensation (OSD) for specialised professions was also implemented as a measure of scarce skills' retention. Support structures to facilitate the mandate of the PDFSC were completed during the FY2011/12. This matter will be consolidated through the finalisation of the regulations to implement the new service dispensation for the SANDF members in the FY2012/13.
- **Military Ombud.** In March 2012 Parliament passed Military Ombud Bill and has since been assented to by the President. The Military Ombud Act, 2012 (Act No. 4 of 2012) makes provision for the establishment of an independent Office of the Military Ombud and appointment of the Military Ombud. The objective for the establishment of this office (Office of the Military Ombud) is to investigate and ensure that SANDF members' complaints are resolved in a fair, economical and expeditious manner. The Office of the Military Ombud is also mandated to ensure observance and promotion of fundamental rights by military personnel, oversight of procedures followed by military courts and prisons especially with regard to the detention and dismissal of uniformed members. On 14 May 2012, Lt Gen Temba Matanzima was sworn in as South Africa's first military ombud at the Thaba Tshwane Sports Hall in Pretoria.
- **Defence Review (SA Defence Review 2012).** The draft discussion documents on the future White Paper, Defence Strategy and Force Design were handed over to the Defence Review Committee. Subsequently, the Committee has issued a draft consultative Defence Review document for public comment. There are several main principles guiding the Defence Review. The first relates to its image as a professional, trusted national asset; the second relates to accountability and compliancy with national and international law; the third covers the defence force's defensive posture with offensive capabilities; the fourth expects the

defence force to be a balanced, modern, flexible and technologically advanced force able to fulfill multiple roles; the fifth requires strong leadership and professionalism, which requires skilled, healthy, fit and disciplined members led by competent, ethical and dynamic leaders; the sixth principle states that the defence force should be organised into combat formations with clear distinction between command and staff functions; and finally the defence force will contribute to national development by creating the security conditions necessary for development to take place. The last principle goes on to say that the defence force may be required to intervene in order to meet national priorities. It is also a provider of last resort during times of national disaster, national emergency or civil turbulence. The Defence Strategy, Force Structure and Force Design will express Government's intent for Defence and, by so doing, promote defence planning across all levels of the Department. The draft Defence Review is currently in the public input phase as a prelude to the final approval and publication of the Defence Review during FY2012/13.

- **Defence Media Campaign.** The Defence Media campaign was launched by the Minister of Defence as a means to enhance the profile of Defence to the nation as an important state asset and guardian of national defence along the borders of the RSA. The campaign serves as a means to inform the broader public of the role and functions of defence thereby creating awareness and interest amoungst the youth in specific, as a recruitment mechanism, for the youth to serve within the ranks of the SANDF and ensure the DOD is viewed as an employer of choice. The media campaign furthermore seeks to ensure that the value and purpose of Defence is embedded within the broader populous thereby ensuring consensus on Defence.
- **Ministerial Legal Audit Committee (MLAC).** The MOD&MV appointed the MLAC to consider the appropriateness of the DOD Legal structure in context of the roles and functions of the Sec Def and the Chief of the South African National Defence Force (C SANDF), the effectiveness and efficiency of the legal process in the Department, the Military Justice System and the interface of the DOD processes between the Legal Division and the State Attorney. The committee has developed two MLAC progress reports with recommendations for the attention of the MOD&MV, an interim report during June 2011 and an update report during March 2012, which is currently being implemented.

Service Delivery Objectives and Indicators (Output Detail)

Table 1.4: Ministerial Direction Output Detail

Output	Performance Indicator	Annual Target	Actual Target Achievement	Reason for over/under Achievement
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	Defence priorities and activities aligned to Government outcomes and Cabinet Lekgotla resolutions.	Statutory Reports submitted by stipulated dates	Statutory Reports submitted by stipulated dates	Achieved

Output	*Performance Indicator*	*Annual Target*	*Actual Target Achievement*	*Reason for over/under Achievement*
Sound Defence Direction	Alignment of the DOD's priorities and activities with Government's Programme of Action and Cabinet Lekgotla resolutions	Full Implementation of Minister's Priorities	Full Implementation of Minister's Priorities	Achieved
	GCIS Survey (% Improvement in the outcome of the Annual GCIS Consensus)	17%	No significant % improvement	Under Achieved. Public Opinion is affected by poor knowledge of the department's role and function.
	% Improvement in Public Opinion of the Defence Secretariat (value for money)	17%	No significant % improvement	Under Achieved. Public Opinion is affected by poor knowledge of the department's role and function.
	% Improvement in Public Opinion of the SANDF (value for money)	17%	No significant % improvement	Under Achieved. Public Opinion is affected by poor knowledge of the department's role and function.

PART 2
INFORMATION ON PREDETERMINED OBJECTIVES

THE DEFENCE VOTE

Aim of the Vote

To defend and protect the Republic of South Africa (RSA), its territorial integrity and its people, in accordance with the Constitution and the principles of international law regulating the use of force.

Summary of Programmes

Table 2.1: Defence Budget Programme Structure

Programme	Purpose
Programme 1: Administration	Develop policy, and manage and administer the department.
Programme 2: Force Employment	Provide and employ defence capabilities, including an operational capability, to successfully conduct all operations, including joint, inter-departmental and multi-national military exercises.
Programme 3: Landward Defence	Provide prepared and supported landward defence capabilities for the defence and protection of South Africa.
Programme 4: Air Defence	Provide prepared and supported air defence capabilities for the defence and protection of South Africa.
Programme 5: Maritime Defence	Provide prepared and supported maritime defence capabilities for the defence and protection of South Africa.
Programme 6: Military Health Support	Provide prepared and supported health capabilities and services for the defence and protection of South Africa.
Programme 7: Defence Intelligence	Provide a defence intelligence and counter intelligence capability.
Programme 8: General Support	Provide general support capabilities and services to the department.

Voted Funds as contained in the 2011 ENE

Table 2.2: Defence and Military Veterans Vote 22

Main Appropriation R'000	Adjusted Appropriation R'000	Actual Amount Spent R'000	Over/Under Expenditure R'000
34,604,965	34,349,087	34,331,437	17,650
Responsible Minister/MEC	Minister of Defence and Military Veterans (MOD&MV) - Ms L.N. Sisulu, MP		
Administering Dept	Department of Defence (DOD)		
Accounting Officer	Secretary for Defence (Sec Def) - Dr S.M. Gulube		

Details of the final Department of Defence (DOD) Medium Term Expenditure Framework (MTEF) budget allocation are reflected in the Defence Vote 22 for the Financial Year 2011/12, as indicated in Table 2.3.

Table 2.3: Defence Vote 22

Defence Vote	2011/12	2012/13	2013/14
	R'000	R'000	R'000
Defence Vote per Main Programme			
Administration	3,718,129	4,052,120	4,395,303
Force Employment	2,241,553	2,436,064	2,692,237
Landward Defence	11,763,543	12,773,878	13,730,269
Air Defence	6,768,133	7,216,773	7,007,093
Maritime Defence	2,500,516	2,539,002	2,919,458
Military Health Support	3,044,139	3,328,036	3,519,675
Defence Intelligence	668,988	702,465	737,049
General Support	3,899,964	4,322,904	4,701,090
Total expenditure estimates	**34,604,965**	**37,371,242**	**39,702,174**
Defence Vote per Economic Classification			
Current Payments	27,278,357	29,138,667	31,411,434
Transfers and Subsidies	6,978,012	7,657,559	7,695,529
Payment for Capital Assets	348,596	575,016	595,211
Total expenditure estimates	**34,604,965**	**37,371,242**	**39,702,174**

Additional Funds Requested

Table 2.4 summarises the policy proposals for additional funding as submitted by the DOD to the National Treasury during the course of the FY2011/12 MTEF process.

Table 2.4: Policy Proposals for Additional Funding

Policy Proposal	2011/12	2012/13	2013/14
	Rm	Rm	Rm
Defence Remuneration Dispensation	1,929	1,937	1,960
Border Safeguarding	100	236	357
Upgrade of the Landward Defence Capability	801	1,205	1,144
Revitalisation of the Reserves	143	150	158
Air Defence Capability Enhancement	320	422	443
Maritime Defence Capability Enhancement	599	653	716
Military Health Capability Enhancement	449	472	500
Information Technology - DEIS Master Plan	681	579	476
National Youth Service	83	168	255
Total Policy Proposals	**5,105**	**5,822**	**6,009**

Additional Funds Received

After the completion of the FY2011/12 MTEF process, the DOD received additional funding as reflected in Table 2.5. Only two of the DOD submitted policy proposals were partially funded, while the department at the same time was required to institute imposed efficiency savings by the National Treasury.

Table 2.5: Additional Funding Received

Additional Funding Received	2011/12	2012/13	2013/14
	Rm	Rm	Rm
Defence Remuneration Dispensation	419	608	743
Border Safeguarding	100	200	300
Compensation of Employees	492	516	549
Municipal Charges	154	207	251
Military Veterans Affairs	15	21	21
Efficiency Savings	-507	-568	-549
Total Additional Funding Received	**673**	**984**	**1,315**

Additions to Main Appropriation

The FY2011/12 Defence Vote was decreased with an amount of (Rm255,878) to Rbn34,349 through the Adjustments Vote as follows:

- **Unforeseeable and Unavoidable Expenditure.** An additional Rm81,437 was allocated to Programme 2: Force Employment for the deployment of members to the Mozambican Channel, to operate in conjunction with the Mozambican Defence Force for counter piracy operations.
- **Other Adjustments.** Other adjustments include:
  - **Adjustments Due to Significant and Unforeseeable Economic and Financial Events.** An additional Rm200 was allocated for personnel remuneration increases over those that the main budget provided for, as follows:
    - Programme 1: Administration Rm16,586
    - Programme 2: Force Employment Rm13,022
    - Programme 3: Landward Defence Rm77,505
    - Programme 4: Air Defence Rm31,088
    - Programme 5: Maritime Defence Rm16,631
    - Programme 6: Military Health Support Rm22,533
    - Programme 7: Defence Intelligence Rm2,803
    - Programme 8: General Support Rm19,832
  - **Self-financing Expenditure.** Departmental revenue of Rm62,685 from the selling of redundant equipment and spares procured through the Special and General Defence Account was allocated as follows:
    - Programme 3: Landward Defence Rm22,609
    - Programme 4: Air Defence Rm38,555
    - Programme 5: Maritime Defence Rm1,521
- **Declared Savings.** In Programme 4 (Air Defence), savings of Rm600 were declared due to delays in the Strategic Defence Procurement (SDP) programme.
- **Funds Shifted within a Vote following Function Shifts within the same Vote.**
  - **Programme 1: Administration.** Rm4,655 was received from Programme 3 following the migration of the light workshop troops.
  - **Programme 8: General Support.** Rm68,611 was received from Programme 1 following the migration of the service corps.

Virements/Shifts within the Vote

Reasons for additions to or virement between main appropriation allocations:

- **National Treasury Approved:**
  - The reallocation of Rm23,493 within the Maritime Defence Programme from Goods and Services to Transfers and Subsidies, Public Corporations and Enterprises for an additional transfer to the ARMSCOR Dockyard for cranes, lifts, pumps, generators, gantries, fuel and piping, emergency services, harbour services and general upkeep.
  - The reallocation of Rm0,845 from Landward Defence Programme (Current Transfers and Subsidies: Households) to the Administration Programme (Transfer

Payments) for the payment of Safety and Security Sector Education and Training Authority (SASSETA), who acts as the Sector Educational Training Authority (SETA) for Defence.

- The reallocation of Rm51,767 from Transfers and Subsidies (Households) to supplement the shortfall within Compensation of Employees.

- **The Accounting Officer approved:**
  - The reallocation of funds between Programmes within the Defence Budget to defray expenditure in respect of authorised losses, Compensation of Employees and to balance the expenditure for the FY2011/12.
  - The reallocation of Rm58,977 from Programme 8, General Support (Joint Logistics Services) to Programme 1, Administration for the payment of leases.

DEPARTMENTAL REVENUE

Collection of Departmental Revenue. The department realised a general improvement in the revenue management processes. The substantial increase in transfers received was a result of the collection of arrears funds from the United Nations (UN) reimbursements in respect of foreign deployments. The increase in financial transactions in assets and liabilities was as a result of the recovery of the advance payment after the cancellation of the A400M (long range heavy lift aircraft) contract. Table 2.6 below provides Sources of Revenue for the reporting period.

Table 2.6: Sources of Revenue

Economic Classification	*2008/09 Actual R'000*	*2009/10 Actual R'000*	*2010/11 Actual R'000*	*2011/12 Target R'000*	*2011/12 Actual R'000*	*% Deviation from Target R'000*
Tax Revenue	0	0	0	0	0	0
None	0	0	0	0	0	0
Economic Classification	*2008/09 Actual R'000*	*2009/10 Actual R'000*	*2010/11 Actual R'000*	*2011/12 Target R'000*	*2011/12 Actual R'000*	*% Deviation from Target R'000*
Non Tax Revenue	**629,390**	**699,949**	**689,688**	**563,279**	**4,268,989**	**6578.81%**
Sale of Goods and Services other than Capital Assets	193,553	209,606	263,989	282,365	292,209	3.48%
Fines, Penalties and Forfeits	1,058	3,724	4,459	11,796	875	-92.25%
Interest, Dividends and Rent on Land	1,398	2,750	2,628	2,597	162,779	6167.96%
Sales of Capital Assets	122,066	19,481	23,068	28,500	78,918	63.89%
Financial Transactions in Assets and Liabilities	20,662	236,097	144,777	66,023	3,374,002	5010.34%
Transfers Received	290,653	228,291	250,767	171,998	360,206	109.42%
Total Revenue Received	**629,390**	**699,949**	**689,688**	**563,279**	**4,268,989**	**6578.81%**

DEPARTMENTAL EXPENDITURE

The primary aim of the departmental expenditure section is to explore how actual expenditure differed from planned expenditure and how this may have impacted on departmental service delivery. The secondary aim is to provide the department with an opportunity to report on measures that were adopted to improve the economy and efficiency of spending on each programme during the reporting period. Table 2.7 below provides an overview of expenditure per programme for the reporting period.

Table 2.7: DOD Expenditure

Programme	Vote	Total Additional Appro-priation	Adjusted Additional Appro priation	Shifting of Funds	Vire-ment	Final Appro-priation	Actual Expen-diture	Variance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Administration	3,718,129	299	3,718,428	0	46,340	3,764,768	3,747,118	17,650
Force Employment	2,241,553	90,459	2,332,012	0	26,503	2,358,515	2,358,515	0
Landward Defence	11,763,543	(434,935)	11,328,608	0	(366,415)	10,962,193	10,962,193	0
Air Defence	6,768,133	(412,357)	6,355,776	0	171,966	6,527,742	6,527,742	0
Maritime Defence	2,500,516	64,161	2,564,677	0	10,037	2,574,714	2,574,714	0
Military Health Support	3,044,139	200,124	3,244,263	0	155,833	3,400,096	3,400,096	0
Defence Intelligence	668,988	(7,352)	661,636	0	(8,523)	653,113	653,113	0
General Support	3,899,964	243,723	4,143,687	0	(35,741)	4,107,946	4,107,946	0
Total	**34,604,965**	**(255,878)**	**34,349,087**	**0**	**0**	**34,349,087**	**34,331,437**	**17,650**

TRANSFER PAYMENTS

The DOD provided transfer payments to the following institutions during the course of FY2011/12:

- To the Special Defence Account (SDA) to acquire, procure and develop armament and technology. Audited financial statements for FY2010/11 form part of the financial statements of the department.
- To the Armaments Corporation of South Africa Ltd (Armscor) to subsidise the acquisition, maintenance and disposal needs of the DOD and other clients in terms of defence matériel, related products and services. Audited financial statements for FY2010/11 were submitted according to payment conditions.
- To defence members that are being separated from the department through the Mobility Exit Mechanism (MEM) in terms of the employment and social benefits due to them.
- To the SASSETA, who acts as the SETA for Defence, to subsidise their administrative expenditure in terms of the Skills Development Act, 1998 (Act No. 97 of 1998). Audited financial statements for FY2010/11 were submitted according to payment conditions.
- To the Reserve Force Council in order to obtain and secure community and private sector support for the Reserves and to maintain a sound relationship and communication between the Reserves, the Minister of Defence and Military Veterans (MOD&MV) and the South African National Defence Force (SANDF). Audited financial statements for FY2010/11 were submitted according to payment conditions.
- To the St John's Ambulance Brigade to provide accreditation for training of Defence members and make their members and equipment available to be called-up by the SA Military Health Service (SAMHS) during times of national disaster and emergency. Audited financial statements for FY2010/11 were submitted according to payment conditions.

Table 2.8 below provides the Transfer Payments for the reporting period.

Table 2.8: Transfer Payments

Institution	Amount Transferred R'000	Estimated Expenditure R'000
Special Defence Account	4,862,657	4,862,657
Armaments Corporation of SA (Ltd)	890,749	890,749
Social Benefits	102,838	102,838
Safety and Security Sector Education and Training Authority (SASSETA)	16,452	16,452
Reserve Force Council	5,917	5,917
St John Ambulance Brigade	400	400
Total Transfer Payments	**5,879,013**	**5,879,013**

CONDITIONAL GRANTS AND EARMARKED FUNDS

Conditional Grants. None.
Earmarked Funds. Funds earmarked in the Defence Allocation for FY2011/12 are reflected in Table 2.9.

Table 2.9: Earmarked Funds

Earmarked Amounts	2011/12 R'000	2012/13 R'000	2013/14 R'000
Devolution of Funds from Public Works of which:	**1,961,950**	**2,202,656**	**2,445,652**
Accommodation Charges	1,104,261	1,257,212	1,419,584
Leases	216,674	227,507	238,893
Municipal Charges	641,015	717,937	787,175
Strategic Procurement Programme	**1,984,024**	**506,590**	**122,199**
Department's Contribution	1,984,024	506,590	122,199
Total	**3,945,974**	**2,709,246**	**2,567,851**

CAPITAL INVESTMENT, MAINTENANCE AND ASSET MANAGEMENT PLAN

Capital Investment

Details of building projects that were undertaken for FY2011/12 are reflected in Table 2.10 below.

Table 2.10: Joint Logistic Services Sub-programme Building Projects Currently in Progress for FY2011/12

Location	Project Description	Progress Status	Expected Completion Date
Various	Upgrading of medical health facilities	Under Construction	October 2013
Langebaan	Construction of boat park	Under Construction	September 2012
Various	Construction of training facilities	Under Construction	December 2013
Various	Upgrading of facilities for disabled personnel	Under Construction	Ongoing
Various	Upgrading of kitchen equipment	Under Construction	Ongoing
Various	Civil construction (construction of fences, installation of burglar bars and security gates and installation of water supply)	Under Construction	Ongoing
Various	Construction of 20 married quarters	Planning	September 2013

Plans to Close Down or Downgrade Current Facilities. A total of 53 buildings are to be demolished and requests for an additional 94 were submitted to National Department of Public Works (NDPW) for feasibility studies regarding demolition or refurbishment.

Current Maintenance Backlog. Although funds were allocated to address the maintenance backlog, this backlog has however not been satisfactorily addressed by NDPW due to their lack of capacity.

Developments relating to the above that are expected to Impact on DOD's Current Expenditure. To actively address the above shortcomings, the Defence Works Formation was established with own DOD resources. Bases to be repaired were identified and funds for the upcoming 2012 MTEF and beyond were increased in order to reduce the maintenance backlog.

DOD Long-Term Infrastructure and Capital Plan

Table 2.11 provides feedback in repect of the DOD Long-Term Infrastructure and Capital Plan for FY2011/12.

Table 2.11: DOD Long-term Infrastructure and Capital Plan

Project Name	Service Delivery Outputs	Current Project Stage	Total Project Cost (R'000)	Audited Outcome (R'000)			Adjusted Appropriation (R'000)	Medium-term Expenditure Estimate (R'000)		
				07/08	08/09	09/10	2010/11	2011/12	2012/13	2013/14
Departmental infrastructure										
Rebuilding of runway at Air Force Base Water-kloof	Ripping up existing unserviceable runway, excavation and ground works for new runway, construction of new runway and tar macadam placed and installation of runway lighting	Con-struction	1 218.7	8.1	313.2	402.1	134,1	172.6	244.0	-
Upgrading of medical health facilities	Construction of examination rooms, operating theatres, administration sections, wards, and mechanical systems like gas, oxygen, water and fire detection and prevention	Con-struction	205.1	–	–	–	38,9	36.3	26.0	8.0
Construc-tion of boat park	Construction of store facilities for boats, mechanical workshops to repair boats, administration section to do planning and rest areas for personnel	Con-struction	154.4	–	–	–	39	48.6	10.2	-

Project Name	Service Delivery Outputs	Current Project Stage	Total Project Cost (R'000)	Audited Outcome (R'000)			Adjusted Appropriation (R'000)	Medium-term Expenditure Estimate (R'000)		
				07/08	08/09	09/10	2010/11	2011/12	2012/13	2013/14
Construction of training facilities	Construction of facilities for functional training, like offensive building penetration or defensive building protection, artisan training, like electrical, electronic and construction and vehicle driving skills	Various	91.6	–	–	–	1,4	0.3	3.1	0.4
Upgrading of infrastructure for disabled members	Upgrading of offices, workshops and pathways by constructing ramps, installation of water closets, hand wash basins and enlarging toilet cubicles	Various	9.4	–	–	–	0,6	1.2	1.0	1.0
Upgrading of kitchens	Upgrading 6 kitchens and preparation of floors, walls and ceilings to accommodate the new equipment	Various	7.2	–	–	–	0,4	-	-	-
Construction of security	Installation of security fences, gates, burglar bars, lights and monitor systems	Various	166.1	–	–	–	5,9	0.5	12.5	9.0
Construction of ammunition storage facility	Construction of buildings to comply with legislation on the storage of ordinance	Construction	22.3	–	–	–	8,3	-	3.0	1.5
Construction of living accommodation	Construction of single and married houses and flats for military personnel	Identification	107.0	–	–	–	0,3	-	13.5	50.3

Project Name	Service Delivery Outputs	Current Project Stage	Total Project Cost (R'000)	Audited Outcome (R'000)			Adjusted Appropriation (R'000)	Medium-term Expenditure Estimate (R'000)		
				07/08	08/09	09/10	2010/11	2011/12	2012/13	2013/14
Construction of office accommodation	Construction of new office accommodation, comprising brick walls, roofs, internal and external finishes, glazing, electrical, blazing, painting, ironmongery and site works	Identification	103.0	–	–	–	–	6.0	30.0	32.0
Maintenance										
1 Military Hospital	Refurbishment of existing brick and concrete buildings, comprising all structures, replacement of mechanical systems, like water and electrical, and ground-works	Construction	420.5	–	74.4	81.6	144,6	27	-	-
Air Force Base Waterkloof		Construction	279.4	–	131.1	48.2	30,3	2.4	32.0	-
35 Engineer Support Regiment		Identification	74.9	–	13.1	41.6	11,2	5.2	-	-
2 Military Hospital		Construction	337.1	–	13.5	14.8	34,3	46.0	31.7	108.3
4 SA Infantry Battalion		Construction	183.8	–	41.4	48.1	13,4	18.7	20.6	-
Naval Dockyard Simon's Town		Construction	339.5	–	6.9	5.6	4,2	57.9	86.6	14.4
21 SA Infantry Battalion		Construction	466.2	–	5.4	1.1	10,7	59.0	81.0	13.5
10 SA Infantry Battalion		Construction	246.6	–	1.8	1.5	3,5	21.0	90.0	32.0
A-mess Thaba Tshwane		Construction	88.8	–	–	–	18,2	1.4	-	-
1 SA Infantry Battalion		Design	25.5	–	1.0	0.5	0,5	-	19.2	4.8
4 Artillery Regiment		Design	35.2	–	1.2	1.4	0,4	-	28.1	7.0
6 SA Infantry Battalion		Design	199.4	–	0.9	4.6	0,6	-	-	32.7
8 SA Infantry Battalion		Design	244.3	–	2.2	1.1	6,0	0.3	70.0	70.0
School of Artillery		Design	63.4	–	1.8	0.9	0,1	-	16.4	27.2

Project Name	Service Delivery Outputs	Current Project Stage	Total Project Cost (R'000)	Audited Outcome (R'000)			Adjusted Appropriation (R'000)	Medium-term Expenditure Estimate (R'000)		
				07/08	08/09	09/10	2010/11	2011/12	2012/13	2013/14
1 Parachute Battalion		Design	7.9	–	0.3	0.2	0,2	-	7.2	-
10 Anti-Aircraft and Air Defence Artillery School		Design	225.1	–	1.1	2.0	2,0	3.5	40.0	40.0
44 Parachute Regiment		Design	31.5	–	1.0	0.8	0,5	-	22.3	7.3
School of Engineers		Design	131.0	–	2.6	1.2	1,2	-	34.2	64.0
2 Field Engineering Regiment		Design	95.8	–	2.0	1.1	0,5	-	18.5	37.0
South African Army Combat Training Centre (including 16 Maintenance Unit)		Construction	893.6	–	3.7	4.3	12,0	9.5	66.1	-
1 Special Service Battalion		Design	28.7	–	–	0.6	0,3	-	14.0	14.0
7 SA Infantry Battalion		Identification	157.2	–	2.7	2.0	–	-	-	15.3
South African Army office, Dequar Road		Identification	186.4	–	–	–	–	-	-	-
South African Air Force Blenny Complex		Identification	226.1	–	–	–	–	10.8	170.8	244.7
Boekenhoutkloof communication facility		Identification	47.1	–	–	–	–	-	-	14.1
Rooiwal communication facility		Identification	47.1	–	–	–	–	-	-	14.1
SAS Saldanha		Identification	165.7	–	–	–	–	-	-	41.0
Military Veterinary Institute		Identification	73.5	–	–	–	–	-	-	14.7
14 SA Infantry Battalion		Identification	90.0	–	–	–	–	-	-	18.0

Project Name	Service Delivery Outputs	Current Project Stage	Total Project Cost (R'000)	Audited Outcome (R'000)			Adjusted Appropriation (R'000)	Medium-term Expenditure Estimate (R'000)		
				07/08	08/09	09/10	2010/11	2011/12	2012/13	2013/14
121 SA Infantry Battalion		Iden-tification	96.8	–	–	–	–	-	86.6	14.4
1 Tactical Intelligence Regiment		Iden-tification	130.6	–	–	–	–	-	81	13.5
Air Force Base Bloemspruit		Iden-tification	630.3	–	–	–	–	-	90.0	32.0
9 SA Infantry Battalion		Iden-tification	314.2	–	–	–	–	-	-	-
Military Police School		Iden-tification	87.0	–	–	–	–	-	19.2	4.8
Military Base Mussina		Iden-tification	42.6	–	–	–	–	-	28.1	7.0
Fort Scorpio		Iden-tification	32.7	–	–	–	–	-	-	32.7
Demolishing of Infra-structure	N/A	Planning	-	-	-	-	-	3.0	7.0	9.0
Total			**8 835.8**	**8.1**	**621.3**	**665.0**	**523,6**	**531.2**	**1 503.9**	**1 047.7**

Maintenance

Actual Maintenance Expenditure. The financial resources allocated for planned maintenance projects to undertake DOD facility maintenance could not be fully spent by NDPW due to a lack of capacity. Planned maintenance expenditure as at 29 February 2012 was as follows:

- Projected expenditure - R172,283,696.
- Funds committed - R169,968,468.
- Actual Maintenance Expenditure - R147,157,513.

Maintenance Backlog. The maintenance backlog was not adequately addressed during the reporting period due to the reasons stated above. The establishment of the DOD Works Formation will however have a positive impact during both the medium and long term.

Asset Management

Changes in Immovable Assets Holdings. No changes have taken place with regard to immovable asset holdings inclusive of endowment property.

Changes in Movable Assets Holdings

- In the previous financial period, all categories of assets were disclosed in the financial statements. However, in accordance with the approved departure request by the Office of the Accountant General, only specialised military assets and transport assets are to be disclosed in the asset note for the 2011/12 financial period.
- For the current financial period, the expected adjustments to the opening balance (comparative figures) which will result in the change in opening balances was due to the valuation of all assets purchased before 01 April 2002 at R1. The impact of that on the comparative figures for the two categories above is a reduction in value of Rb26,039.
- In the previous financial period, there were assets that were not categorised as such because they did not have values attached to them. Due to the exercise mentioned above, this resulted in an increase in number of assets by approximately 216 747 items.

- A decision was made to value items that are unserviceable and have been identified for disposal at R1. This will result in a further reduction in the value of assets, by an amount still to be determined.

Asset Register

- **Immovable Assets.** The Immovable Asset Register (IAR) was finalised and updated in consultation with the Council for Scientific and Industrial Research (CSIR).
- **Movable Assets.** The weekly review of progress on the asset management verification project and sign off by the Chiefs of Services and Divisions to certify that the information as reflected on the systems was valid, accurate and complete. A rectification plan was developed by each Service or Division to ensure that incorrect information was rectified.

State of Capital Stock

- **Immovable Assets.** The User Immovable Asset Management Plan (UAMP) classifies the status of immovable assets in the following five categories:
  - Immovable Assets
    - 0% are good (preventative maintenance required to remain in a good condition).
    - 86% are fair (condition based maintenance required).
    - 5.9% are average (repair and maintenance required).
    - 1.7% are bad (rehabilitation required).
    - 5.9% are beyond repair (building to be replaced/demolished).
  - DOD Endowment Property
    - 0% are good (preventative maintenance required to remain in a good condition).
    - 88.9% are fair (condition based maintenance required).
    - 4.1% are average (repair and maintenance required).
    - 0.6% are bad (rehabilitation required).
    - 6.3% are beyond repair (building to be replaced/demolished).
- **Moveable Assets.** 66% are in a serviceable condition, 29% are in a repairable condition and 5% are unserviceable.

Major Maintenance Projects that were undertaken during FY2011/12. Major maintenance projects that have been undertaken during FY2011/12 are reflected in Table 2.12.

Table 2.12: Joint Logistic Services Sub-programme Major Maintenance Projects undertaken during FY2011/12.

Location	Project Description	Status
Cape Town	2 Military Hospital: Refurbishment to hospital	Construction phase
Dunnottar	35 Engineer Support Regiment: Refurbishment to facilities	Construction phase
Middelburg	4 SA Infantry Battalion: Refurbishment to facilities	Construction phase
Simon's Town	Refurbishment to Naval Base	Construction phase
Johannesburg	21 SA Infantry Battalion: Refurbishment to facilities	Construction phase
Mafikeng	10 SA Infantry Battalion: Refurbishment to facilities	Construction phase
Pretoria	A-Mess: Refurbishment to facilities	Construction phase
Lohatla	SA Army Combat Training Centre: Refurbishment to facilities	Construction phase

Facilities that were Closed Down or Downgraded during the Period. None.

Projects Carried Forward. Details of projects carried forward to FY2011/12 from the previous reporting year are reflected in Table 2.13 below.

Table 2.13: Joint Logistic Services Sub-programme Projects Carried Forward from FY2010/11 to FY2011/12

Location	Project Description	Reason
Cape Town	2 Military Hospital: Refurbishment to hospital	Multi-year project
Dunnottar	35 Engineer Support Regiment: Refurbishment to facilities	Multi-year project
Middelburg	4 SAI Infantry Battalion: Refurbishment to facilities	Multi-year project
Simon's Town	Refurbishment to Naval Base	Multi-year project
Johannesburg	21 SA Infantry Battalion: Refurbishment to facilities	Multi-year project
Mafikeng	10 SA Infantry Battalion: Refurbishment to facilities	Multi-year project
Pretoria	A-Mess: Refurbishment to facilities	Multi-year project
Lohatla	SA Army Combat Training Centre: Refurbishment to facilities	Multi-year project
Various	Upgrading of Medical Health facilities (1 and 3 Military Hospitals)	Multi-year project
Langebaan	Construction of Boat Park	Multi-year project
Various	Construction of Training Facilities (Urban Training facility at Wallmanstall, Military Police School Pretoria, Master Plan Special Forces School Pretoria)	Multi-year project
Various	Upgrading of facilities for disabled personnel – ongoing minor projects	Multi-year project
Various	Civil construction (construction of fences, installation of burglar bars and security gates and installation of water supply (Military Police School Pretoria, 3 Electric Workshop Wonderboom)	Multi-year project
Langebaan	Construction of 20 married quarters	Multi-year project

New Projects to Commence. Details of projects to commence during FY2012/13 are reflected in table 2.14 below.

Table 2.14: Joint Logistic Services Sub-programme New Projects that will commence in FY2012/13

Location	Project Description
Durban	Bluff: Replacement of standby generators for NAVCOM Bunker (Building 247)
Durban	Financial Division: Construction of Training facility
Lohatlha	SA Army CTC: Replace temporary buildings with permanent buildings
Saldanha	SAS Saldanha: Construction of security fence
Thaba Tshwane	Construction of mess at Medical Health Training Formation to accommodate 1 200 members
Kimberley	Construction of single quarters
Saldanha	SAS Saldanha: Construction of medical health facility
Kimberley	Alexander Bay SA Navy Communication Facility: Construction of security fence
Various	Upgrading of existing facilities to accommodate members with disabilities
Thaba Tshwane	Thaba Tshwane: Refurbishment of Sandhurst Building
Jan Kempdorp	Refurbishment of 93 Ammunition Depot
Boekenhoutkloof	2 Signal Regiment: Upgrading of water and sewerage reticulation at residential area
Pretoria	Elandsfontein: Upgrading of selected facilities at Works Training School
Simon's Town	Naval base: Upgrading of Maritime Warfare System
Thaba Tshwane	Thaba Tshwane: Refurbishment of former SA Air Force WO's mess to be utilised by Joint Operations
Phalaborwa	5 Special Forces Regiment: Upgrading of Aquatic Training facility
Kimberley	ASB: Upgrading of accommodation at Jack Hindon
Kempton Park	Upgrading of Jack Frost Flats
Pretoria	Upgrading of SAS Magaliesburg Naval Mess
Pretoria	Logistic Support Formation Headquarters Unit: Upgrading of buildings 25, 46 and 47
Thaba Tshwane	Upgrading of Continuous Health Assessment (CHA) Centre

Tendering Processes. The DOD endeavoured to adhere to prescribed National Treasury procurement processes during the reporting period. A total of 5 120 Government Orders were generated of which 96.07% were paid to the amount of R305,728,077.80.

The User Immovable Asset Management Plan (UAMP). The finalised UAMP was received from CSIR and is to be submitted to National Treasury in the next reporting period. The UAMP will be utilised as a management tool in order to accomplish the following:

- Accountable, fair and transparent management of immovable assets.
- Effective, efficient and economic use of immovable assets.
- Reduced overall cost of service delivery.
- Reduced demand for new immovable assets.

STRATEGIC OUTCOMES

The DOD Medium-Term Strategic focus

In the medium to long term, the DOD will execute its mandate through focusing on the following:

- To defend and protect South Africa, its sovereignty, its territorial integrity, its national interests and its people in accordance with the Constitution and principles of international law regulating the use of force.
- To contribute to freedom from fear and want, including the promotion of human security, both nationally and internationally.
- To contribute to a better life for the people of South Africa.

Whilst emphasising its obligation, the DOD embraces Government's initiatives and priorities to alleviate poverty and underdevelopment. The DOD support to these Government initiatives requires that:

- Defence capabilities are enhanced and maintained.
- Peace, security and confidence-building in the Southern African Development Community (SADC) region and the rest of the continent are promoted through constructive dialogue aimed at nurturing sound Defence diplomatic relations and projecting South Africa's foreign policy principles and objectives.
- The Government's policy to resolve conflicts peacefully through recognised international instruments and mechanisms be supported by deploying the SANDF in international peace missions.
- The Government's diplomatic engagements are supported through participation in multi-lateral institutions such as the SADC, AU and UN.

Defence Outcomes

The Defence outcomes relate to the medium-term results that are the consequence of achieving specific Departmental outputs. Outcomes are *"what we wish to achieve"*. The Defence outcomes are as follows:

- Enhanced civil control of Department of Defence.
- RSA is defended and protected.

Defence Outputs

The Defence outputs relate to the DOD's final products or goods and services produced for delivery. Outputs are defined as *"what we produce or deliver"*. The Defence outputs are as follows:

- Ordered defence commitments in accordance with government policy and strategy.
- Provide mission ready defence capabilities.
- Provide sound defence direction.
- Ensure defence compliance with Regulatory Framework.

Defence Activities

Defence activities are the processes or actions that use a range of inputs to produce the desired outputs and ultimately achieve the intended outcomes. In essence, activities describe *"what we do"*. The Defence activities are as follows:

- Administrate the DOD.
- Enable the DOD.
- Employ the SANDF.

Defence Inputs

- Provide professional & supported DOD Human Resources.
- Provide appropriate & sustained matériel.
- Provide integrated & reliable Defence information & intelligence.
- Provide sound financial management of the DOD.

Building for the Future (Rejuvenation)

- Ensure appropriate strategic reserves.
- Renew DOD main equipment and doctrine.
- Undertake Defence research & development.
- Promote & appropriate Defence industry.
- Ensure consensus on Defence.

OVERVIEW OF THE SERVICE DELIVERY AND ORGANISATIONAL ENVIRONMENT FOR FY2011/12

MOD&MV PRIORITIES

The Minister of Defence & Military Veterans (MOD&MV) provides strategic direction for the department and sets out priorities to be pursued by the department over a given period of time. The execution of these strategic priorities enhances the effective realisation of the Defence mandate, while contributing to the national priorities of Government. Ongoing monitoring and evaluation of performance against these strategic priorities tests the extent to which the Defence function has been able to *"do things differently and achieve more with less"*. These defence priorities seek, on the one hand, to implement the State of Nation Address (SONA) pronouncements applicable to the DOD during the period under review, whilst on the other hand, placing a focus on important defence sustained agenda matters. On 09 March 2011, the Defence Department Overarching Strategic Statement for the Fiscal Years 2011/12 - 2015/16 was tabled in Parliament by the MOD&MV, which identified the strategic priorities for the FY2011/12 as follows:

Execution of the Border Safeguarding Function

The safeguarding of the borders of South Africa remains one of the key functions of the SANDF. The border safeguarding responsibility encompasses all three environments, namely land, air and maritime. Based on the approved roll-out plan, the SANDF deployed seven sub-units to the borders of Limpopo, Mpumalanga, KwaZulu-Natal and the Free State provinces as part of Phase 2 of the Operation. Successes achieved during the reporting period include: 8 confiscated weapons, 16 850 illegal foreigners apprehended, 368 criminals arrested, 60 stolen vehicles recovered, 9 068kg of dagga confiscated, 1 394 livestock recovered, 453kg copper cable confiscated and contraband goods confiscated to the value of R14,695,413. In addition, the combating of cross-border crime, stock theft, illegal grazing and anti-rhino poaching in the Kruger National Park was undertaken. The deployment of the SANDF in the Kruger National Park in support of anti-poaching, resulted in 11 poachers killed, 22 poachers arrested and, 19 hunting rifles confiscated including AK47 assault rifles. The SANDF has successfully delivered in terms of this function and henceforth, this matter will be dealt with as part of the Constitutional core-mandate of the SANDF and not as a Ministerial priority.

Establishment of the New Service Dispensation

The promulgation of the Defence Amendment Act, 2010 (Act No. 22 of 2010), which came into operation on 15 April 2011 and provided for the establishment of the Permanent Defence Force Service Commission (PDFSC) was finalised. The mandate of the PDFSC, amongst others, focused on the improvement of the conditions of service of the SANDF members. An improvement of service conditions of the SANDF members, particularly salary levels 1-12, was finalised and already implemented in December 2009. The Occupation Specific Dispensation (OSD) for specialised professions was also implemented as a measure of scarce skills' retention. Support structures to facilitate the mandate of the PDFSC were completed during the FY2011/12. This priority will be consolidated through the finalisation of the regulations to implement the new service dispensation for the SANDF members in the FY2012/13. In view of the achieved progress, this matter will no longer be dealt with as a Ministerial priority.

Enhancement of the SANDF's Landward Defence Capabilities

The Landward Defence Capability has not enjoyed the advantage of being part of the Strategic Defence Packages (SDPs) and lacks the required technologically advanced Primary Mission Equipment (PME) due to limited financial resources. The modernisation of the Landward System has furthermore remained stagnant, pending the finalisation of the Defence Review process which will inform the required future Landward Defence Capabilities of the SANDF. The renewal of the Landward Programme Capabilities (equipment) through the Strategic Capital Acquisition Master Plan (SCAMP) and limited financial resources, saw the adoption of a partial-acquisition process by the Chief of the Army, which included the main focus areas, namely; sustainment of landward forces, soldier modernisation, mechanised infantry combat vehicles and Ground Based Air Defence System (GBADS). In order to undertake the required missions, the enhancement of Landward Defence remains an essential Capability to operate jointly with the Air Defence and Maritime Defence Capabilities.

Maritime Security

During 2011, the DOD developed and adopted the South African Maritime Strategy which is currently in the process of integration with the broader SADC Maritime Security Strategies. Simultaneously the SANDF, as a strategic partner within the Southern African Region, was involved in a number of initiatives on a bi-lateral and multi-national basis to ensure maritime security in SADC waters. The DOD obtained an additional financial allocation of Rm81 from the National Treasury in support of anti-piracy operations in the Mozambique Channel during the reporting year.

Job Creation

Job Creation remains a Ministerial priority in support of the government's initiative to enhance job creation.

The DOD has, in the reporting period, created job opportunities in the following areas:

- A total of 900 vacant and funded positions were filled in the DOD during the reporting period.
- A total of 11 213 young South Africans were recruited to the Military Skills Development System (MSDS) in the reporting year. The planned number of 11 140 MSDS members in the system at any given time, was reduced to 6 673 in FY2012/13, 4 159 in FY2013/14 and 4 153 in FY2014/15 due to the budgetary cuts by National Treasury.
- A total of 15 316 Defence Reserve members were called-up to undertake specific tasks over specific periods of time. The FY2011/12 planning target of 16 400 active Reserves was based on the average number of call-ups during the previous MTEF period with an upward adjustment for expected larger numbers of call-ups driven by internal and external deployments.
- The establishment of the DOD Works Capability on 01 April 2011 initiated an in-house capability for the undertaking of Defence facilities' repair and maintenance, through the provision of employment for those with the required technical skills within the SANDF. Staffing of the DOD Works Capability structure was achieved at 45%, while further resourcing from a proposed re-allocation of a portion of the funds currently allocated to the NDPW for maintenance and repair of Defence facilities, will enable appropriate capacitation of the DOD Works Capability structures.
- The creation of job opportunities within the defence industry in accordance with approved DOD projects will continue to be informed by the pending finalisation of the White Paper on Defence Industry (Policy) as well as the subsequent Defence Industry Strategy.

Enhancement of the SANDF's Peacekeeping Capability

The role of the SANDF in promoting peace and security in the region and the continent necessitated the enhancement of the SANDF's peacekeeping capability that will include the SANDF's Forward Deployment Capability. The SANDF continued to participate in the UN Peace Support Operation (PSOs) in the Democratic Republic of the Congo (DRC), the UN/African Union (AU) hybrid Peace Support Operation in the Sudan and the provision of training to the Armed Forces of the Central African Republic. The SANDF was tasked to execute counter piracy operations in support of the Mozambican Defence Force (MDF) in the Mozambique Channel. In addition, executed five general military assistance operations in the Central African Republic, in South Sudan, in the Republic of Tanzania, in Equatorial Guinea and in the DRC. During these operations the SANDF deployed on average a total of 2 254 members.

National Youth Service

The implementation of the National Youth Service (NYS) programme utilised core defence capabilities to provide initial training to the youth prior to absorption into service delivery departments. During the reporting year, a total of 1 680 NYS members underwent training under the auspices of Training Command in De Brug (Bloemfontein) and SAS Saldhana (Saldanha Bay). An approximate intake of 3 000 NYS members are planned for FY2012/13. The NYS policy framework to support the NYS Concept has been developed and is currently under consideration.

Revitalisation of the Reserves

As a priority area, the Reserves must be transformed and revitalised so that they are enabled to fulfill their primary role of providing the majority of the conventional landward capability of the SANDF, whilst at the same time supplementing the peace support missions conducted by the regulars. Reserves were utilised extensively to supplements the regulars in peace support operations, and border safeguarding tasks, as well as assistance to the the Department of Home Affairs and the registration of military veterans by the Department of Military Veterans. A total of 15 316 Reserves were called-up during the reporting period.

Restructuring and Support of Defence Industry

The draft discussion document pertaining to the future White Paper on the Defence Industry, which will inform the interaction/interface between the DOD and the Defence Industry, was submitted to the Defence Review Committee for inclusion into the Defence Review document. It is envisaged that the restructuring and support of the Defence Industry will focus on defence capability requirements in support of the Defence mandate.

Department of Defence Works Capability

The DOD advanced with the establishment of a DOD Works Formation which began operating and undertaking identified DOD renovation projects of facilities in co-operation with the National Department of Public Works (NDPW) in terms of the execution of planned departmental maintenance projects. The Formation continued expanding its technical training capacity, thereby enabling the undertaking of facility maintenance functions. A total number of 263 qualified artisans and 877 artisans under training were located within the Formation during the reporting period.

DOD POLICY PROPOSALS

In support of the MOD&MV priorities as discussed in the previous section, the DOD undertook the following under-mentioned planned policy proposals:

Development of a Policy Framework to form the basis of the Defence Amendment Act, 2010 (Act No. 22 of 2010) and its implementation

The policy framework has been completed and the alignment with the respective regulations continues to receive attention.

Development of the Defence Security Strategy to contribute to the National Security Strategy

A draft Defence Security Strategy discussion document was handed over to the Defence Review Committee. The contribution of Defence to the National Security Strategy was incorporated in the Defence Review process and provides Defence's input to the development of the RSA National Security Strategy.

Defence contribution to the Crime Prevention Strategy of Government which will include support to the JCPS Cluster priorities and requirements

The DOD contributed to the Justice, Crime Prevention and Security (JCPS) Cluster activities on a monthly basis through the provision of Defence related inputs on crime prevention. In addition, the DOD provided requested support in bringing under control the xenophobic attacks in Johannesburg as well as the provision of support during the period when prison warders embarked on a strike-action.

Finalisation of the DOD Border Management Strategy which includes Border Safeguarding

A comprehensive discussion document was drafted on Border Safeguarding and was handed over to the Defence Review Committee for integration into the draft Defence Review document.

The National Youth Service Conceptual and policy framework to set the norms and standards which the DOD will follow in order to ensure the achievement of the targets (DOD representation) as set in the delivery agreement of MTSF Outcome 5 namely *"Skilled and capable workforce to support an inclusive growth path"*

Subsequent to the development of the Concept Paper on NYS, a draft NYS policy framework has been completed and is in the approval stages.

Establishment of Research Capacity in the Policy Division in order to inform policy development and formulation

The Policy Research Unit concept was approved by the MOD&MV in September 2011, which informed the work study investigation being conducted for the establishment of this unit. The functions of the unit will include international benchmarking and best practice analysis with other defence sectors, thereby ensuring a policy development and formulation capacity commensurate with best practice international standards. It is envisaged that the organisational structure, including the filling of positions, will be finalised during the FY2012/13.

Review of the White Paper on Defence Related Industries and development of a Defence Industry Strategy to strategically position the Defence function to maximise the responsiveness of the Defence Industry in supporting the delivery of the mandate

The review of the White Paper on Defence Related Industries and Defence Industry Strategy which is dependent thereon, are both dependent on the outcome of the Defence Review process. To provide impetus to the review process, the Sec Def during the February 2012 Strategic Planning Work session, directed that the Defence Industry Strategy should also address the following during the FY2012/13:

- The current business model of the Defence Industries is to be performance based and incentive driven.
- The benefits of positioning the Defence Industries within the DOD are to be ascertained.
- The location of the Defence Acquisition function is to be decided upon.
- The capacity building within the Defence Industries to enhance job creation is to be ensured.

Defence Related Public Entities Strategy to include the transformation of Armscor and proposals on the repositioning of Denel

This strategy seeks to address the strategic challenges at organisational level facing Defence related public entities. It is envisaged that the outcome of this strategy will be to address firstly, the Updated Defence Related Industry White Paper and then elaborated on in the subsequent Defence Industry Strategy. The document is in the draft phase and finalisation is envisaged in the FY2012/13.

Assets and Facilities Management Policy Framework to enable the DOD to assume full responsibility for the management and maintenance of DOD facilities and fixed assets

The policy framework seeks to address the misalignment between DOD financial resources allocated to facilities management and the actual DPW maintenance capacity on the DOD facilities. This policy framework is in the draft phase and finalisation is envisaged in the FY2012/13.

The repositioning of the DOD *"Central Staffs"* functions

to allow for the execution of the Defence Secretariat and the SANDF's distinct yet complimentary roles

The position paper on the repositioning on the Defence Secretariat was refined to include recommendations and is under consideration by the MOD&MV pending the outcome of the Defence Review process.

Development of an HR Policy and Skills Development Plan which will include the finalisation of a DOD Skills Audit

The HR Development Policy of the DOD is in place and imbedded in various (20) DOD Education, Training and Development (ETD) policies, such as the Overarching policy on ETD, Overarching Process and Procedures for ETD in the DOD, Policy on Accreditation of DOD ETD Providers, Language Policy etc. These policies are reviewed and updated annually. The DOD Skills Audit is dealt with in Project HR Connect which commenced in April 2012 and is planned to be concluded by June 2013. The Skills Development Plan will follow only once the Skills Gap has been determined through the Skills Audit.

Development of Defence Fiscal and Defence Capability Framework

The defence budget allocation as a percentage of South Africa's Gross Domestic Product and total annual Government Expenditure has shown a declining trend for the past decade. Several requests have been made to the relevant stakeholders for increases in Defence's budget allocation with minimum success. At the same time, a greater output has been required from Defence in terms of both internal and external deployments to promote peace and stability in both the region and the African Continent. A draft Defence Fiscal Framework was completed during June 2011 to support the budget realignment initiative. Further development of the Defence Fiscal Framework will be informed through the finalisation of the Defence Review process. The MOD&MV's priorities were presented to the Portfolio Committee on Defence (PCD) as well as the Medium Term Expenditure Committee (MTEC) in an attempt to secure an additional budget allocation. Additional funding was received for the establishment of a Military Ombud (Rm5) and Borderline Control (Rm200), no further allocation was received for the Maritime Strategy or Defence Service Commission.

An Armed Force Day policy Framework that facilitates armed forces engagements with the national citizenry

The President of the RSA as the Commander-in-Chief of the SANDF declared on 18 January 2012, that henceforth, 21 February, the day of the sinking of SS Mendi, will be commemorated annually as the *"National Armed Forces Day"*. This is the day that the nation is expected to pause and pay tribute to all members in uniform who have taken it upon themselves to serve the people of South Africa and defend the Constitution of the RSA with their lives. Comprehensive work on the development of this policy framework will be conducted in FY2012/13.

PROGRESS ON MOD&MV'S BUDGET VOTE PRONOUNCEMENTS 2011

On 13 April 2011, the Minister delivered her Defence Budget Vote in Parliament where she articulated additional term specific priorities. Progress achieved in performing against these priorities is reflected as follows, which in certain aspects has been alluded to above:

- **Deteriorating Infrastructure.** The reversal of the deteriorating DOD infrastructure requires both an additional financial allocation and increased technical capacity. In order to address the declining state of defence infrastructure, the DOD will be finalising discussions with the Department of Public Works (DPW) on the establishment of the Defence Estate Management mechanism which will result in DOD progressively exiting from the current NDPW arrangement pertaining Property and Facilities Management. In pursuit of this priority, the Defence Works Capability, an in-house capability to maintain and repair defence facilities is being implemented. The CSIR proposed two options namely; the *"Big Bang"* and the *"Phased"* approach for the total devolvement of facility programmes from NDPW to the DOD. The *"Big Bang"* option involves the total once off devolvement of all facility programmes from NDPW to the DOD, whereas the *"Phased"* approach involves the gradual transfer of facility programmes from NDPW to the DOD as agreed upon by the two departments. The report and execution plan in support of the Defence Estate Management process will be finalised during FY2012/13.
- **Improvements of the SANDF Members Service Conditions.** With regard to this priority, the Interim National Defence Force Service Commission (INDFSC) was established in September 2009. An improvement of service conditions of SANDF members, particularly salary levels 1-12, was finalised and already implemented in December 2009. The Occupation Specific Dispensation (OSD) for specialised professions was also implemented as a measure of scarce skills retention. In December 2010, the Defence Amendment Act, 2010 (Act No. 22 of 2010) which, *inter alia*, establishes the Permanent Defence Force Service Commission (PDFSC) was promulgated. In the 2011 Budget Vote Speech, the MOD&MV announced that there shall be an appointment of a PDFSC. This undertaking has, however, not been implemented. The appointed Nominations Committee concluded its work and

made recommendations to the MOD&MV on the appointment of PDFSC members. In the interim, the INDFSC continues to perform its functions while the process of the nomination of persons to serve on the PDFSC continues.

- **DOD Qualified Audits.** The DOD's focus in FY2011/12 has been to introduce specific interventions to strengthen its internal controls in order to eliminate current and future audit qualifications. Particular emphasis was placed on addressing the single remaining asset management qualification, as well as other matters of emphasis and the general enhancement in financial management and internal controls. Operation Clean Audit has served as a mechanism to strengthen the DOD internal controls in the various resource areas of the department. This initiative assisted in sustaining the enhanced internal controls whilst making inroads into areas still challenged in terms of internal controls. The discussion and engagement between the DOD, the Auditor-General and the Accountant General is continuing with a view of finding an appropriate solution for the accounting of defence tangible assets in a manner consistent with international best practice.
- **Alignment of the Defence Structures Comprising of the SANDF and the Defence Secretariat.** The proposal on the repositioning of the Defence Secretariat is currently being considered by the Ministry. Depending on the option finally adopted, the repositioning of the Defence Secretariat may have consequential legislative and policy implications for the DOD.
- **Repositioning of ARMSCOR and DENEL.** The draft discussion documents on the future White Paper on Defence Industries, Defence Industry Strategy and Force Design were handed over to the Defence Review Committee. It is envisaged that the restructuring and support of the Defence Industry will focus on defence capability requirements in support of the Defence mandate. The emphasis of the discussion document focuses primarily on the Governance, Risk Management, Compliance and Accountability framework applicable within the Defence Portfolio.
- **Provision of Skills.** The Military Skills Development System (MSDS) was implemented in January 2003 with the aim of providing the SANDF with military human resources in support of force preparation and force employment specifications. The MSDS forms the DOD's primary contribution to national youth development. The MSDS furthermore contributes to the alleviation of unemployment and poverty by preparing young people between the ages of 18 and 26 years for rewarding careers in either the SANDF or employment in the broader public and private sectors. The MSDS is a two-year contract based service system and is the main feeder system for both the regulars and reserves. The planned number of MSDS members in the system at any given time will be reduced, due to austerity measures imposed by National Treasuary.
- **Establishment of the Office of the Military Ombud.** The Military Ombud Bill was approved by Cabinet on 10 October 2011 (for certification before introduction to Parliament for consideration) and was passed by Parliament during March 2012. The essence of the Military Ombud is to ensure the observance and promotion of fundamental rights of military personnel. It is expected that the President will ascend the Military Ombud Bill during May of the FY2012/13 and subsequently the establishment of the Office of the Military Ombud.
- **Non-statutory Force Military Veterans Pension.** The MOD&MV's pronouncement is being implemented and its progress report will be provided by the Department of Military Veterans.
- **Defence Policy Review and Strategy.** The draft discussion documents on the future White Paper, Defence Strategy and Force Design were handed over to the Defence Review Committee. Subsequently, the Committee has issued a draft consultative Defence Review document for public comment. The Defence Strategy, Force Structure and Force Design will express Government's intent for Defence and, by so doing, promote defence planning across all levels of the Department.

SANDF'S OPERATIONS AND DEPLOYMENTS IN FY2011/12

In the year under review, the SANDF has undertaken various successful operations in South Africa and the African continent. The contribution made by Defence to peace and stability on the continent, continues to pave the way for economic growth and sustainable development in those areas. The SANDF's contribution improves the lives of fellow Africans and facilitates South African access to develop new continental markets in the wake of the new possibilities created. The deployment of the SANDF members on the continent under the auspices of the UN and or the AU contributes directly to the restoration of peace and provides an opportunity for SANDF members to hone their skills in this important responsibility.

Peace-Support Missions

The SANDF continued to participate in the UN Peace Support Operations (PSOs) in the Democratic Republic

of Congo (DRC) the UN/AU Hybrid Peace Support Operation in Sudan and the provision of training to the Armed Forces of the Central African Republic (CAR). The SANDF was also tasked to execute anti-piracy missions in support of the Mozambican Defence Force (MDF) with counter piracy activities in the Mozambique Channel and also participated in with the distribution of 1 849 x tonnes of ballot material to the DRC for the elections that took place on 28 December 2011.

During these operations the SANDF deployed on average, a total of 2 254 members in three large to medium scale peace support operations in the Democratic Republic of Congo (DRC), Sudan and in support of the Mozambique Government to execute counter piracy operations in the Mozambique Channel. Additional operations included five general military assistance operations in the Central African Republic (CAR), South Sudan, Republic of Tanzania, Equatorial Guinea and DRC.

Support to the People

During the reporting period, the SANDF recorded the following achievements:

- **Border Safeguarding.** The safeguarding of the borders of South Africa remains one of the key functions of the SANDF. The border safeguarding responsibility encompasses three environments, namely land, air and maritime. In pursuit of this assignment, the SANDF successfully deployed its members in accordance with the approved phased roll-out plan. The Operation is currently in phase two of the strategy as planned for execution. The subsequent phases will have 11 sub-units deployed in the FY2012/13 and 15 sub-units in the outer years of the Medium Term Expenditure Framework (MTEF). Seven SANDF sub-units have been deployed to the borders of Limpopo, Mpumalanga, KwaZulu-Natal and the Free State Provinces. Operations to combat cross-border crime, stock theft and illegal grazing, as well as rhino poaching in the Kruger National Park were also conducted. Operational successes achieved during the reporting period include; 8 weapons (including .275 rifle and 9mm pistol) confiscated, 16 850 illegal foreigners were apprehended, 368 criminals were arrested; 60 stolen vehicles were recovered, 9 068kg dagga confiscated, 1 394 live stock recovered; 453kg copper cable and contraband goods to the value of R14,695,413 were confiscated. Furthermore, the deployment of the SANDF in the Kruger National Park in support of anti-rhino-poaching, resulted in 11 poachers killed, 22 poachers arrested as well as the confiscation of 19 hunting rifles including AK47 assault rifles.
- **Search and Rescue.** The SANDF was involved in the following Operations during the year under review:
  - The deloyment of the SA Navy frigate SAS ISANDLWANA and a SA Air Force Lynx Helicopter on a humanitarian rescue operation off the island of Tristan Da Cunha, in which 37 Taiwanese sailors were rescued.
  - A search and rescue operation in which a ferry sank near island of Pemba in the Northern Tanzania.
  - An operation to support Mozambique in combating piracy in the African East coast and an operation to safeguard and protect the South African borders.
- **Disaster Aid and Relief.** The SANDF supported the NDPW with the building of two pedestrian bridges and one Bailey bridge in the Eastern Cape, one pedestrian bridge at Hammanskraal, Gauteng and reconnected seven more bridges in Limpopo and Eastern Cape. The SANDF furthermore supported the Department of Agriculture in combating foot-and-mouth disease in KwaZulu-Natal (Pongola and Jozini). A total of five requests were received and included the following; two requests for fire fighting in the Barkley West area on 15 November 2011, one request for the hoisting of an injured person from a ship in Durban Harbour on 20 October 2011, one medical evacuation of a person from Port Elizabeth to Cape Town on 25 October 2011 and one casualty-evacuation of a person in Krugersdorp on 01 December 2011.

Support to other Government Departments

With regard to the provision of support to other government departments, the SANDF successfully executed internal missions in support of the RSA government departments in pursuance of national security objectives and political initiatives. The rendered support includes the following:

- **Very Important Person (VIP) Protection.** The SANDF provided VIP protection tasks to foreign government visitors and military dignitaries from various countries, namely; Senegal, Gabon, Tanzania, India, United Arab Emirates, China, Ethiopia, Ghana, Botswana as well as members from the UN presenting the United Nations Senior Mission Leader Course in the RSA. VIP protection was also provided during the RSA/Mozambique Joint Permanent Commission on Security and Defence (JPCSD), RSA/Botswana JPCSD, RSA/Namibia JPCSD, India/Brazil and South Africa (IBSA) Defence Work Group Meeting, the RSA and Russian Intergovernmental Commission, the RSA/Mozambique Ministerial Joint Permanent Commission on Security and Defence, RSA/United States of America (USA) Mid-Term meeting, Angolan delegates, Saudi

Arabian Air Defence study tour and the Sultanate of Oman.

- **Collaboration with the South Afican Police Service (SAPS).** The SANDF continued to partner with the SAPS through the provision of personnel, helicopters and fixed wing aircraft during the festive season to combat crime and the 17th Conference of Parties (COP17) to the UN Framework Convention on Climate Change (UNFCCC). The SANDF provided assistance to the SAPS during the opening of Parliament, the MOD&MV 2011 budget speech, Freedom day celebrations, Local Government Elections, African National Congress (ANC) Centenary Celebration and support to the Department of Agriculture during foot-and-mouth disease in the Pongola and Jozini area over the period April 2011 to June 2011.
- **Safety and Security Support.** The SANDF initiated and participated with other RSA national health structures and non-governmental organisations in national health days to promote health prevention and strategies such as the HIV Awareness and 16 Days of Activism Campaigns. The SANDF participated and provided medical support during the Freedom Day parade in Pretoria on 27 April 2011. Medical support was rendered to 920 National Youth Service members from the Department of Health of KwaZulu-Natal that began the programme on 05 August 2011 and medically assessed an additional group of 247 from the Department of Rural Development and Land Reform on 14 November 2011. Furthermore, the department assisted with the assessment of members for the Department of Home Affairs and assisted with the processing of documentation of Zimbabwean Nationals. The SANDF also provided medical support to the COP17 at the Conference on Climate Change that was held at the Durban International Convention Centre.

Border Safeguarding

The safeguarding of the borders of South Africa is one of the key functions of the SANDF. Currently, seven sub-units are deployed in Limpopo, Mpumalanga, KwaZulu-Natal and the Free State Provinces as part of Phase 2 and approximately 1 429 members are deployed. By 2013, the Lesotho/Free State border will be covered, to be followed by the Lesotho/KwaZulu-Natal border in 2014. The subsequent phases will ensure that 11 sub-units will be deployed in the FY2012/13 and 15 sub-units in the outer years of the MTEF period.

Maritime Security Co-operation

Anti-piracy in the Mozambique Channel. The SANDF rendered support to the Mozambique Defence Force (MDF) with anti-piracy operations. Force levels and military assets include the following: one frigate, one maritime aircraft and four patrol boats. On average 185 SANDF personnel were deployed. The SA Navy continued to contribute to maritime safety off the East Coast of Mozambique.

DOD SELECTED PERFORMANCE INDICATORS

The selected performance information as published in the 2011 Vote 22, Estimate of National Expenditure (ENE), forms the basis of subsequent departmental planning, resource allocations and in-year performance reporting. Table 2.15 below, provides the DOD Selected Performance Indicators and Targets achievement for the reporting year.

Table 2.15: Selected Performance Indicators and Targets

Performance Indicator	Programme	Annual Target	Actual Target Achievement	Reason(s) for Over/Under Achievement
% compliance with SADC early warning centre contribution with SADC and SADC organ outcomes	Force Employment	100%	0%	Under Achieved. The early warning centre was not established and no outcomes have been developed by SADC.
% compliance with the SADC standby force agreements and South African Pledge	Force Employment	100%	100%	Achieved

Performance Indicator	*Programme*	*Annual Target*	*Actual Target Achievement*	*Reason(s) for Over/Under Achievement*
Number of large-scale external operations per year	Force Employment	3	3	Achieved Note: Operations conducted were three large to medium scale peace support operations in the Democratic Republic of the Congo (DRC), in the Sudan and in support of the Mozambique government to execute counter piracy operations in the Mozambique Channel. In addition, five general military assistance operations were executed in the Central African Republic (CAR), in South Sudan, in the Republic of Tanzania, in Equatorial Guinea and in the DRC.
Average number of personnel deployed daily in external operations	Force Employment	1 985	2 254	Over Achieved. Deployments in Peace Support Operations are dependent on requests from the UN/AU and or RSA Government instruction. Given the unpredictability of the operating environment the SANDF can be instructed to execute additional operations. During the planning process of FY2011/12 finalised in October 2010, Joint Operations Division only planned to execute peace support operations in Central African Republic, DRC and Sudan. During 2011, the SANDF was instructed to execute additional general military assistance operations in South Sudan, DRC, Equatorial Guinea, Republic of Tanzania and the operation in support of counter piracy in Mozambique, hence the increase in average number of personnel deployed daily in external operations.
Number of person days used during internal operations	Force Employment	375 000	539 743	Over Achieved. Number of days increase due to phasing in of border safeguarding operation.
Number of internal operations in support of other government departments	Force Employment	4	4	Achieved
Number of joint, inter-departmental and multi-national exercises conducted per year	Force Employment	8	6	Under Achieved. Exercises BELL BUOY and TRANSOCEANIC were not attended by the SANDF due to a Command Decision. Exercise FAIRWAY BUOY was cancelled by Namibia. The SANDF does not have any control over decisions made by Foreign Forces with regards to exercises where the SANDF is invited to participate, hence the under performance.

Performance Indicator	*Programme*	*Annual Target*	*Actual Target Achievement*	*Reason(s) for Over/Under Achievement*
% compliance with UN requirements rules and regulations for peace missions	Administration	100%	70%	Under Achieved. This Division enables the applicable DOD services and Divisions responsible for the DOD's compliance with UN and AU requirements, rules and requirements for peace Missions by virtue of their institutional mandates and responsibilities, to determine, gauge, monitor and adjust the DOD's compliance with these regimes by means of the timeous conclusion of the requisite bi-lateral agreements. Members of this Division participate in annual consultative engagements with the UN to ensure efficient and effective channels of Communications between the DOD and the UN.
Total number of Defence diplomatic missions	Administration	37	39	Over Achieved. The Defence Office in Tunisia closed down in June 2011 (later than planned) and Defence Offices in Lesotho and Swaziland respectively were opened.
Finalisation of the DOD Border Management Strategy	Administration	Strategy Approved	Strategy Not Approved	Under Achieved. Strategy on Border Safeguarding taken-up in the Defence Review process.
Number of force employment hours flown each year	Air Defence	10 402	11 256	Over Achieved. An increase in external operations resulted in an increase in the number of force employment hours flown.
Number of sea hours on patrol in South African maritime zones per year	Maritime Defence	9 000	14 088	Over Achieved. The increased hours include operations conducted outside South Africa's maritime zones.
Throughput in terms of the DOD National Youth Service concept	Administration	1 500	1 680	Over Achieved. For the reporting period, two NYS intakes were undertaken as follows: • De Brug (517 being final throughput) • SAS Saldanha (1 163 being final throughput) Withdrawals and new arrivals occurred during the training. The total number of the youth that completed the National Youth Service Training was 1 680.
Number of Military Skills Development System (MSDS) members in the system per year	Administration	11 140	11 213	Over Achieved. The Department managed to recruit more members due to intensive marketing.
Total number of active Reserves	Administration	16 400	15 316	Under Achieved. Reserve call-ups had to be reduced due to budgetary constraints.

Table 2.16: Trendable Performance Indicators and Targets: Job Creation

Performance Indicator	Programme	Annual Target	Actual Target Achievement	Reason(s) for Over/Under Achievement
Members in the MSDS per year.	CHR	11 140	11 213	Over Achieved. The Department managed to recruit more members due to intensive marketing.
Number of active Reserves per year.	CHR supported by C Def Res	16 400	15 316	Under Achieved. Reserve call-ups had to be reduced due to budgetary constraints.
Throughput in terms of the DOD National Youth Service concept.	CHR	1 500	1 680	Over Achieved. For the reporting period, two NYS intakes were undertaken as follows: • De Brug (517 being final throughput) • SAS Saldanha (1 163 being final throughput) Withdrawals and new arrivals occurred during the training. The total number of the youth that completed the National Youth Service Training was 1 680.
% Vacant funded post filled by June 2011.	CHR	100%	94.1%	Under Achieved. Process of filling vacant posts remains problematic.
% Decline in turn-over rates.[1]	CHR	6%	-0.38% (Turnover Rate Year to Date)	Under Achieved. In most cases, the HR Division does not have control of members leaving the organisation.
Establishment of a DOD Works Capability function (Strategic Direction).	C Log supported by DIMS	Approval of the DOD Works Capability Structure	Structure approved by the MOD&MV in February 2012.	Achieved
Creation of job opportunities in the Defence industry according to DOD projects.	CDPSP supported by C Def Mat & HoDSCI	TBD	Submitted Defence Industry policy inputs to the Defence Review Committee for inclusion into the Defence Review document.	N/A. The targeted job creation % resulting from Defence acquisition contracts with the SA Defence Industry will be negotiated and determined during the drafting of the White Paper on Defence Industry (an update to the existing Defence Related Industry White Paper) as well as the subsequent Defence Industry Strategy.

[1] Current performance in respect of turnover rates is at 2% per annum. The stated target projection of 6% is thus not aligned and will be adjusted in future.

PART 3
PROGRAMME/SUB-PROGRAMME PERFORMANCE

PROGRAMME 1
ADMINISTRATION

INTRODUCTION

The Administration Programme is aimed at facilitating the overall management of the DOD, ensuring that the responsibilities of the Accounting Officer are achieved. This programme ensures that norms and standards throughout the department are developed and complied with. The responsibilities included in this program are the provision of human resource support, financial and legal services, governance, the provision of risk and compliance expertise, the determination of working methods and procedures that improve internal controls and the accuracy of information provided.
The Administration Programme provides services in the form of ministerial direction emanating from the office of the Minister of Defence and Military Veterans (MOD&MV) as well as departmental direction from the office of the Secretary for Defence (Sec Def) and Chief of the South African National Defence Force (C SANDF).

Administration sub-programmes

The Administration Programme consists of the following sub-programmes;

- **Ministry of Defence:**
  - Ministry.
- **Defence Secretariat:**
  - Departmental Direction.
  - Government Information Technology Officer (GITO).
  - Policy and Planning (Defence Policy, Strategy and Planning).
  - Financial Services.
  - Acquisition Services (Defence Matériel).
  - Defence Supply Chain Integration.
  - Defence International Affairs.
  - Human Resource Support Services[2].
  - Legal Services[2].
- **South African National Defence Force (SANDF):**
  - SANDF Command and Control.
  - Military Policy, Strategy and Planning Office.
  - Inspection Services.
  - Communication Services.
  - Corporate Staff Office.
  - Religious Services.
  - Defence Reserve Direction.
  - Defence Foreign Relations.

Purpose

Develop policy, and manage and administer the department.

Strategic Objectives (Outputs)

The main outputs of the Defence Administration Programme are sound ministerial and departmental direction, defence policy advice, strategic direction, corporate planning and reporting.

Service Delivery Objectives and Indicators

The Service Delivery Objectives and Indicators of the individual sub-programmes are presented below in the respective order of appearance as stated above.

Ministry of Defence

SUB-PROGRAMME: MINISTRY

(See Part 1: General Information - Information on the Ministry)

[2] Both Human Resource Support Services and Legal Services form part of the Shared Staff component of the DOD.

Defence Secretariat

SUB-PROGRAMME: DEPARTMENTAL DIRECTION

Purpose

The Secretary for Defence (Sec Def), as the Accounting Officer, provides departmental direction to the DOD to ensure the effective, efficient and proper conduct of Defence activities in accordance with legislation and policy.

Strategic Objectives (Outputs)

The Sec Def is the Accounting Officer and the Principal Policy Advisor to the MOD&MV. The Sec Def, in conjunction with the C SANDF, guides the provision of strategic direction to the DOD. The Sub-programme provides corporate direction to the DOD through the following:

- Provision of strategic direction to the DOD.
- Policy advice to the MOD&MV.
- Management of DOD Parliamentary activities and engagements.
- Management of DOD participation in Cabinet Clusters as well as the implementation of DOD obligations arising there from.
- Management of defence policy in the DOD.
- Management of National Convention Arms Control (NCAC) support activities.

Service Delivery Objectives and Indicators (Overview)

During the period under review, Dr S.M. Gulube was appointed as the Sec Def, with the main responsibility to provide departmental direction to the DOD through various actions and interventions. These, *inter alia*, included timeous decision-making on strategic matters, effective consideration and processing of documents, attendance of high-profile Cabinet Makgotla, Cabinet Cluster meetings and chairing the various DOD command body meetings. The Sec Def ensured that the DOD honoured its engagements and obligations with the Parliamentary Committees and oversight bodies including the National Treasury and Auditor-General.

Service Delivery Objectives and Indicators (Output Detail)

Table 3.1: Output Detail

Output	*Performance Indicator*	*Annual Target*	*Actual Target Achievement*	*Reason(s) for Over/Under Achievement (Reasons for major variances between targets and actual. In the event of targets not being achieved, a brief narrative providing reasons should be provided)*
Defence commitments in accordance with government policy and strategy	Percentage Security Clearances Allocated to Def Sec Staff	100%	46%	Under Achieved. High backlog of Security Clearance vetting and non-application by individual members. Communication intervention will be established between the Secretariat and CDI to fast track applications. In addition, members who have not applied will be identified to ensure an application is submitted.
	Approved Strategy to facilitate securing of National Key Points	Approved	Not Approved	Awaiting the finalisation of the Defence Review process, this will inform the identification of the National Key Points.

Output	*Performance Indicator*	*Annual Target*	*Actual Target Achievement*	*Reason(s) for Over/Under Achievement (Reasons for major variances between targets and actual. In the event of targets not being achieved, a brief narrative providing reasons should be provided)*
Sound Defence Direction[3]	Quality of directives to the Department and planning guidelines to the Department as a whole	Evaluate the implementation of structure for accounting and reporting by the C SANDF and make improvements	The Accounting Officer ensured that quality directives include planning and reporting instructions and guidelines were developed and issued to the Department as a whole.	Achieved
	Landward Capability requirement approved (Approved Defence Review/ Strategy)	Strategy Approved	Strategy Not Approved A Defence Review/ Strategy (Concept) was completed on 02 June 2011 and submitted to the Defence Review Committee.	Under Achieved. The development and approval of the Defence Strategy will be informed by the outcome of the Defence Review process.
	Approved DOD Border Management Strategy	Strategy Approved	Strategy Not Approved 1st Quarter Submitted comprehensive discussion document on Border Safeguarding to the Defence Review Committee. 2nd, 3rd and 4th Quarters Strategy on Border Safeguarding taken-up in the Defence Review process.	Under Achieved. The development and approval of the DOD Border Management Strategy will be informed by the outcome of the Defence Review process.
	Approved National Defence Security Strategy[4]	Approved in consultation with SA Security Service	Strategy Not Approved A National Security Strategy (Concept) was completed on 03 June 2011 and submitted to the Defence Review Committee.	Under Achieved. The input of Defence into the National Security Strategy will be informed by the outcome of the Defence Review process.
	Approval of Reserve Force Amended Legislation	Legislation Approved	Achieved	Achieved Note: The Defence Amendment Act, 2010 (Act No. 22 of 2010), which was promulgated, has addressed the required Reserve Force legislation amendments.
	Approval of Reserve Force Amended Legislation	Legislation Approved	The Defence Amendment Act, 2010 (Act No. 22 of 2010), which was promulgated, has addressed the required Reserve Force legislation amendments.	Achieved

3 Supported by CDPSP.

4 The data on the DefSec APP is not accurate. The Defence contribution to National Security was the intention.

Output	*Performance Indicator*	*Annual Target*	*Actual Target Achievement*	*Reason(s) for Over/Under Achievement (Reasons for major variances between targets and actual. In the event of targets not being achieved, a brief narrative providing reasons should be provided)*
	Approval of the White Paper on Defence	White Paper Approved	White Paper Not Approved 1st Quarter Defence White Paper (concept) Draft 0001A was completed on 25 May 2011. Draft 0001E was completed on 22 June 2011. 2nd, 3rd and 4th Quarters Supported the work of the Defence Review Committee.	Under Achieved. The requirement for the development of the White Paper on Defence will be informed by the outcome of the Defence Review process.
	Approved DOD Policy regulating resource unit costing.[5]	Policy Approved	Costing Policy and Procedures within the DOD (Ed1) has already being promulgated on 19 September 2001. Currently under review.	Achieved
	Approved DOD Fraud and Corruption Prevention Strategy	Approved	Not Approved	Not Achieved. The DOD Anti-Fraud Strategy and Plan for the DOD was approved on 29 March 2001. The DOD Anti-Criminality Strategy, which comprehensively addresses the prevention of both corruption and fraud prevention, will be promulgated pending the approval of the associated Action Plan.
	Significant reduction in the cases of irregularities and corruption in the DOD	20%	No reduction	Not Achieved. Although there is a better awareness regarding fraud and corruption and the reporting thereof, there is an increase in the fraud and corruption cases.

5 The functional domain for this Performance Indicator is in the environment of the CFO/DBud.

SUB-PROGRAMME: GOVERNMENT INFORMATION TECHNOLOGY OFFICER (GITO)

Purpose

To provide departmental direction to the Department of Defence to ensure the effective, efficient and proper conduct of Defence information and communication system activities in accordance with legislation and policy.

Strategic Objectives (Outputs)

The GITO is responsible for the Strategic governance of the Defence Enterprise Information System (DEIS). The Division seeks to ensure the delivery of effective and efficient Information and Communication System (ICS) strategic direction in order to manage DOD information as a strategic resource and provide guidelines to ensure that correct, accurate and quality information is distributed securely to support decision-making in achieving the department's objectives. The DEIS Management Division provides norms and standards for:

- providing sound Information and Communication System direction and advice;
- developing consensus on Information and Communication System;
- providing sound policy and administration; and
- systemic monitoring and evaluation.

Service Delivery Objectives and Indicators (Overview)

In accordance with the GITO's strategic objective to provide ICS strategic direction to the DOD, the DOD Information and Communication Technology (ICT) Strategy was developed and approved on 24 October 2011, focusing on the enablers for the realisation of the DOD Information Strategy. In addition, the ICS Control Plan for the implementation of the DOD Information Strategy was realigned to accommodate the elements of the DOD ICT Strategy. The ICS Control Plan controls the implementation of the DOD Information Strategy and the DOD ICT Strategy to enable the systematic improvement of the effectiveness and inter-operability of the ICS of the DOD.

Structuring challenges were identified, that affected the effective Communication Systems Governance, Risk and Compliance functions including the Promotion of Access to Information Act functions. The Division is currently embarking on the restructuring process to enable the effective realisation of its objectives.

The current DOD ICT systems are not integrated and have a high level of obsolescence due to legacy systems that are not interoperable. Although efforts were made to optimise the existing ICT systems, the current budget allocation only allows for a progressive approach to update and replace legacy systems thereby ensuring inter-operability and efficient data and information exchange between systems as stipulated in the DOD ICT Strategy. This strategy is linked to the availability of financial resources as well as the ability of the SITA and Defence ICT system providers to provide solutions in accordance with the requirements of the Defence Enterprise Information System (DEIS) Master Plan schedule.

Service Delivery Objectives and Indicators (Output Detail)

Table 3.2: Output Detail

Output	*Performance Indicator*	*Annual Target*	*Actual Target Achievement*	*Reason(s) for Over/Under Achievement (Reasons for major variances between targets and actual. In the event of targets not being achieved, a brief narrative providing reasons should be provided)*
Defence in Compliance with the Regulatory Framework	Compliance with Minimum Information System Standards (MISS) and information security[6]	100%	100%	Achieved *Note: The ISS policy was reviewed by CMIS and approved.*
Sound Defence Direction	Compliance with approved DEIS Master Plan	100%	61%	Under Achieved. The Infrastructure projects did not proceed as quickly as planned due to procurement issues and resource shortages.

6 DEIS Management Division drafts, compiles and promulgates defence information and communication system standards through the DEIS Board in compliance with the Minimum Inter-Operability Standards (MIOS) and MISS. These standards are to be utilised during the development, implementation and use of information and communication systems by the CMIS Division. 100% achieved in respect of the Information Systems Security (ISS) portion.

Output	*Performance Indicator*	*Annual Target*	*Actual Target Achievement*	*Reason(s) for Over/Under Achievement (Reasons for major variances between targets and actual. In the event of targets not being achieved, a brief narrative providing reasons should be provided)*
To develop Department of Defence Information and Communication System governance to direct the department to ensure internal and external communication enabling effective and efficient decision-making in achieving departmental goals and objectives.	Promulgated Department of Defence Information Strategy.	100%	100%	Achieved *Note: DOD Information and Communication Technology Strategy was promulgated on 24 October 2011.*
	Promulgated Information and Communicating System Policy in accordance with the Information and Communicating System Policy Development plan.	100%	90%	Under Achieved. The Department of Defence ICS Policy Development plan was revised to update the CMIS Division ICT Policy Requirements and is in the approval process. A new CMIS Division SSO ICT Policy was appointed to improve and drive the ICT Policy development and maintenance process. Four Reserve members were called up to review ICS policies and address the policy back log.
To confirm Department of Defence Information and Communication System (ICS) compliance to ensure adherence to the prescribed governance so as to affect standardisation resulting in interconnectivity and inter-operability.	Conduct all the staff visits to Services and Division in accordance with the approved annual staff visit plan and table recommendations for departmental ICS policy update.	100%	100%	Achieved *Note: All ICS Policy Staff visits were executed according to the ICS Staff Visit plan and reports pertaining to the findings/observations during visits have been submitted to the respective units and their higher headquarters for further attention.*
To mitigate all identified Department of Defence Information and Communication Systems risks.	Percentage of risks mitigated in accordance with the Department of Defence's Information and Communication Systems Risk management plan and register.	100%	100%	Achieved

SUB-PROGRAMME: POLICY AND PLANNING (DEFENCE POLICY, STRATEGY AND PLANNING)

Purpose

To advise on national security policy matters and to co-ordinate the DOD strategic direction process by developing, formulating, monitoring and adapting Defence policy, strategy and plans in accordance with national policy to enable the effective, efficient and proper conduct of Defence activities.

Strategic Objectives (Outputs)

The Division has the following core outputs:

- To provide credible Defence Policy direction.
- To provide effective Defence Strategic Management.
- To enable NCACC Secretariat support capacity.

Service Delivery Objectives and Indicators (Overview)

In the year under review, the Division, notwithstanding

insufficient resource-related challenges, successfully achieved the majority of its core outputs as captured in the Defence Secretariat Annual Performance Plan for 2011, in line with the Medium Term Strategic Framework (MTSF), government priorities, national policy and related prescripts.

During the MOD&MV's Defence Budget Vote Speech (2010), an announcement pertaining a review of the defence policy framework was made. To this end, the MOD&MV appointed a Defence Review Committee to assist the Department in the process of developing a future Defence Policy, Defence Strategy and Force Design aligned with Government and DOD realities. The Defence Review Committee completed the consultative draft of the Defence Review document during the reporting period and was assisted/participated by this Division in the Defence Review process by providing key personnel to the Defence Review Technical Secretariat and the Defence Review Resource Group.

The Division planned and co-ordinated the International Co-operation Trade and Security (ICTS) Cluster post-Lekgotla media briefing held on 13 September 2011 in collaboration with the Head of Communication (HOC) and Government Communication and Information System (GCIS). The ICTS Secretariat periodically submitted communication bulletins on salient matters emanating from the ICTS.

The National Treasury Regulations and Framework for developing the Strategic Plan (SP) and Annual Performance Plan (APP) gave impetus to the development of the first DOD Strategic Planning Framework (SPF). This DOD SPF provided the norms and standards for the development of the departmental planning instruments. The DOD Executive Authority Overarching Annual Strategic Statement (EA OASS) for 2012 was compiled to form the basis for the development of the Def Sec and the SANDF APPs for 2012. The DOD Planning Instruments for 2012 were tabled in Parliament on 07 March 2012 in line with legislation.

During the reporting period, 40 Organisational Structure Reports were assessed for compliance through the critical review process and seven reports were implemented on the Structural Management Control System (SMCS). Furthermore, the Macro Structure Management Policy was promulgated and a management information reporting capability (post statistics) was published on the Defence Integrated Management System (DIMS) website.

In line with the statutory requirements on the submission of performance reports, the DOD Annual Report FY2010/11 was approved by the MOD&MV and tabled in Parliament on 30 September 2011. The Division ensured that DOD Quarterly Performance Reports for FY2011/12 were approved by the Accounting Officer and submitted to the Auditor-General in accordance to the prescribed timelines.

The integration of the Balanced Scorecard (BSC) into the DOD Strategic Planning Process and the finalisation of the corporate core performance indicators and associated technical data sheets as per Treasury Requirements were conducted. Certain of these core indicators were incorporated into the Def Sec and SANDF APP for the FY2012/13.

During the period under review, the implementation of the DOD Enterprise Risk Management (ERM) Framework was prioritised. The Framework has formed the basis for enterprise-wide risk management efforts. Subsequent to the approval of the DOD ERM Framework, extensive work has been undertaken towards the revision of the DOD ERM Policy and Strategy.

Through the ongoing efforts of the DOD risk management environment, the DOD achieved a National Treasury maturity level result 4.

A Chief Directorate within the Division was established in terms of Section 8 of the National Conventional Arms Control Act, 2002 (Act No. 41 of 2002) and is responsible for the work incidental to the performance of the functions of the NCACC, a committee of Ministers appointed by the President, and the Scrutiny Committee respectively. In executing this responsibility of effective regulation of arms transfer in South Africa, administrative and secretariat support was provided to the NCACC and 6 807 permits were issued. Furthermore, the Division successfully submitted all four NCACC quarterly reports and annual report for the FY2011/12.

Service Delivery Objectives and Indicators (Output Detail)

Table 3.3: Output Detail

Output	*Performance Indicator*	*Annual Target*	*Actual Target Achievement*	*Reason(s) for Over/Under Achievement (Reasons for major variances between targets and actual. In the event of targets not being achieved, a brief narrative providing reasons should be provided)*
Defence in Compliance with the Regulatory Framework	Approved DOD anti-corruption policy[7]	Policy Approved	Approved	Achieved *Note: Policy on Anti-Corruption and Anti-Fraud[8] was already promulgated on 17 January 2005. Currently under review.*
Establish Research Capability	Approved Research capacity	Capturing of structure on system	Policy Research Unit Concept document approved	Under Achieved. The work-study investigation has not yet being finalised.
Credible Defence Policy direction	Approved Defence Review/Strategy	Strategy Drafted	1st Quarter Defence Review/ Strategy (Concept) Draft 0001A was completed on 08 April 2011. Draft 0001E was completed on 2 June 2011. 2nd, 3rd and 4th Quarters Supported the work of the Defence Review Committee.	Achieved *Note: Road-shows/Imbizo to be undertaken to ensure completion thereof.*
	Co-ordinated Defence engagement clusters	Cluster related submissions by defined target dates	Cluster related submission submitted by defined target dates	Achieved
	Defence deployments mandated in compliance with law	100% Defence deployments legally authorised	100% Defence deployments legally authorised	Achieved *Note: All Defence deployments were legally authorised before commencement thereof.*

[7] CDPSP not the leading Division in this target. APP indication incorrect. DOD IG is the lead Division in this performance indicator.
[8] Old Title: Policy on Internal Audit, Inspection and Anti-Fraud in the Department of Defence (Ed2).

Output	*Performance Indicator*	*Annual Target*	*Actual Target Achievement*	*Reason(s) for Over/Under Achievement (Reasons for major variances between targets and actual. In the event of targets not being achieved, a brief narrative providing reasons should be provided)*
Effective Defence Strategic Management	DOD Strategic Plan (SP) and Annual Performance Plan (APP) in compliance with National Treasury Prescripts.	Tabled in terms of the stipulated National Treasury timelines	Tabled in terms of the stipulated National Treasury timelines	Achieved *Note: The EA OASSS and Def Sec APP for FY2012/13 were tabled in Parliament on 7 March 2012.*
	Organisational Structure Reports completed for approval within agreed time frames and requirements.	>80%	>80%	Achieved
	DOD Annual and Quarterly reports in compliance with National Prescripts	Tabled according to prescribed National Treasury Timelines	Tabled according to prescribed National Treasury Timelines	Achieved *Note: The DOD Annual Report for FY2010/11 was tabled in Parliament in compliance with National prescripts; and the Quarterly Performance Reports for FY2011/12 were submitted to the Executive Authority and the Auditor-General within the prescribed national timelines.*
	DOD ERM maturity level increased	Level 3	DOD ERM maturity level 4 achieved	Over Achieved. Target was over achieved due to greater improvement in the Department's culture of risk management
Enabled NCACC Secretariat support capacity	Secretariat equitably resourced to provide NCACC Secretariat support in accordance with approved DCAC Operational Plan	Resource 70% of the DCAC approved Operational Plan required	Secretariat resource support (>70%) provided to NCACC in accordance with approved DCAC Operational Plan	Achieved

SUB-PROGRAMME: FINANCIAL SERVICES

Purpose

To provide a cost-effective financial management service to the MOD&MV, the Sec Def and the SANDF within the evolving regulatory framework, by means of a professional representative civilian financial management corps and an appropriate financial management system.

Strategic Objectives (Outputs)

The Division had the following core outputs:

- To provide sound Defence direction management and governance aspects.
- To ensure allocations are fully expended/spent effectively, economically and efficiently.

Service Delivery Objectives and Indicators (Overview)

The Financial Management Division (FMD) played a pivotal role in ensuring that the DOD continued to uphold the principles of best practice of financial management during the reporting period. The Division ensured an environment in which the prescribed deliverables pertaining in the utilisation of financial resources are in line with principles in the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999). The prescribed FMD deliverables include the Estimates of National Revenue and Expenditure, Annual and Interim Financial Statements and internal Financial Management information and other related reports used for decision making in the DOD such as monthly Early Warning Reports on expenditure and cash flow as well as those that are submitted to the National Treasury.

During the year under review the Division provided budget management advice and support in giving effect to both government priorities and departmental initiatives through appropriate budget adjustments. These initiatives included compensation of employees, peace support operations as well as addressing budget baselines reductions. Through appropriate budget control measures, a major role was played in achieving a 99.96% expenditure of the allocated departmental budget. Revenue management was further enhanced with the updating of existing policies and the roll-out of phase one of the Ulwazi management information tool, which enables the provision of detailed monthly financial related information. The FMD actively participated in the development of the IFMS, while at the same time enhancing the existing Financial Management System (FMS) to ensure compliance with the new economic reporting framework and Standard Chart of Accounts (SCOA) introduced by National Treasury. Financial management related inputs were also provided to the Defence Review Committee.

In support of the MOD&MV's commitment to a clean audit report, the Division co-ordinated the achievements of an improvement in the audit outcomes during the year under review, within the auspices of the Operation Clean Audit project whose central aim is to produce a positive annual audit outcome for the DOD.

The division continued to refine financial processes, systems and policies with a view to ensure alignment with the Public Finance Management Regulatory Framework in order to improve service delivery. The Division collaborated with stakeholders in the analysis of key issues during the preparation for the DOD appearance before the respective Parliamentary Committees.

The Financial Accounting function includes the payments of suppliers and the remuneration of personnel within determined time frames, a function which was successfully achieved and ensured that all transactions were appropriately recorded and 80% of goods and service invoices received were paid within 30 days. System and budget constraints prevented a higher result.

The contribution by the FMD to 2011 MOD&MV Priorities is as follows:

- **Development of an Asset and Facilities Management Policy Framework.** An Asset and Facilities Management Policy Framework to enable the DOD to assume full responsibility for the management and maintenance of facilities and fixed assets was developed. The FMD continued to participate and provide guidance to C Log during all formal discussions between DOD and DPW with regards to assets and facilities management policy framework. Further engagements with National Treasury on the need to look at the development of the policy framework and the funds related for utilisation by the DOD to fund the works capability necessary for the maintenance of the facilities were conducted.
- **Development of a Defence Fiscal and Defence Capability Framework.** Further work was undertaken on the discussion document regarding the Fiscal Framework for Defence which planned to be implemented during FY2012/13. The matter will be pursued in line with the final determinations of the force structure as will be contained in the Defence Review.

During the FY2011/12, dedicated support, appropriate managerial advice, systematic corrections and procedural amendments were provided to the C SANDF to execute his statutory financial duties. The support further seeks to ensure that Chiefs of Services and Divisions within the DOD have the necessary financial resources to deliver in accordance with their mandate.

The Finance Management Division generally achieved its targets for the year under review according to the set performance measures. Finalisation of the restructuring of the finance function by 31 March 2013 will provide stability and improve service delivery.

Service Delivery Objectives and Indicators (Output Detail)

Table 3.4: Output Detail

Output	Performance Indicator	Annual Target	Actual Target Achievement	Reason(s) for Over/Under Achievement (Reasons for major variances between targets and actual. In the event of targets not being achieved, a brief narrative providing reasons should be provided)
Sound Defence Direction	Auditor–General opinion	One qualification	No qualification	Over Achieved. The DOD submitted annual financial statements that were fully verified by the AGSA, taken into account the departure that the DOD received from National Treasury regarding the disclosure of its assets. Refer to the accounting officers report.
	Average days outstanding payments (Claims, Invoice and transaction costs)	30 Days	80% payments within 30 days	Under Achieved. Delays in the registration of suppliers by procurement are negatively impacting payments. Payments were delayed due to budget constraints within Programme 6.
	Compliance with % Budget Transfers	<= 8%	<8%	Achieved
	% Deviation from Approved Budget	0% Deviation (Annual Target)[9]	0,04%	Under Achieved. An amount of RM16 was not spent in the environment of the Military Veterans
	% deviation within the 8% cash flow range	<8%	0,04%	Achieved *Note: Budget baseline allocations will be re-assessed and adjusted where necessary and if appropriate to improve performance.*
	DOD ENE Chapter in compliance with National prescripts	According to National Treasury guidelines	DOD ENE Chapter submitted in terms of the National Treasury guidelines	Achieved
	DOD monthly, quarterly and Annual financial reports in compliance with National prescripts.	According to National Treasury guidelines	Submitted in terms of National Treasury guidelines	Achieved
Defence in Compliance with the Regulatory Framework	Approved Defence Fiscal Framework	Development of revised Defence Fiscal Framework	Conceptual Defence Fiscal Framework	Under Achieved. Further development put on hold in order to ensure alignment between Defence Fiscal Framework and the Defence Review.
Fully expended allocations	% deviation within the 8% cash flow range	8%	0,04%	Achieved
	% Expenditure on budget allocations	100%	99,96%	Achieved within deviation. An amount of RM16 was not spent in the environment of the Military Veterans.

[9] Reporting Period: Annually.

SUB-PROGRAMME: ACQUISITION SERVICES (DEFENCE MATÉRIEL)

Purpose

To optimally direct and manage acquisition of DOD specified matériel and technology requirements by means of competent personnel within the allocated budget and in accordance with policies and prescripts.

Strategic Objectives (Outputs)

The Division had the following core outputs:

- To provide Defence Acquisition Management Services.
- To provide Defence Technology Development Services.

Service Delivery Objectives and Indicators (Overview)

During the year under review, the following strategic acquisition and technology project-related highlights were achieved:

- **SA Army Infantry Indirect Fire System.** The production of the 312 SA Army Infantry Indirect Fire Systems (60mm Long Range Mortar) including a simulator were completed in January 2012, for commissioning into the SA Army during FY2012/13.
- **SA Army Intelligence Battlefield Surveillance and Mobile Processing System.** SA Army Intelligence Battlefield Surveillance and Mobile Processing Systems for two and a half squadrons were delivered to 1 Tactical Intelligence Regiment during November 2011.
- **SA Army Artillery Target Engagement System.** SA Army Artillery Target Engagement Systems for two Regiments were delivered to 4 Artillery Regiment during April 2011.
- **Part of the Ground Based Air Defence System (Phase One).**
    - The project was tasked by Chief of Joint Operations, through the SA Army Air Defence Artillery Formation, to support Southern Sudan during Independence Day on 09 July 2011 with the deployment of a Thutlwa System (An air picture acquiring system). Deployment of these project assets was successful.
    - The Ground Based Air Defence System was also successfully deployed during the SA Army's Exercise NDLOVU at the Combat Training Centre at Lohatla.
- **Development of the Rooivalk Combat Support Helicopter.** After some significant challenges during the preceding year, a ceremonial handover of the Rooivalk Mk I was held at Denel Aviation on 01 April 2011. Six of the 11 aircraft were handed over to the SA Air Force and the remainder will follow suit. Operational Test and Evaluation has been completed and the float of spare parts for the Squadron is being augmented to improve availability of aircraft.
- **Electro-Optical Sensor on the Cessna C-208.** The fitment of an electro-optical sensor (video and infra-red cameras) to the existing C-208 liaison aircraft successfully completed its integration phase and the ceremonial hand-over to the SA Air Force took place on 12 August 2011. Since then, the system has been successfully utilised operationally, including utilisation during anti-rhino poaching operations.
- **Development of the A-Darter Infra-Red Missile.** During August 2011 a series of programme missile firing were conducted and this was followed by a series of guided missile firings in January and February 2012. Although some failures did occur, this was to be expected in a development programme and the project is now well set to deliver the design data pack that will be its final output. This programme is an international collaborative effort in conjunction with the Brazilian Air Force and the joint venture has strengthened ties between the RSA and Brazil who is desirous of further co-operation in the field of guided missiles.
- **Gripen Advanced Light Fighter Aircraft.** Four Gripen fighter aircraft arrived in Cape Town harbour on 07 October 2011, bringing the total delivered in South Africa to 22. The final four aircraft have remained in Sweden after acceptance at the factory to enable 2 Squadron to participate in an international exercise with Sweden, Hungary and Czech Republic during March and April 2012. These aircraft will be upgraded to the Block 4 standard prior to being shipped to South Africa. The Gripen's capability has been further enhanced with the recent acceptance of the Thales Digital Joint Reconnaissance Pod.
- **SA Navy's Submarine Capability.** The Escape Training Facility of the submarine capability was ceremonially opened by the Deputy MOD&MV on 07 October 2011.
- **Precision Guided Munitions.** The technology demonstrator for the KATLEHO programme (Precision Guidance attached to existing bombs) was successfully launched from a SAAF Hawk Mk 120 at the Test Flight & Development Centre (TFDC) in June 2011, using the combined SAAF/ Overberg Test Range capability for release co-ordination, data capture and trajectography. Denel Dynamics have secured a major overseas contract for this product, which will ensure that

they, as a strategic local company, will receive much needed additional funding to remain viable and competitive in the world market.

- **Sonar Technology.** The Defence Research and Development Board has been funding the research at CSIR for a high definition imaging sonar, a concept that was successfully demonstrated this year when a 3-dimensional image of the underwater target object was produced thereby constituting leading edge research in this technology field. The next phase will entail the production of a field-able demonstrator that can be used in sea-trials.
- **Support Technology.** The BIO-CHEM Laboratory (Biological and Chemical) for field experimentation was handed over to SAMHS on 20 September 2011. This Lab will enhance the defensive capability against chemical and biological weapons, as well as toxic industrial chemicals, both on the battlefield and in the urban environment. Subsequently this biochemical lab won the Armscor Chairperson's Award for the best project.

The most prominent challenge that the Division encountered during the period under review, dealt with the execution of the strategic defence acquisition process. The proven acquisition process, as defined in the Defence Acquisition Process (DAP) 1000, has, in the past, lead to unqualified audit reports, but can be streamlined with regard to the implementation and execution thereof within the DOD. During the FY2011/12, the Division undertook a comprehensive appreciation regarding the current acquisition process, with specific reference to challenges, hampering optimised project management. An Acquisition Improvement Plan is subsequently being compiled and is in the final stages of approval and implementation.

Service Delivery Objectives and Indicators (Output Detail)

Table 3.5: Output Detail

Output	*Performance Indicator*	*Annual Target*	*Actual Target Achievement*	*Reason(s) for Over/Under Achievement (Reasons for major variances between targets and actual. In the event of targets not being achieved, a brief narrative providing reasons should be provided)*
Sound Defence Direction	% Funding allocation received for approved DOD Strategic Defence Packages	100%[10] allocation received	100%	Achieved
	Approved White Paper on Defence Industry[11]	Approved White Paper on Defence Industry	Submitted Defence Industry policy inputs to the Defence Review Committee for inclusion into the Defence Review document	Under Achieved. Dependent on the Defence Review process.
	% Expenditure on Research and Development	70%	28.4%	Under Achieved. Target will be adjusted in the future annual performance plans to align with international best practice.
Facilitation of Strategic Capital Acquisition Master Plan (SCAMP).	Approved SCAMP based on Services /Divisional requirements	Approved SCAMP based on Services / Divisional requirements	Defence acquisition projects were executed in accordance with the prescripts of DAP 1000[12]	Achieved *Note: All projects were authorised for their particular phase and all expenditure took place according to approved business plans and within the bounds of the financial allocations awarded to each project.*

10 National Treasury always fully funds the Department according to the inputs provided to National Treasury and thereafter being promulgated via the Warburg Dillen Read (WDR) Model in October of each year.

11 HoDSCI is responsible for drafting of the White Paper on Defence Industry and C Def Mat is in support.

12 DAP 1000 = Process and Procedure for the Acquisition of Armaments.

SUB-PROGRAMME: DEFENCE SUPPLY CHAIN INTEGRATION

Purpose

To provide management of the DOD on supply value chain, governance, risk and compliance within the department.

Strategic Objectives (Outputs)

The Sub-programme Defence Supply Chain Integration (DSCI) ensures the governance of all matériel value chain activities to ensure compliance to the applicable regulatory framework.

Service Delivery Objectives and Indicators (Overview)

The Division is responsible for the management of matériel governance, risk and compliance on behalf of the Accounting Officer in compliance with the prescripts of the PFMA thereby enabling the Accounting Officer's matériel related oversight functions.

Progress regarding the approval of the DSCI structure by the MOD&MV was achieved. The proposed Broad Based Black Economic Empowerment (BBBEE) Directorate structure has been finalised and is currently in the approval process.

Significant achievements during the period under review were as follows:

- The representatives of the Division have attended the Twentieth UK/RSA Joint Industrial Participation Monitoring Committee (JIPMC) meeting held in London, United Kingdom over the period 12-16 September 2011. The objective of the JIPMC was to enhance inward investment, technology and skills transfer, sustained job creation and new export opportunities according to the RSA priorities. The Twentieth Meeting being the last to focus on the assessment of investment by British companies in South Africa and completion of their Industrial Participation.
- The Division successfully facilitated contracts and potential contracts for defence related products to Ecuador, Benin, Argentina, Uganda, Burkina Faso, Malawi, Botswana, Venezuela, India Brazil South Africa (IBSA) and United Arab Emirates (UAE).
- The Division liaised with international entities such as UN Mission in the DRC, India, Brazil, the Southern African Development Community (SADC) and other countries to support the South African Defence Industry with a view of improving current and future defence capabilities.
- The Division contributed to the DOD policy proposals such as a chapter on Defence Related Industries which formed part of Defence Review, Defence Related Public Entities Strategy as well as the position paper pertaining to DOD "*Shared Staffs*" functions.
- The Division is responsible to ensure the promotion of defence industry capabilities and to this end has successfully conducted the Annual Defence Industry Day with a view to bringing together stakeholders in the defence industry sector to share product information and requirements. The event is critical for the identification and implementation of defence sovereign and strategic imperatives. The end state is the contribution to the wealth, economy and creation of jobs directly and indirectly by Defence Industry.
- The MOD&MV historically declared support to Defence Industry as a command function. The MOD&MV also announced the need to establish a Defence Industry Council for the first time in the history of RSA to oversee Defence Industry and DOD progressive and smooth operation.
- The matters under oversight are as follows:
    - **Implementation Instruction 01/12.** A comprehensive implementation instruction pertaining to Procurement and Supply Chain Management in the Department of Defence was issued to functionaries in the DOD, in response to the Government priority of curbing the escalating rise in fraud and corruption as a result of weaknesses in supply chain management environments. The instruction included the revised Preferential Procurement Regulations of 2011 and the National Treasury legislations and circulars on enhancing compliance monitoring and accountability in supply chain management. The objective of the instruction is to minimise areas of non-compliance with approved supply chain practices and procedures in the DOD.
    - **Irregular Expenditure/Exercise Post Facto.** The Division established a Supply Chain Irregular Expenditure Condonement Committee (SCIECC) to evaluate cases of irregular expenditure for condonement.
    - **Reprioritisation.** The Division is in the process of developing the Defence Industry Strategy. Further deliberations on the issue ultimately concluded that a chapter on Defence Industry Policy should form part of the Defence Review which is being reviewed to inform the strategy.

- **Strategies Implemented.** The Division has made significant progress in supporting the Sec Def in terms of the oversight function. The recorded progress is in the area of identified policy gaps that were addressed with a view to entrenching compliance with the regulatory framework.
- **Obstacles to the Achievement of Objectives.** The Division has a misalignment between the scope within which functions that are to be performed and the current approved Human Resource structure. To address this matter, a structural review was initiated in the reporting period.

Service Delivery Objectives and Indicators (Output Detail)

Table 3.6: Output Detail

Output	*Performance Indicator*	*Annual Target*	*Actual Target Achievement*	*Reason(s) for Over/Under Achievement (Reasons for major variances between targets and actual. In the event of targets not being achieved, a brief narrative providing reasons should be provided)*
Sound Defence Direction	Approved White Paper on Defence Industry[13]	White Paper Approved	Submitted Defence Industry White Paper (policy) inputs to the Defence Review Committee for inclusion into the Defence Review document	Under Achieved. The process of developing the White Paper on Defence is now the responsibility of the Defence Review Committee.
Defence in Compliance with the Regulatory Framework	Approved DOD Asset and Facilities Management Policy	Development of Policy Framework	Under Achieved	Under Achieved. Policy Framework complete and is in the approval process.
Strengthened Defence Industry	Approved White Paper on Defence Industry	White Paper Approved	Submitted Defence Industry White Paper (policy) inputs to the Defence Review Committee for inclusion into the Defence Review document	Under Achieved. The process of developing the White Paper on Defence is now the responsibility of the Defence Review Committee.
Integrated Defence Supply Chain	% reduction in non-compliance with supply chain regulatory framework	4%	4%	Achieved
	Trend in the incidents of non-compliance with supply chain regulatory framework	Negative Trend	Negative Trend	Achieved *Note: A negative trend in the incidents of non-compliance with supply chain regulatory framework was achieved through a turnaround improvement of the condonement of Exercise Post Facto's from one month to two weeks.*
	Approved White Paper on Defence Industry	White Paper Approved	Submitted Defence Industry White Paper (policy) inputs to the Defence Review Committee for inclusion into the Defence Review document	Under Achieved. The process of developing the White Paper on Defence is now the responsibility of the Defence Review Committee.

[13] HoDSCI is responsible for drafting of the White Paper on Defence Industry and C Def Mat is in support.

SUB-PROGRAMME: DEFENCE INTERNATIONAL AFFAIRS

Purpose

Formulate and provide policy advice on the determination and conduct of Defence foreign relations and the attendant Defence diplomatic engagement and ensure such policy accords with the evolving and emerging foreign policy of the country.

Strategic Objectives (Outputs)

The Sub-programme Defence International Affairs (DIA) provides the MOD&MV and the DOD with a foreign relations capability and associated services.

Service Delivery Objectives and Indicators (Overview)

The Defence International Affairs Division is mandated to provide policy related products and strategic direction relating to the establishing of bi-lateral and multi-lateral relations in the field of defence. In addition, the Division provides advice and support on the formulation of international legal instruments within the context of defence international affairs in accordance with the international legal framework and in accord with government's foreign policy priorities.

The Division was actively involved in co-ordinating and providing policy direction and advice to the MOD&MV through the Sec Def on key defence international affairs policy issues and international engagements.

In the year under review, the Division was instrumental in negotiating, drafting, and concluding of bi-lateral and multi-lateral Agreements with South Africa's foreign allies and international organisations. In order to ensure the DOD's conduct of international relations accords with emerging government policy, the Division co-ordinated several departmental meetings to ensure proper preparations for bi-lateral engagements with foreign partners. The Division co-ordinated and supported the South Africa International Relations Policy through participation in the Department of International Relations and Co-operation led meetings and activities.

The Division facilitated the processing and signing of the Defence Co-operation Agreements/Memoranda of Understanding (MOU) in respect of the following:

- The signing of the Agreement between RSA and Burundi concerning Defence co-operation.
- The signing of the Agreement between RSA and Ghana on defence training and technical co-operation.
- The signing of the Terms of Reference between RSA and Angola on 16 August 2011 in Angola.
- The signing of the Memorandum of Understanding (MOU) on African Union (AU) Special Task Force in Burundi on 26 October 2011.
- The signing of the Agreement on Defence co-operation between RSA and United Arab Emirates (UAE) over the period 11 to 17 November 2011.
- The signing and exchange of the Terms of Reference between the RSA and Benin over the period 23 to 24 November 2011.
- The signing of the tri-lateral MOU between the RSA, Mozambique and Tanzania on Maritime Security on 15 December 2011.
- The signing of the MOU between RSA and Cuba on Defence Co-operation on 10 January 2012.
- The signing of an Agreement between RSA and Oman on Defence Co-operation on 13 March 2012 in Cape Town.

The Division led the co-ordination and successful convening of obligatory defence international engagements such as the Bi-National Commissions, Joint Permanent Commission on Defence and Security (JPCDS), Defence Committees and SADC fora such as Inter-State Defence and Security Committee (ISDSC). Specifically they included the following:

- Obtained the approval of the Plenary Defence Staff Council (PDSC) on the prioritisation of MOUs, in the form of a policy paper and presentation, recommending the rationalisation of the servicing of defence engagements.
- Provided a Defence Progress Report for the RSA/United States of America (USA) Bi-lateral Forum over the period 07 to 08 April 2011. The DOD was not required to attend the Forum as it had convened a Defence Committee meeting with the US counterparts where Defence matters of mutual interest were discussed.
- Participated at the Steering Committee on South Africa and European Union Peace and Security Co-operation on 13 May 2011 at the Department of International Relations and Co-operation (DIRCO). The DIA also participated in a meeting where discussions were held regarding the establishment of Maritime Boundaries between South Africa, Namibia and Mozambique on 27 May 2011 at DIRCO. In both instances the DIA provided DOD input where required and contributed to the discussions in articulating the Defence perspective.
- Presented a brief overview on the relationship between South African national foreign policy and DOD international engagements during the Defence Attaché/Advisor Training Programme on 31 May 2011 at the South African War College. The briefing highlighted the role of the DIA and related aspects of the RSA foreign policy.
- Participated in the DIRCO-led inter-departmental co-ordinating meeting in preparation for the RSA/DRC Bi-National Commission and President Jacob Zuma's planned State Visit to Mozambique

as well as Tanzanian President Jakaya Kikwete's planned State visit to South Africa.

- Played an instrumental role in the 19th Southern African Development Community (SADC) Meeting of the Defence Sub-Committee on 13 May 2011 in Lusaka, Zambia. DIA played an influential role in ensuring that the strategic goal of persuading the SADC region to develop a strategy to combat piracy on SADC waters is achieved. This approach led to key decisions being taken by the Defence Standing Committee (DSC) leading to the MOD&MV's Council of the Organ (MCO) discussing the urgent need for a SADC maritime anti-piracy strategy.
- Provided policy support during a visit to Maputo, Mozambique where the previous acting C SANDF performed the task of a Ministerial Envoy to convey the MOD&MV's message to the Mozambican Minister of Defence regarding the signing of the MOU on a Joint Maritime Patrol on Mozambican waters.
- Co-ordinated and ensured the successful convening of the RSA/Tanzania inaugural Defence Committee meeting over the period 23-24 June 2011.
- A meeting between the DIA and J Ops was held on 20 July 2011 to discuss issues relating to compliance with the UN/AU and SADC Missions to ensure that CJ Ops complies with agreed force levels for deployment in UN missions as would be reflected in the respective MOUs.
- The Division participated in the RSA-Sweden Bi-National Commission (BNC) Inter-departmental Co-ordination Meeting at DIRCO on 20 July 2011 in preparation for the BNC that took place over the period 20 to 21 October 2011 in Stockholm, Sweden.
- The DIA Division co-ordinated, facilitated as well as prepared all the necessary work to convene the RSA /Mozambique Joint Permanent Commission on Defence and Co-operation (JPCDS) over the period 23 to 25 August 2011 in Cape Town and played a central role in the development of the minutes of the Defence Sub-committee.
- The DIA Division facilitated and prepared all necessary work including providing a briefing and background documents for Deputy Minister Thabang Makwetlha's visit to Guinea Bissau on the occasion of the Deputy President Kgalema Motlanthe State Visit to Guinea Bissau over the period 30 August to 01 September 2011.

Service Delivery Objectives and Indicators (Output Detail)

Table 3.7: Output Detail

Output	*Performance Indicator*	*Annual Target*	*Actual Target Achievement*	*Reason(s) for Over/Under Achievement (Reasons for major variances between targets and actual. In the event of targets not being achieved, a brief narrative providing reasons should be provided)*
Sound Defence Direction	The % (frequency) interaction between our training institutions and the equivalent institutions of our foreign partners. (Def Research and Development)	80%	80%	Achieved
	% Compliance with outputs of diplomatic missions	70%	70%	Achieved
	% Compliance with objectives set by respective diplomatic missions in line with SA foreign policy direction	70%	70%	Achieved
	% Compliance with UN and AU Requirements Rules and Regulations for Peace Missions	70%	70%	Achieved
	Ensuring that CJ Ops complies with agreed force levels for deployment in UN missions as would be reflected in the MOU	80%	80%	Achieved
Defence Compliance with Regulatory Framework	% Compliance with UN and AU Requirements Rules and Regulations for Peace Missions	70%	70%	Achieved
	Monitoring of MOU compliance with agreed force levels for deployment in UN missions	80%	80%	Achieved
Defence Research and Development	The % (frequency) interaction between our training institutions and the equivalent institutions of our foreign partners. (Def Research and Development)	80%	80%	Achieved

Output	Performance Indicator	Annual Target	Actual Target Achievement	Reason(s) for Over/Under Achievement (Reasons for major variances between targets and actual. In the event of targets not being achieved, a brief narrative providing reasons should be provided)
Concerted approach to build friendly Defence relations utilising student and directing stock exchanges as a key instrument for confidence building	% Compliance with objectives set by respective diplomatic missions in line with SA foreign policy direction	70%	70%	Achieved
Formulation of a foreign relations policy aligned with South Africa's Foreign Strategy	Approved DOD Foreign Relations Strategy	Implementation	Work In Progress	Under Achieved. The 1st draft Policy document has been compiled
	% Compliance with UN and AU Requirements Rules and Regulations for Peace Missions	70%	70%	Achieved
Formulation of appropriate legal Instruments	Ensuring that CJ Ops complies with agreed force levels for deployment in UN missions as would be reflected in the MOU	80%	80%	Achieved

SUB-PROGRAMME: HUMAN RESOURCE SUPPORT SERVICES (SHARED STAFF)

Purpose

To advise on human resource policy matters and coordinate the strategic direction process by developing, formulating, monitoring and adapting human resource policy, strategy and plans in accordance with government HR policy to enable an effective and efficient HR function.

Strategic Objectives (Outputs)

The Division had the following core outputs:

- Human Resource (HR) Strategic Direction and Policy.
- Transformation Management services.
- Human Resource Management.
- Human Resource Development.
- Professional Military Development Training.
- Occupational Health and Safety - Strategic Direction, Policy, Planning, ETD and monitoring service.
- Physical Training, Sport and Recreation (PTSR) - Strategic Direction and monitoring service.[14]
- Divisional Support Services.

Service Delivery Objectives and Indicators (Overview)

The HR Division was able to finalise the collective grievance of the former members of the Non-Statutory Forces who are in the Finance Management Division (FMD). All members who were found by the audit committee to have been prejudiced during demilitarisation of the FMD were compensated, and those that were found not to have been prejudiced were informed in writing.

The HR Division submitted 5 200 applications for redress of pension discrimination to the Public Service Co-ordinating Bargaining Council (PSCBC). The applications were from serving and former employees. Once verified by the PSCBC, the applications will be sent to the Government Employee Pension Fund (GEPF) for consideration. In the event that GEPF ratifies that they were indeed discriminated against, their period of service will be recognised and they will be compensated accordingly. This process was undertaken in order to give effect to PSCBC Resolution 7/98.

During the period under review, the Division embarked on an investigation to identify certain HR functions that could be decentralised and executed at Service/Divisional level. The aim of the decentralisation is to limit the high rate of qualified audit reports received by the Department of Defence (DOD) from the Auditor-General, and to afford

14 Function shift from SAMHS is still to be effected. Ministerial approval is awaited.

Services and Divisions opportunities to play active roles in the quality control of functions executed in their areas of responsibility. The HR functions that were identified for decentralisation are: Marketing, Recruitment and Selections; PSAP Administration for Salary Levels 1 to 10; and Medical and Housing Administration. However, the appointment of employees with certain delegations will remain with HR Division.

During the period under review, the HR Division has approached numerous Government Departments and Parastatals for study and job opportunities, and was successful in securing a significantly large number of jobs for exiting members of the SANDF. Amongst the redeployments that took place during the period under review: 300 members were appointed at the Department of Home Affairs; 359 members were appointed at Transnet; and 300 members were registered for learnerships at Tshwane North College in Pretoria.

The HR Division has submitted two substantial written legal opinions to the Priority Crimes Litigation Unit under the National Prosecuting Authority (NPA). These legal opinions were related to the International Humanitarian Law Court cases in which the RSA was involved.

In June 2011, a representative on Law of Armed Conflict (LOAC) in the HR Division was elected and appointed as a Member of the General Assembly of the International Institute for Humanitarian Law in San Remo, Italy. This Institute is a non-governmental organisation (NGO) that consults for the United Nations (UN) and the International Committee for the Red Cross (ICRC), and provides education on International Humanitarian Law.

Service Delivery Objectives and Indicators (Output Detail)

Table 3.8: Output Detail

Output	*Performance Indicator*	*Annual Target*	*Actual Target Achievement*	*Reason(s) for Over/Under Achievement (Reasons for major variances between targets and actual. In the event of targets not being achieved, a brief narrative providing reasons should be provided)*
Sound Defence Direction	Throughput number in terms of the DOD national Youth concept	1 500[15]	1 680	Over Achieved. For the reporting period, two NYS intakes were undertaken as follows: • De Brug (517 being final throughput) • SAS Saldanha (1 163 being final throughput) • Withdrawals and new arrivals occurred during the training. The total number of the youth that completed the National Youth Service Training was 1 680.
	% vacant posts filled by June 2011	100%	94.1%	Under Achieved. Process of filling vacant posts still takes too long though it has been shortened from one year to six months.
	DOD Representation %: Current number of positions filled against allocated quotas of international institutions.[16]	100%	86%	Under Achieved. Submissions were late.
	Annual % utilisation of Def Sec budget allocation on training (skills improvement).	100%	N/A	N/A. A Departmental determination on the training budget has not being reached.
	Approved DOD HR Retention Strategy	Strategy Approved	Conceptuali-sation	Under Achieved. Lack of resources and the non-availability of the critical role players resulted in the delay for the finalisation of the strategy.
	Approved Human Capital Development Strategy and Plan	Approved Strategy	Strategy submitted for Approval	Not Achieved.The HR Development Strategy was completed and submitted for approval.

15 Take Note: Annual Target correctly stated at 1 500, but quarterly targets incorrectly stated as 500 per quarter – reporting period should be annually.

16 CDIA responsible for indicator.

Output	*Performance Indicator*	*Annual Target*	*Actual Target Achievement*	*Reason(s) for Over/Under Achievement (Reasons for major variances between targets and actual. In the event of targets not being achieved, a brief narrative providing reasons should be provided)*
	Approved HR Skills Development Plan	Pilot DOD Skills Audit Instrument	In Progress	Not Achieved. The DOD had to source its own funds for HR CONNECT because the DPSA excluded the DOD when allocating funds to government departments due to its uniqueness and was thus unable to conduct the skills audit for the DOD, as prescribed by Government. HR CONNECT was only funded for FY2012/13.
Compliance with the regulatory framework: Human Resources	% Decline in HR turn-over rates.	6%	-0.38%	Under Achieved. Although the DOD has little control of members leaving the organisation the following interventions have been implemented: • The establishment of a New Service Dispensation. • Implemented Occupational Specific Dispensation (OSD) in the Department.
	% Decline in DOD vacancies.	6%	1.3%	Over Achieved. The implementation of the Career Management Forum as well as the constant liaison with Services and Divisions regarding PSAP attrition had a significant impact on the previous slow rate of decline in DOD vacancies.
	% vacant posts filled by June 2011	100%	94.1%	Under Achieved. Process of filling vacant posts still takes too long though it has been shortened from one year to six months.
	% Deviation from approved DOD budget allocation on training (skills improvement).	25%	3%	Over Achieved. The positive deviation resulted from a high priority in the DOD on skills development as well as a rather conservative target set for FY2011/12 (Outcome Programme of Action).
	% of DOD PSAP members attending training programmes.	18%	20.1%	Over Achieved. The positive deviation resulted from a high priority in the DOD on skills development.
	% SMS members' Performance Agreements signed and submitted by stipulated time.	100%	89% overall achievement	Under Achieved. Non-compliance by SMS members.
Defence Direction: Human Resources	Approved DOD HR Retention Strategy.	Strategy Approved	Conceptuali-sation	Under Achieved. The 1st draft document is under development. Lack of resources and the non-availability of the critical participants resulted in the delay for the finalisation of the strategy

Output	Performance Indicator	Annual Target	Actual Target Achievement	Reason(s) for Over/Under Achievement (Reasons for major variances between targets and actual. In the event of targets not being achieved, a brief narrative providing reasons should be provided)
Compliance with the regulatory framework: Human Resources	Decline in average months to fill funded vacancies in the DOD.	6 Months	6 Months	Achieved
	Finalised DOD Skills audit	20% completed	0%	Under Achieved. Project HR CONNECT, including the skills audit was not funded in financial year FY2011/12; hence the skills audit was not done in this financial year.
	Improved quality of Performance Management System and implementation thereof.	System Developed and Imple-mented	System Developed and Implemented	Achieved
Human Resource Direction and Plans service to the DOD	Annual approved DOD Corporate HR Support Plan.	Approved Corporate HR Support Plan (1)	Approved Corporate HR Support Plan (1)	Achieved Note: The Corporate HR Plan was signed by Sec Def and submitted to DPSA in the first month of the 3rd quarter.
	Annual reduction of DOD collective grievances.	30%	-38.5%	Under Achieved. 36 collective grievances were handled during FY2011/12 vs 26 of FY2010/11. The increase is due to members' unhappiness wrt PILIR, staffing and other service conditions.
	Number of HR policies revised annually to ensure alignment with the applicable regulatory framework.	8	6	Under Achieved. Two policies approved and promulgated. 4 policies revised and submitted for approval and promulgation.
	% of collective grievances and disputes resolved.	85%	42%	Under Achieved. The outstanding collective grievances are still under investigation.
	% compliance with annual submission and recording of SMS financial disclosures.	95%	94%	Achieved
Directed, orchestrated and controlled HR development for the DOD.	% of DOD legal advice Services and capability provided to the DOD	100%	94%	Under Achieved. Shortage of trained Military Law Practitioners, both Regular and Reserve members.

SUB-PROGRAMME: LEGAL SERVICES (SHARED STAFF)

Purpose

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

Strategic Objectives (Outputs)

The Division had the following core outputs:

- Defence Legal Service capability and services.
- Legal Advice and Support Service to the Department of Defence.
- Military Judiciary Service to the SANDF.
- Military Defence Councils service to the SANDF
- Military Judicial Review process to the SANDF.
- Defence Legal Services support.
- Military Prosecution Services to the SANDF.

Service Delivery Objectives and Indicators (Overview)

An intensive effort was made to recruit and staff vacant posts. In-post training of current staff, together with

utilisation of Reserve Force members will, to a certain extent, address this problem in the short term. A request for the expansion of 58 additional posts in the Division (D Ops LS) was approved by the MOD&MV, however this Division is still waiting for the result of Military Legal Audit Committee (MLAC) who is investigating the further structural expansion. The 58 posts that were approved are not yet funded, however a policy proposal for additional funding was submitted to the June 2011 DPBEC.

The Division actively participated to address the reduction of the losing of cases brought against the DOD. DLSD identified two additional posts to increase research capacity within the litigation function. The DLSD is liaising with other Government Departments and the State Attorneys to ensure that all litigation is effectively attended to. Two Brigadier Generals were appointed wef 01 November 2011 to ensure that the current backlog of cases is reduced significantly and that no further backlog will accumulate in the future.

The Court of Military Appeals finalised 51 cases that were set down for hearing. The Military Prosecution received 648 dockets and 435 Boards of Inquiry (BOI).

The Division provided law support and legal advice to strategic operations, exercise planning, exercises, investigations and the drafting of Memoranda of Understanding in support of the SANDF's operational requirements. To this end, the Division provided law support and legal advice to 94 plans for strategic operations, four ongoing external operations, 48 plans for internal operations, 26 strategic planning exercises, six multi-national exercises, no combined Inter-departmental exercises, 35 *ad hoc* deployments/investigations and 106 operational law training lectures. Military law support and legal advice was rendered with the drafting of 34 bi-lateral and multi-lateral Memoranda of Understanding. A total of 461 requests for legal advice were received and the Division was able to attend to 433 of those, resulting in the required legal advice given by original set deadlines.

A concerted effort was made to manage the strategy on the Management of Anti-criminality in the DLSD by finalising a total of 13 out of 22 DLSD Boards of Inquiry and one out of three DLSD Summary Investigations that were convened in the FY2011/12. Through efficient management the Division has spent 95% of the allocated budget on Item 10 and 96% of the allocated operating Items effectively. Of the 295 DLSD Reserve Force members, 149 are fully trained and utilised. The remaining 146 must still attend courses or receive mentorship training.

DLSD presented four Military Law Courses and two LOAC Courses at the School for Military Justice (SMJ) to SANDF members from the Services and Divisions.

Service Delivery Objectives and Indicators (Output Detail)

Table 3.9: Output Detail

Output	*Performance Indicator*	*Annual Target*	*Actual Target Achievement*	*Reason(s) for Over/Under Achievement (Reasons for major variances between targets and actual. In the event of targets not being achieved, a brief narrative providing reasons should be provided)*
Sound Defence Direction	% reduction in military court case backlogs	12 %	65%	Over Achieved. This issue was made a priority in the Adjutant General's performance work plan; therefore more effort was put in by DLSD staff.
Defence in Compliance with the Regulatory Framework	% Number of disciplinary cases in the DOD finalised within 120 days (PSAP)	80 %	45%	Under Achieved. Numerous cases are in the process of finalisation for appropriate sanctions.

SANDF

SUB-PROGRAMME: SANDF COMMAND AND CONTROL

Purpose

To render administrative support to the C SANDF to command and control the SANDF.

Strategic Objectives (Outputs)

The Sub-programme SANDF Command and Control provides command and control for the SANDF.

Service Delivery Objectives and Indicators (Overview)

The office of the C SANDF has successfully orchestrated the achievement of SANDF objectives for the year under review, the details of which are contained in different programmes of the SANDF.

Under the command of the office of C SANDF, the organisation broke new ground both internally and externally. The border safeguarding function to which the SANDF have been deployed registered profound achievements and saved the RSA millions of Rands. The collateral utility of the SANDF to the country's citizens through building of bridges received the undivided attention of the office.

Through the stewardship of the office of C SANDF the South African Development Community (SADC) region has a maritime strategy that streamlines its effort to combat piracy in the SADC international seawaters. In this regard, concrete actions were successfully conducted to apprehend pirates. For the first time in the history of the SADC region a new doctrine for air support in a humanitarian situation was drafted.

During the period under review, the C SANDF has continued to strengthen military relations between SANDF and other foreign armed forces in that he welcomed top military dignitaries of 5 countries, namely Ghana, Namibia, Thailand, United Arab Emirates and Swaziland. The C SANDF has also visited the Chiefs of other foreign armed forces including Angola, Czech Republic, Ethiopia, Indonesia, Mozambique, South Korea, United Kingdom, Zambia and Zimbabwe. C SANDF also successfully hosted the Inter-State Defence and Security Committee (ISDSC) conference in Pretoria in which the Chiefs of the (SADC) military forces participated in the discussions of SADC regional security issues including anti-piracy.

The C SANDF has continued to support the participation of the SANDF military forces in United Nations/African Union peace support operations in the Democratic Republic of the Congo (DRC) and Sudan. The office of C SANDF also supported and authorised the deployment of a specialised team known as Team BULISA to assist the DRC armed forces in the requirement to develop own military strategy and plans.

SANDF Strategic Outcomes and Outputs

The SANDF's strategic outcome as derived from the mandate of the SANDF (sustained agenda) is to defend and protect the Republic of South Africa. The SANDF strategic outputs related to its strategic outcome are as follows:

- Mission-Ready Capabilities
- Ordered Commitments
- Defence/Strategic Direction
- Compliance with the Regulatory Framework

Table 3.10 provides the achievement of the preparation of mission-ready capability indicator targets during the year

under review in accordance with the SANDF Annual Performance Plan FY2011/12.

Table 3.10: Prepare Mission-ready Capabilities

Performance Indicator	Projections		Actual Achievement	Accountability
	Baseline	2011/12	2011/12	
Output 1: Prepare Forces as stipulated in the Joint Force Employment Requirement.				Chief of the SANDF
% compliance with the Force Employment requirement	Information classified			
Activity 1.1: Enhance Defence Capabilities by complying with the approved SANDF Force Design and Structure.				
% compliance with the approved Force Design	Information classified			
% compliance with the approved Force Structure	Information classified			
Activity 1.2: Ensure Combat-Ready Defence Capabilities.				Surgeon General
Broader DOD health/fitness status	-	Positive Trend	Positive Trend	
Trend of deployable status on concurrent health assessments (CHA)	-	Positive Trend	Positive Trend	
% of approved Capital Works Plan projects completed as scheduled per year	50%	73%	52%[17]	Chief Logistics
Activity 1.3: Ensure matériel to satisfy the Requirements of the SANDF.				Chief Logistics
Overarching Logistic Strategy	Not approved		Still under development and will be approved in FY2012/13	
% compliance with DOD Refurbishment Programme annual schedule	60%	40%	48%[18]	
Activity 1.4: Ensure Required Level of Strategic Reserves.				Chief of the SANDF
Level of ammunition	Information classified			

Table 3.11 provides the achievement of the executing of ordered commitments indicator targets during the year under review in accordance with the SANDF Annual Performance Plan FY2011/12.

Table 3.11: Execute Ordered Commitments

Performance Indicator	Projection		Actual Achievement	Accountability
	Baseline	2011/12	2011/12	
Output 2.1: Border Safeguarding.				Chief of the SANDF (FE)
% compliance to agreed force levels as directed.	100%	100%	100%	
Output 2.2: Regional Security.				Chief of the SANDF (FE)
% compliance to agreed force levels as per signed memorandum of understanding (MOU) /letter of assist (LOA)				
Personnel > 95%	96%	96%	98%[19]	
Equipment Serviceability > 90%	60%	65%	65%	
Financial Reimbursement > 90 %	65%	70%	90%[20]	
% Compliance with UN requirements, rules and regulations	100%	100%	- [21]	
Activity 1: Employ the SANDF				Chief Joint Operations
% compliance with execution of all internal operations as directed	100%	100%	100%	
% compliance to number of authorised external ordered commitments	100%	100%	100%	

17 Poor initial performance by NDPW in executing projects.
18 Better co-ordination by NDPW in executing projects.
19 SANDF was instructed to assist DRC in the distribution of election material and therefore utilised additional personnel.
20 The figure excludes 4th quarter reimbursements because UN process takes 2-3 months to be completed and only thereafter payments are expected.
21 See Defence Secretariat Annual Report. CDIA has reported on this indicator.

Table 3.12 provides the achievement of provision of defence and strategic direction indicator targets during the year under review in accordance with the SANDF Annual Performance Plan FY2011/12.

Table 3.12: Provide Defence and Strategic Direction

Performance Indicator	Projections		Actual Achievement	Accountability
	Baseline	2011/12	2011/12	
Activity 1: Administer the DOD (Direction)				Chief of the SANDF
% compliance with identified diplomatic missions	100%	100%	105%[22]	

Table 3.13 provides the achievement of the compliance with the regulatory framework indicator targets during the year under review in accordance with the SANDF Annual Performance Plan FY2011/12.

Table 3.13: Compliance with the Regulatory Framework

Performance Indicator	Projections		Actual Achievement	Accountability
	Baseline	2011/12	2011/12	
Activity 1: Administer the DOD (Control)				Chief of Defence Legal Services
% increase in military court docket readiness rate	10%	12%	12%	
% reduction in military court case backlogs	10%	12%	65%[23]	
% of disciplinary cases in the DOD finalised within 120 days (the 120 days timeframe as per SANDF Order)	30%	35%	30%[24]	

SUB-PROGRAMME: CORPORATE STAFF

Purpose

To manage the provision of a corporate staff capability and service.

Strategic Objectives (Outputs)

The Division had the following core outputs:

- Strategic and staff function advice to the C SANDF.
- Staff co-ordination of the Supporting Divisions (CMIS, MPD, Log) as delegated by the C SANDF.
- Performance management of and support to Team BULISA.
- Command and control of the supporting services provided by the DOD HQ Unit.
- Performance management of the Reserve Force Council (RFC).

Service Delivery Objectives and Indicators (Overview)

The outputs of the Corporate Staff Office have contributed positively to support the C SANDF. This support included strategic direction, policy and strategic advice and support by the Corporate Staff sub-divisions.

A new post of Deputy Chief of Corporate Staff (CCS) was created and staffed with effect from 01 November 2011. This appointment assists in satisfying the escalating demands on the Corporate Staff Office. Through the Corporate Staff Division Forum and subsequent Corporate Staff Command meetings interaction with the sub-divisional Chiefs were improved.

The Acting and Deputy CCS were actively involved in enhancing diplomatic ties with the UN, the USA and attended bi-lateral and multi-lateral meetings. Support to the Reserve Force Council and Team BULISA as well as the management of the DOD HQ Unit and Divisions under command continued. Acting CCS played a key

22 One diplomatic office was closed down in Tunisia and two were opened in Lesotho and Swaziland.

23 The target was 3% per quarter equal to 12% per annum. The Division has dealt with 65% military court case backlog during FY2011/12.

24 This figure is for PSAP disciplinary cases. In this regard, 37 cases were received and 11 cases were finalised with 120 days due to lengthy PSAP disciplinary processes. DLSD has reported that military follows a military court case rather than a disciplinary case approach.

role in guiding the Military Command Council (MCC) in terms of a decision on the future deployment of Team BULISA. The Military Strategy written by Team BULISA in collaboration with the Forces Armee's de la Republique Democratique de Congo (FARDC) officers, was finalised and presented to the General Chief of Staff of the FARDC. The Acting CCS supported the document and recommended presentation to the President of the FARDC before promulgation. The continued deployment of Team BULISA will ensure completion of plans as well as assistance with implementation.

The Acting and Deputy CCS's involvement in bi-lateral and multi-lateral Defence Committee meetings had a positive impact on enhancing international military to military relations as well as fostering specific relations on peace keeping with the UN.

SUB-PROGRAMME: INSPECTION SERVICES

Purpose

The Administration Programme executes the Department's overall management, administration and policy development. The Inspection Services is a sub-programme of the Administration Programme and is to ensure the validity and veracity of the management information of the DOD.

Strategic Objectives (Outputs)

The Division had the following core outputs:

- Verified and validated command information to the Department of Defence corporate management.
- Verified and validated performance audit-related command information.
- Verified and validated compliance audit-related command information.
- Anti-Fraud and Anti-Corruption Strategy.
- Closing-down capability.
- Perception Surveys.

Service Delivery Objectives and Indicators (Overview)

The Defence Inspectorate Division helps the DOD to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, internal controls and governance processes.

The Defence Inspectorate Division has achieved most of the objectives for the year under review notwithstanding the challenges experienced. Reserves were called up as force-multipliers, to enhance the insufficient Resource Section structure.

A noteworthy achievement for the Defence Inspectorate Division in the year under review is the successful application for the re-certification of ISO 9001: 2008 (Quality management certificate). The Defence Inspectorate Division is subjected to bi-annual audits by the South African Bureau of Standards (SABS) to retain the International Standards Organisation (ISO 9001: 2008) certification. Surveillance audits were conducted in April and October 2011 and the Defence Inspectorate satisfied all the applicable requirements to maintain its Quality Management System certification.

The audit/inspection function consists of compliance and performance audits and the reviewing aspects of economy, efficiency and effectiveness. In order to conduct this function, the Division followed a risk-based approach over three years, in accordance with the rolling three-year internal audit strategy. Auditing is a process carried out to evaluate the control measures put in place by management, or the lack of measures, to ensure that resources have been acquired economically and utilised efficiently and effectively and to report this to management and its legislative body.

During the FY2011/12, 116 audits were completed, with a small number of audits cancelled or postponed due to ad hoc audit requests received and/or capacity challenges due to other priority commitments. No inspections were conducted as the Division does not have the capacity to conduct inspections and the separation of the audit and inspection function has not been effected as yet.

The Defence Inspectorate Division established in 2002, is at the forefront of the DOD's campaign against corruption and fraud, and conducts its business in terms of the provisions of the Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004). To achieve its mandate in the area of anti-corruption and anti-fraud, this Directorate has developed the Anti-Corruption and Anti-Fraud Strategy. This strategy is based on principles of preventing corruption, combating corruption, building integrity and raising awareness. As part of the strategy, 32 detection investigations were planned for and 21 investigations were completed. These statistics do not include investigations referred or conducted by other entities. Awareness training was conducted, although target numbers were not achieved as planned due to capacity problems.

The Closing Down capability, Project MOUNTING, has experienced definite challenges as this function was unfunded and not sufficiently capacitated for the period under review. To cross reference supporting documents and systems in all the domains of personnel, logistics, finance and CMIS, especially at self accounting units is a long and tedious process. Services/Divisions have to clear deviations and only then can follow up audits be scheduled. For the period under review 24 Force Structure Elements (FSEs) were audited, 47 were de-activated and the remainder had deviations to be cleared.

Directorate Effect Analysis undertook longitudinal and cross-sectional qualitative and quantitative perception research projects in communication, management psychology, sociology and perception. During these project focus group interviews, the attitude and opinions of the respondents are written down verbatim and are reported in such a way that the original opinions are expressed. 26 qualitative morale perception surveys were completed and five were cancelled or postponed on request of Services and Divisions. The same negative trends as reported in the previous year persisted and should raise concern:

- **Career Development.** The negative trend areas include the following; Non-attendance of promotional courses, promotions, staffing and acting members in promotional posts.
- **Logistical Support.** Lack of uniform maintenance, unserviceable vehicles and delay in procurement process.
- **Accommodation.** Conditions of single and married quarters and maintenance of facilities (offices and accommodation).
- **Psycho-social Services.** Long waiting periods for dental services and medical referrals.
- **Communication.** Lack of Officer Commanding communication periods, lack of feedback from supervisors and lack of timeous management information.
- **Personnel Functionaries.** Inadequate competency levels results in incorrect salary deductions and incorrect capturing of leave and unprofessional conduct (unsatisfactory service delivery in general).

SUB-PROGRAMME: COMMUNICATION SERVICES (CORPORATE COMMUNICATION)

Purpose

The Administration Programme executes the Department's overall management, administration and policy development. The Communication Services is a sub-programme of the Administration Programme and provides defence communication policy, strategy and plans in accordance with DOD policy and national (Government Communication and Information System – GCIS) policy, and a centralised corporate communication capability, services and products in order to enable effective, efficient, interactive, two-way communication between the DOD and its stakeholders.

Strategic Objectives (Outputs)

The Division had the following core outputs:

- Corporate Communication Policy, Strategy and specialist advice.
- Corporate communication products and services.

Service Delivery Objectives and Indicators (Overview)

Defence Corporate Communication (DCC) continued with its efforts to ensure increased public awareness, understanding and support for Defence, and the development of the Corporate Communication (Corp Com) function to be able to effectively support operations and to promote the image of the DOD among key stakeholders.

Liaison with the media ensured that several DOD events were covered to showcase the capabilities of the SANDF and portray the DOD as an organisation that is the pride of the nation. These events included the C SANDF, Chief Joint Operations and Chief of the SA Army Change of Command Parades to name but a few.

Coverage of the multi-national exercise and other exercises included Exercise SHARED ACCORD between the USA and South Africa, SANDF Support to Humanitarian Aid in Somalia, SADC Exercise BLUE CLUSTER, Exercise NDLOVU open day and Exercise GOOD HOPE V further promoted the image of the DOD. Other media coverage events included the state of the SAAF and Navy media briefings, the National Youth Service Training Briefing, the SAN Festival 2012 and the Defence Industry Day.

The SANDF participated in the Rand Show during April 2011 after an absence of seven years from the show. The SANDF received a Golden Award for their exhibition. Other shows, events and exhibitions that were used to promote the role and image of the SANDF, depicting the role of the SANDF in peace keeping, border control, social responsibility, training, recruitment woman, youth and the Military Veterans in the DOD were the Navy Festival, the C SANDF Farwell Parade and function, CMI Exhibition at the ICT Fair, the SANDF Exhibition in Mthatha, the Woman's Day Parade, the AFB Waterkloof Exhibition and the state funeral for Ms Albertina Sisulu.

The SANDF participated in Nelson Mandela Month where the MOD&MV handed over blankets and heaters to an orphanage and a school that was converted into a community hall and handed over to the community in Mthatha.

SA Soldier published a special birthday edition in May 2011 to celebrate its 10th anniversary.

The Corporate Communication Restructuring Task Team (CCRTT) continued with a range of investigations that contributed to the establishment of a professional corporate communication service. Task teams were established to conduct the respective investigations. The CCRTT completed their investigations at the end of the 2011/12 financial year with an implementation plan.

SUB-PROGRAMME: DEFENCE FOREIGN RELATIONS

Purpose

The Administration Programme executes the Department's overall management, administration and policy development. The Defence Foreign Relations is a sub-programme of the Administration Programme and is to provide the DOD and MOD&MV with a foreign relations capability and services.

Strategic Objectives (Outputs)

Defence Foreign Relations is a sub-programme of the Administration Programme and provides the DOD with a foreign relations capability and services.

Service Delivery Objectives and Indicators (Overview)

The Defence Foreign Relations (DFR) sub-division has maintained and expanded its representation abroad. The Defence Office in Tunisia finally closed in June 2011, bringing DFR back to its objective of 37 military diplomatic missions abroad. Upon higher instructions, two new Defence Attaché offices were opened in the Southern African region, namely Lesotho and Swaziland bringing the number of missions to 39. Thus far neither of these new offices (including that of Cuba) has been fully funded.

DFR contributed to the promotion of the South African foreign relations policy by facilitating bi-lateral meetings with Tanzania, USA and Russia, as well as the bi-lateral Joint Permanent Commissions on Defence and Security with Mozambique, Namibia, Zimbabwe and Botswana and the Bi-national Commission meeting with the DRC. DFR also facilitated the attendance by the MOD&MV and a representative of the C SANDF of the annual Meeting of the African Chiefs of Defence Staff and Heads of Security in Addis Ababa. Concurrently the scheduled Ordinary Meeting of Specialised Technical Committee on Defence, Safety and Security was attended by a SANDF representative. The Defence Attachés supported the SA Defence Related Industry abroad through facilitation of trade meetings.

In order to provide strategic direction, staff teams visited and evaluated four Defence Attaché offices abroad, namely Russia, Germany, France and Sweden.

The DOD VIP Lounge at the O.R. Tambo International Airport continued to render a service to the members of the DOD and visiting foreign delegations. A total of 2 961 persons moved through the Lounge of whom 959 were foreign visitors.

A Defence Attaché course was hosted in 2011 to prepare Defence Attachés designate deploying in July and December 2011. The course was in line with the new focus of scheduling the course as part of Defence Attaché in-year preparation and not merely just a course open to any officers. However, a number of officers not formally nominated as potential candidates, neither scheduled for deployment in the in-year, did attend the course, detracting somewhat on the role and function of the Defence Attaché course.

In spite of the DFR organisational structure still not being aligned and the insufficient budget allocation for the operational requirements of Defence Attaché offices, DFR has managed to reach the performance outputs that were within its control. It is believed that DFR have been maintained through the various actions of Services and Divisions within the broader context of defence diplomacy and that DFR has contributed positively to the purpose of the Administration Programme.

SUB-PROGRAMME: RELIGIOUS SERVICES

Purpose

The Administration Programme executes the Department's overall management, administration and policy development. The Religious Services is a sub-programme of the Administration Programme and provides a chaplain service that cares for all SANDF members and their dependants and promotes spiritual growth, social support and ethical conduct.

Strategic Objectives (Outputs)

Religious policy advice and chaplain capability and service for the SANDF.

Service Delivery Objectives and Indicators (Overview)

The Religious Services achieved their planned objectives during the reporting period. The ministry focus of the Chaplain General Division (Religious Services) was on following a holistic religious approach to all SANDF members and their dependants. The Religious Services includes deployed members both internally and externally. The Religious Services, as in the previous year, continued to contribute to SADC chaplains' development agenda. The Chaplain General remained the chairperson of the Spiritual and Moral Support Workgroup of the Operations Sub-subcommittee (OSSC) of the Interstate Defence and Security Council (ISDSC) during the year under review. In his capacity as chairperson, he attended the ISDSC in Lusaka, Zambia to present a report on the activities of SADC chaplains. The Chaplain General also chaired the Spiritual and Moral Support Work Group conference in Masvingo, Zimbabwe. Assistance was provided in writing religious policies for Namibia. Six SADC chaplains were trained by the Religious Services during this year of reporting.

Inter-departmental ties continued between the DOD and the Department of Environmental Affairs. Spiritual and moral support was the same as in the previous year because it was provided during the research missions to the South African Naval Antarctic Expedition (SANAE) bases namely; Gough, Antarctica and Marion islands. These research voyages were supported by the Religious Service in such a way that each of them had a chaplain.

During the year of the report, positive interaction continued to take place between Chaplain Service and religions such as African Traditional Religions which were not previously represented in the DOD. The interaction took the form of meetings and invitations to events with aforementioned stakeholders in this regard.

With regards to deployment, eleven Chaplains were deployed externally in all SANDF deployment missions and both Regular and Reserve chaplains were deployed at the RSA borders. The Chaplain General and some of his Senior Staff Officers were part of the team that conducted a goodwill visit to deployed areas, both internally and externally during which they conducted Christmas related devotions.

Thirty one Reserve chaplains attended courses during the year. Reserve chaplains were also part of the Masters in Philosophy (MPhil) Chaplaincy Studies Programme at the University of Stellenbosch.

Contribution was also made to the Government's Moral and Regeneration Programme by the conducting of specific ethical programmes in SANDF units. This contribution was undertaken through the prescribed monthly ethical themes addressed by chaplains during their religious periods. The Combating of HIV and AIDS through Spiritual and Ethical Conduct (CHATSEC) programme trained 3 312 MSDS candidates and 957 NYS members. This training was extended to train eight chaplains as facilitators for the CHATSEC programme.

On the international front, the Chaplain Service was invited to several international Chaplains' gatherings. The Chaplain General therefore attended the Chief of Chaplains Conference in Sarajevo, Bosnia. Two senior members of the Division were invited to the Chaplains' School in Fort Jackson, Colombia, USA on a benchmarking mission for a possible establishment of a Chaplains' school in the SANDF. The Chaplain Service also took advantage of the international learning opportunities by sending three chaplains to the annual North Atlantic Treaty Organisation (NATO) Chaplains' Peace Operation course in Germany.

Strides were also made in the covenantal relationship with the Religious Advisory Boards (RABs). Meetings with RABs of all recognised religions in the SANDF such as Christianity, Islam and Hinduism were conducted and communication was made with African Traditional Religions.

Throughout the year under review, the Chaplain Service has successfully supported the SANDF by proactively enhancing the spiritual, moral and ethical level of members of the SANDF in order to maintain the defence capabilities of the SANDF for the people of South Africa. These achievements were made despite the challenge of being understaffed at the Chaplain General Headquarters.

SUB-PROGRAMME: MILITARY POLICY, STRATEGY AND PLANNING OFFICE

Purpose

The Administration Programme executes the Department's overall management, administration and policy development. The Military Policy, Strategy and Planning Office is part of the Policy and Planning Sub-programme of the Administration Programme and provides advice on national security policy matters and co-ordinates the strategic direction process by developing, formulating, monitoring and adapting military policy, strategy and plans in accordance with national policy to enable the effective, efficient and proper conduct of defence activities.

Strategic Objectives (Outputs)

The Division had the following core outputs:

- Managing the strategic planning/control and programming process of the SANDF.
- Providing a military strategising capability and service for the C SANDF.

Service Delivery Objectives and Indicators (Overview)

The outputs of the Military Policy, Strategy and Planning Office (MPSPO) have contributed positively to the achievement of the C SANDF strategic planning objectives and targets in compliance with the government timelines and the goals of the DOD.

During FY2011/12, the MPSPO compiled the SANDF section of the DOD Annual Report for FY2010/11, compiled the SANDF Quarterly Reports for FY2011/12 and compiled and tabled the SANDF Annual Performance Plan for FY2012/13.

The MPSPO refined the SANDF Strategic Plan in accordance with the guidelines from National Treasury and identified the Strategic Outcomes and Outputs which the SANDF will endeavour to achieve over the period 2011 to 2015. These Strategic Outcomes and Outputs have also been incorporated into the SANDF Annual Performance Plan FY2012/13. The development of the SANDF Readiness Index Model will be used to populate the Performance Indicators as prescribed by National Treasury.

The Environmental Analysis of the DOD for the period FY2013/14 to FY2015/16 was completed. The Environmental Analysis process identified clearly

formulated Strategic Risks for the DOD and specifically the SANDF.

SUB-PROGRAMME: DEFENCE RESERVE DIRECTION

Purpose

The Administration Programme executes the Department's overall management, administration and policy development. The Defence Reserve Direction is a Sub-programme of the Administration Programme and directs the development and maintenance of the Reserve Force system, to provide specialist advice on Reserve matters and to promote/market the Reserves and the volunteer Reserve system.

Strategic Objectives (Outputs)

The Division had the following core outputs:

- **Strategic Direction.** To provide strategic direction to the development of the Reserve System through the development of strategies and plans for the DOD. This also entails the provision of a legislative, regulatory and policy environment which is conducive to participation in the Reserves and which is viable and acceptable to both the military and the broad community of South Africa.
- **Specialist Advice.** To provide specialist policy and related advice on all aspects of the Reserve System to the DOD, the C SANDF and all Services and Divisions.
- **Promotion and Marketing.** To promote and market the Reserve system to all stakeholders and especially the business sector in order to engender community, employer and labour support for service in the Reserves.
- **New York State Partnership and CIOR Military Skills Competition.** To manage the SANDF's participation in the New York State Partnership and in the Inter-allied Confederation of Reserve Officers (commonly referred to by its French acronym CIOR) Military Skills Competitions.
- **Manage Resources.** To effectively and efficiently manage the resources available to Defence Reserves in order to achieve the maximum output.

Service Delivery Objectives and Indicators (Overview)

The Defence Reserve Division continued its monitoring role through the Defence Reserve Board to ensure the implementation of the Reserve Strategy by the Services and Divisions. The strength at the end of the year of the total Reserve was 26 851 of which 15 316 were called-up during the year. This constitutes a record. The external deployments by the Reserves in Peace Support Operations continued and Reserves were also successfully employed in border safeguarding duties.

The plan to Revitalise and Transform the Reserves as prepared by the Services and Divisions and co-ordinated by the Defence Reserves was approved by the MCC, subject to the availability of funds.

Several tertiary institutions have been engaged to give effect to the roll-out of the University Reserve Training Programme (URTP) and most institutions have shown enthusiasm and have pledged to support the programme. The SA Army commenced with the URTP in the Free State and 57 students completed their Basic Military Training and are presently busy with Officer's Formative Training. All Services have already started with recruitment drives in the Western Cape and Gauteng provinces and will start implementing the programme in FY2012/13.

Seven Defence Provincial Liaison Councils (DPLCs) have been established in seven of the nine provinces to ensure support for Reserves service from industry, non-governmental Organisations (NGOs), academia and traditional leaders. The remaining two DPLCs are in the process of being established.

The Reserve Force Strategic Work session was a major achievement for the Division, due to the fact that the Revitalisation and Transformation Plan for the Reserves was reconfirmed by the Services and Divisions. This plan is currently being updated based on the deliberations during the Work session.

In terms of marketing the Reserve Force System, the following was achieved:

- Two editions of the "*Reserve Force Volunteer*" were published and widely distributed while the website www.rfdiv.mil.za is continuously updated.
- The Defence Reserves participated in the Fort Nottingham Highland and Traditional Games, the Royal Show in Pietermaritzburg and the Rand Show. As part of promotion and marketing, this Division was part of the launching of the DPLC in the Gauteng and North West Provincial Offices. The Division was part of the Artillery Open Day that took place in Potchefstroom and members of the different DPLCs formed part of the invited guests for this occasion as part of marketing the Reserve Force System and were fully briefed. The NW DPLC adopted their Constitution. Provincial Office Limpopo hosted a Gala Dinner for the DPLC members in Polokwane and also participated in the Annual Marula Festival held in Phalaborwa. Furthermore, they took part in the Polokwane Show in Polokwane. There was a Deville Wood Service held in Johannesburg which was attended by members of this Division. The Reserves participated in the Gunners' Memorial Services

in Potchefstroom, Cape Town and Durban. The Reserves participated in the Annual Military Skills Competition held in Potchefstroom. The SAAF had an air show – Waterkloof Air Show and members of the Division were part of the show in order to market the Reserves. Defence Reserves manned a marketing/recruitment tent at the Freedom Regiments' Parade in Soweto. The Reserves were also part of the Annual SA Army Combat Rifle Shooting Competition where they competed against their regular counterparts as well as international countries in which they did exceptionally well. The Provincial Office Western Cape participated at the Annual SA Navy Festival which was held in Simon's Town. The Provincial Office KwaZulu-Natal supported the unveiling of Inkosi Bhambatha Statue. This office (Defence Reserves Division) attended the function of Opinion Formers hosted by the C SANDF.

- A number of Captains of Industry and local opinion makers attended marketing and promotional activities of the Reserves, such as the formal welcoming dinner for internal and external guest speakers hosted by Chief Defence Reserves at the SA Army College.
- Provincial Office Western Cape co-ordinated and executed the Cape Town Military Sunset Concert.

The Defence Reserves Provincial Offices assisted the Department of Military Veterans in updating the database of the Veterans. The Reserves also assisted the Department of Home Affairs in reducing the backlog with regards to the registration of the Zimbabweans during the Immigration Project.

The main challenges experienced are still the inadequate feeder system to provide the required number of new Reserve members and the limited continuation training budget.

The Division was instrumental in providing strategic direction and specialist advice to the MOD&MV, as well as during ministerial, the C SANDF, Sec Def, Services' and Divisions' work sessions on matters relating to the Reserve Service System. Inputs were also provided to the Defence Review Committee on matters pertaining to the Reserve Service System.

PROGRAMME 2
FORCE EMPLOYMENT

Purpose

The Force Employment Programme provides and employs defence capabilities, including an operational capability to successfully conduct all operations, as well as joint, inter-departmental and multi-national military exercises.

Objectives and Measures

Provide and manage defence capabilities, including an operational capability, to conduct operations and joint, inter-departmental and multi-national military exercises by

- providing and employing a special operations capability in accordance with national requirements;
- ensuring full participation in the number of peace missions as instructed by the President;
- conducting 24 joint, inter-departmental and multi-national (JIM) military force preparation exercises over the next three years (excluding Special Forces and multi-national air transport exercises); and
- conducting four operations per year protecting the territorial integrity and sovereignty of the RSA, supporting other government departments and complying with international obligations.

Service Delivery Objectives and Indicators (Overview)

The SANDF is primarily structured, equipped and trained to protect the sovereignty and territorial integrity of South Africa. The SANDF performed a variety of additional tasks in support of Government's objectives. With the ever-increasing role South Africa is playing in regional conflict resolution and peace building efforts, there was a corresponding increase in the need for the involvement of the SANDF in peace support operations[25] (PSOs). There was also an increased involvement of the SANDF in internal operational activities with the reallocation of the border safeguarding responsibilities from the South African Police Service to the SANDF.

The SANDF participated in a wide range of prominent and internationally recognised external PSOs during the reporting period. During these operations the SANDF deployed on average a total of 2 254 members in three large[26] to medium[27] scale PSOs in the Democratic Republic of the Congo (DRC), the Sudan and in support of the Mozambique government to execute counter-piracy operations in the Mozambique Channel. These operations also included five general military assistance operations in the Central African Republic (CAR), South Sudan, Republic of Tanzania, Equatorial Guinea and the DRC.

Internal missions in support of RSA government departments in pursuance of national security objectives and political initiatives continued to be successfully conducted. The SANDF provided VIP protection tasks to foreign government visitors and military dignitaries from Senegal, Gabon, Tanzania, India, United Arab Emirates, China, Ethiopia, Ghana, Botswana, as well as members from the UN presenting the UN Senior Mission Leader Course in the RSA. VIP protection was also provided during the RSA/Mozambique Joint Permanent Commission on Security and Defence (JPCSD), RSA/Botswana JPCSD, RSA/Namibia JPCSD, India/Brazil and South Africa (IBSA) Defence Work Group Meeting, the RSA and Russian Inter-governmental Commission, the RSA/Mozambique Ministerial Joint Permanent Commission on Security and Defence, RSA/USA medium-term meeting, Angolan delegates, Saudi Arabian Air Defence study tour and the Sultanate of Oman. The

25 Peace support operations include peacemaking, peacekeeping, peace enforcement, peace building, humanitarian assistance and/or disaster relief, humanitarian intervention.

26 Large-scale deployment. Unit-size joint task force/formed elements with command and control capabilities, main equipment including tailor-made support and specialist elements from the force providers.

27 Medium-scale deployment. Unit-size (minus) joint task force/formed elements with command and control capabilities, main equipment including tailor-made support and specialist elements from the force providers.

SANDF continued to partner with the SAPS by providing personnel, helicopters and fixed wing aircraft during the festive season to combat crime and the 17th Conference of Parties (COP17) to the UN Framework Convention on Climate Change (UNFCCC). The SANDF also provided assistance to the SAPS during the opening of Parliament, the MOD&MV's budget speech, Freedom Day celebrations, local government elections and military support was provided to the ANC centenary celebration. Support was also provided to the Department of Agriculture during the foot and mouth outbreak in the Pongola and Jozini area over the period April - June 2011.

In support to the people of South Africa the SANDF, completed one Bailey bridge at Nquthu River, Eastern Cape and another bridge at Hammanskraal, Gauteng. These bridges were donated and built by the SA Army Engineers to provide safe and easy access to the communities. The SANDF provided assistance with fire-fighting in the Western Cape, search-and-rescue at sea and on land in the Eastern Cape, KwaZulu-Natal and Gauteng. Support was provided during heavy snow storms on the N3 between Harrismith and Villiers in the KwaZulu-Natal Province by recovering vehicles and providing assistance to stranded drivers and passengers, as well as the provision of water in the Brandfort area, Free State, after the municipality could not provide water to the community. Flood relief assistance was also provided during the floods in Limpopo and Mpumalanga. The SANDF also provided medical care to crew members of a Chinese ship LAI-CHING in the vicinity of Tristan Da Cunha Island during the reporting period.

The border safeguarding responsibility by the SANDF is being executed according to a phased roll-out approach. The SANDF completed phase two of the roll-out successfully by deploying two sub units to Limpopo (Pontdrift and Musina), two sub-units to Mpumalanga (Macadamia and Skukuza), two sub-units to Kwa-Zulu-Natal (Ndumo and Pongola) and one sub-unit to the Free State (Ladybrand). In total seven sub units were deployed to conduct border safeguarding operations. The border safeguarding responsibility encompassed all three environments, viz, land, air and maritime. The deployment of the SANDF for border safeguarding ensured that 16 850 illegal immigrants were apprehended, 368 criminals were arrested, 9 068kg dagga was confiscated, 60 stolen vehicles, eight weapons, 1 394 livestock and 453kg of copper cable were recovered. The SANDF also provided control of the RSA maritime and airspace environment. This support was provided by the SANDF through the collateral value of core conventional capabilities. As part of border safeguarding, anti-poaching operations were conducted in the Kruger National Park with the aim to stop rhino poaching. The deployment of the SANDF resulted in 11 poachers killed, 22 poachers arrested, as well as the confiscation of 19 hunting rifles including AK47 assault rifles.

The Joint Operations Division co-ordinated and directed six JIM force preparation activities, excluding Special Forces exercises and support to foreign defence force exercises in accordance with the Joint Force Employment concept and existing bi/multi-lateral agreements.

As previously reported the land claims on the Madimbo training area remained unresolved. Meetings were scheduled and attended by the Department of Rural Development and Land Reform, the Regional Land Claims Commissioner, the claimants and the DOD to resolve the land claims, but to no avail. Ongoing negotiations will continue in order to find a solution.

As reported in the J Ops Annual Report for FY2010/11, the absence of an SANDF strategic lift capability remained a challenge which negatively impacted on the deployment and sustainment of SANDF external operations, as well as the deployment and sustainment of the SANDF's reaction force. The chartering of aircraft and ships addressed this challenge, but at a very high cost to the DOD.

Service Delivery Objectives and Indicators (Output Detail)

Table 3.14 is the report on the achievement of the outputs, performance indicators and targets as specified in the SANDF Annual Performance Plan (APP) FY2011/12.

Table 3.14: Force Employment Programme Output for FY2011/12.

Output	Performance Indicator	Annual Target	Actual Target Achievement	Reason(s) for Over/Under Achievement
Regional Security				
Peace Support Operations	Percentage compliance with number of authorised Large[28] to Medium[29]-Scale Peace Support Operations	100%	100%	Achieved The SANDF participated in three large to medium-scale peace support operations ie Participation in UN peace support operation in the DRC UN/AU hybrid peace support operation in the Sudan Support to the Mozambique Government with counter-piracy operations The provision of training to the armed forces of the Central African Republic Note: *Deployments in peace support operations are dependent on requests from the UN/AU and/ or RSA government instruction. Given the unpredictability of the operating environment additional requests were received by the SANDF to conduct small-scale[30] general military assistance operations as follows:* *SANDF assistance during the Independence Day celebrations in Juba, South Sudan.* *Search and recovery support operation to the Republic of Tanzania to assist with ferry wreck disaster over the period 11 to 16 Sep 2011.* *Support to the SAPS in safeguarding of the AU Summit held in Equatorial Guinea over the period 23 June 2011 to 01 July 2011.* *The SANDF was instructed to execute the delivery of ballot material in the DRC.*

28 Large-scale Deployment. Unit-size joint task force/formed elements with command and control capabilities, main equipment including tailor-made support and specialist elements from the force providers.

29 Medium-scale Deployment. Unit-size (minus) joint task force/formed elements with command and control capabilities, main equipment including tailor-made support and specialist elements from the force providers.

30 Small-Scale Deployment. Sub-unit FSE/Formed elements including specialised elements, training teams and structured support from Force Providers.

Output	Performance Indicator	Annual Target	Actual Target Achievement	Reason(s) for Over/Under Achievement
Support to the People				
Internal Operations	Number of sub-units deployed for border safeguarding tasks	7	7	Achieved
	Percentage compliance with number of authorised safety and security support ordered commitments	100%	100%	Achieved
	Percentage compliance with number of authorised disaster aid and disaster relief ordered commitments	100%	100%	Achieved
	Percentage compliance with authorised search and rescue ordered commitments	100%	100%	Achieved
Defence Capability Management				
Executed JIM Exercises	The number of JIM exercises	9	6	Under Achieved. Exercise BELL BUOY was not attended by the SANDF due to a Command Decision. Exercise TRANSOCEANIC was not attended by the SANDF due to a Command Decision. Exercise FAIRWAY BUOY was cancelled by Namibia. The SANDF does not have any control over decisions made by Foreign Forces with regard to exercises where the SANDF is invited to participate.

Joint, Inter-departmental and Multi-national Exercises

Table 3.15 provides feedback on Force Employment Programme Joint, Inter-departmental and Multi-national Exercises for FY2011/12.

Table 3.15: Force Employment Programme Joint, Inter-departmental and Multi-national Exercises for the FY2011/12.

Exercise Name	Aim	Target	Actual Achievement
Joint Exercises			
Exercise NDLOVU	To exercise the SANDF Reaction Force and a link-up/ relieve force as a component of the SANDF conventional/ major combat capability	October/ November 2011	Achieved. Exercise NDLOVU was executed over the period 20 October to 23 November 2011. The exercise was executed in various parts of the country ie (Kimberley, Bloemfontein, Potchefstroom, Saldanha and Simon's Town). A total of 4 272 SANDF members participated in the exercise.
Inter-departmental Exercises			
Exercise WAYSIDE	To exercise the maintenance of the provincial chemical, biological and radiological (CBR) response teams and inter-departmental co-operation for the management of CBR incidents	May 2011 September 2011	Achieved. Exercise WAYSIDE scheduled for May and September 2011 was cancelled due to upgrading of Ditholo Training Area, as a result, the training area was not available to conduct the exercise. These exercises were incorporated into one exercise and rescheduled to January 2012. Finally, Exercise WAYSIDE was executed over the period 22 January to 28 January 2012 at Alkantpan Training Area in Northern Cape. The purpose of this exercise was to maintain the provincial chemical, biological and radiological response and inter-departmental co-operation for the management of chemical, biological and radiological incidents.
Multi-national Exercises			
Exercise BELL BUOY	Command post exercise to exercise naval co-ordination and guidance of shipping and to represent the SANDF as a full-time member of the Pacific and Indian Ocean Ship Work Group	May 2011	Not Achieved. Exercise BELL BUOY was not attended by the SANDF due to a command decision.
Exercise FAIRWAY BUOY	Command post exercise to exercise naval co-ordination and guidance of shipping within the Southern African Development Community context	June 2011	Not Achieved. Exercise FAIRWAY BUOY was cancelled by Namibia. The SANDF does not have any control over decisions made by Foreign Forces with regards to exercises where the SANDF is invited to participate.
Exercise SHARED ACCORD	To exercise a limited intervention/rendering of humanitarian relief between the SANDF and the USA Armed Forces	June/July 2011	Achieved. Exercise SHARED ACCORD was a peace support operation and humanitarian relief exercise between the SANDF and the USA Armed Forces. The exercise was originally scheduled to take place in June/ July 2011 but was postponed and took place in Port Elizabeth over the period 12 July - 12 August 2011.

Exercise Name	Aim	Target	Actual Achievement
Exercise TRANSOCEANIC	Command post exercise to exercise naval control and guidance of shipping and to represent the SANDF as a full-time member of the TRANSOCEANIC Organisation.	August 2011	Not Achieved. Exercise TRANSOCEANIC was not attended by the SANDF due to a command decision.
Exercise OXIDE	To exercise, develop and maintain maritime co-operation at the operational and tactical levels between SA Navy and French forces based in La Réunion.	November 2011	Achieved. This was a field training exercise to develop and maintain maritime co-operation at the operational and tactical levels between SA Navy and the French forces off the East Coast of Africa (La Réunion). The exercise was executed over the period 09 to 18 October 2011. The SANDF contingent deployed consisted of the SAS MENDI.
Exercise GOOD HOPE V	The primary aim is to enhance and maintain the comprehensive defence capabilities of the RSA through the exercising of its maritime and air conventional capabilities in conjunction with the German Navy and Air Force.	February/March 2012	Achieved. Maritime exercise between the Republic of South Africa and Germany was conducted. The exercise was executed over the period 29 February to 26 March 2012. The SANDF contingent deployed, consisted of the SAS ISANDLWANA, SAS AMATOLO, SAS QUEEN MODJADJI.

PROGRAMME 3
LANDWARD DEFENCE

Purpose

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

Objectives and Measures

Defend and protect South Africa and its territory by

- providing two infantry battalions a year sustained for external deployment, one airborne battalion as Chief of the South African National Defence reaction force, nine multi-role companies for internal safety and security, two battalions in support of internal security operations (borderline control) and six battalions involved in exercises;
- exercising one tank regiment (Regimental HQ plus one sub-unit) and one armoured car regiment (Regimental HQ plus one sub-unit) with a squadron for internal deployment a year;
- exercising one composite artillery regiment and one light (airborne) artillery battery and one battery for internal deployment per year;
- exercising one air defence artillery regiment and one light (airborne) air defence artillery battery, and one battery for internal deployment a year;
- providing one sustained composite engineer squadron for external deployment, one composite engineer squadron for internal safety and security, and exercising one light (airborne) engineer and one field engineer squadron per year; and
- providing two signal regiments per year for external deployment, internal signal support and one composite brigade signal squadron involved in exercises.

Service Delivery Objectives and Indicators (Overview)

In the year under review, the South African Army (SA Army) fulfilled all its internal and external commitments, notwithstanding the fact that it was severely overstretched, especially in the infantry, engineer, intelligence and support capabilities. The SA Army provided all forces required, although they were not always combat ready. Approximately 80% of force levels required by the C SANDF were combat ready, which were as a result of logistic and human resource challenges experienced, especially the unavailability/unserviceability of prime mission equipment (PME) (A, B, C and D vehicles), shortages of certain types of ammunition, medical health status of personnel, shortage of personnel in specialised musterings, i.e. technical, logistics and hospitality service personnel, as well as suitable qualified and knowledgeable instructors in these environments to ensure quality training and skills transfer.

The SA Army provided the required landward force Regular and Reserve members (combat and combat support) on a rotational basis for peace support operations (PSOs) deployment to the Democratic Republic of the Congo (DRC), Sudan and training missions in the Central African Republic (CAR) amounting to 120 instructors, 48 support personnel and 12 personnel in the DRC, border safeguarding deployments on the Zimbabwe/RSA, Mozambique/RSA, Swaziland/RSA and Lesotho/RSA borders, as well as internal deployments in co-operation with and support of other state departments. In the wake of the increased operational tempo in external, internal and border safeguarding deployments, the SA Army utilised 10 090 Reserve members to augment shortages in the Regular component. As part of border safeguarding missions, the SA Army supported the South African National Parks Board to curb the rhino poaching in the Kruger National Park.

In the financial year under review, the SA Army successfully implemented the University Reserve Training Programme (URTP) at the University of Free State. A total of 57 students successfully completed basic military training (BMT) and will continue with officer formative training in FY2012/13.

The SA Army successfully trained 27 SA Post Office members at 3 SAI Bn in Kimberley as agreed between the SA Army and the SA Post Office over the period October – December 2011. The trained members will in future be

utilised at the SA Army Signal 11 Field Post unit.

The SA Army successfully presented the Inter-departmental Shooting Competition during November 2011 and the SA Army Combat Rifle Shooting Evaluation during March 2012 in which international countries such as Namibia, Botswana, Zimbabwe, Zambia, Kenya, Lesotho and the United Kingdom (UK) participated.

Apart from the operational commitments, the SA Army was able to fulfil its inherent core business to prepare combat-ready forces by means of formal training (which includes MSDS corps training), continuation training, force training, as well as support to formal courses of the SA Army Training Formation at the SA Army Combat Training Centre.

The SA Army remained committed to the development and utilisation of the Reserves in the ultimate achievement of the *"One Force Concept"*. Demands on the SA Army exceeded the requirements of the approved force design and this manifests itself in the deployment of 369 Reserve members for external PSOs and 696 Reserve members for internal deployments.

The SA Army in conjunction with J Ops Division planned and successfully executed a SA Army combat-readiness conventional exercise over the period 31 October 2011 to 20 November 2011.

The SA Army took part in the planning and execution of Exercise SHARED ACCORD, a bi-lateral PSO and humanitarian relief exercise between the RSA and the USA that took place in the Eastern Cape over the period 07 July 2011 to 11 August 2011.

With regard to support to the people, the SA Army built two pedestrian bridges and one Bailey bridge in the Eastern Cape, one pedestrian bridge at Hammanskraal, Gauteng and reconnected several more bridges in Limpopo and the Eastern Cape. Further support to the people manifested in one platoon in support of the South African Police Service (SAPS) in Grahamstown for anti-crime operations, support to the Department of Home Affairs where the Army provided 83 Reserve members from various units to support the department in processing documentation of foreign citizens seeking legal residential status in South Africa. The SA Army provided one platoon to support the Airport Company South Africa (ACSA) to rehearse emergency plans in Upington.

The main challenges faced by the SA Army remained the loss of scarce skills, critical shortages of skilled human resources in the field of logistics, technical and hospitality service personnel, as well as suitable, qualified and knowledgeable instructors in these environments to ensure quality skills transfer. Further challenges were the long and slow process of recruitment to replace the Public Service Act Personnel (PSAP) that were retiring, undesirable medical health status of members and shortages of medical healthcare professionals for support at units with regard to concurrent health assessment (CHA).

Other challenges were the unavailability/ unserviceability of PME (A, B, C and D vehicles), shortages of certain types of ammunition, and dilapidated facilities that posed occupational health and safety risks. These challenges were being addressed through various initiatives, but owing to the cost and time, they will not be fully mitigated in the near future.

The SA Army through its Landward Defence Capability Board issued a system warning on the Mobile Bridge Laying System. This implies that the Bridge Laying system can no longer be used for force preparation or operations. The Mobile Mine Breaching System is also no longer in use and no force training can take place. The unavailability of both these systems has a strategic impact on the combat readiness of the SA Army Engineer capability. A major intervention related to funds is needed to upgrade and maintain these capabilities.

The roll-out of border safeguarding will remain a challenge as this will completely overstretch the SA Army's deployable capabilities and will restrict the SA Army's conventional capabilities in their secondary role in future. The SA Army will only be able to supply 15 sub-units for the execution of phase three of the roll-out of border safeguarding. The force preparation of these force levels will have to be funded additionally to the current budget allocation.

The SA Army is still faced with land claims on 4 SAI Bn, 7 SAI Bn, CTC, Makhado, Alexander Bay (electric warfare capabilities stations), Wallmansthal (Gen Piet Joubert Training Area), Schmidtsdrift Training Area and Madimbo Training Area.

All current SA Army projects (armament planning) are partial acquisitions and do not provide for the full capability requirements according to the Defence Act, 2002 (Act No. 42 of 2002) or the SA Army Force Design/ Structure due to current funding shortfalls. The SA Army is insufficiently funded to meet its current operational commitments. Operational gaps due to PME that are not in place are already evident in certain capability areas due to end of life cycle, obsolescence, underfunding and late delivery of equipment. During the FY2011/12 the SA Army was unable to fund all projects simultaneously to sustain the SA Army's PME requirement. Furthermore, non-performance of the defence industry to achieve contracted baselines is still a serious concern and the delay to release the Request For Offer (RFO) of Proj VISTULA has resulted in the slippage of another year.

As a follow-up on the DOD FY2010/11 Annual Report, the SA Army was unable to confirm progress made with the achievement of training objectives of MSDS integrated training due to the lack of leader group training at the tactical level. The lack of trainng is attributed to the fact that Exercises SEBOKA and YOUNG EAGLE were not scheduled for FY2011/12.

Service Delivery Objectives and Indicators (Output Detail)

Table 3.16 is the report on the achievement of the outputs, performance indicators and targets as specified in the

SANDF APP FY2011/12.

Table 3.16: Landward Defence Programme Output for FY2011/12.

Output	Performance Indicators	Annual Targets	Actual Target Achievement	Reason(s) for Over/Under Achievement
Infantry Capability				
Mechanised Capability	Number of Regular battalions	2	2 (-)	Under Achieved. The units or force levels were provided according to Joint Force Employment requirements which have been satisfied. However, these units are not fully fledged for other roles due to limited funding.
	Number of Reserve regiments	5	4 (-)	Under Achieved. Annual target was mistakenly overstated during the consolidation of the SANDF planning instruments. Currently only 4 x Res Regts (minus) are available.
Airborne Capability	Number of Regular battalions	1	1 (-)	Under Achieved. The units or force levels were provided according to Joint Force Employment requirements which have been satisfied. However, this unit is not fully fledged for other roles due to limited funding.
	Number of Reserve battalions	1	1 (-)	Under Achieved. The units or force levels were provided according to Joint Force Employment requirements which have been satisfied. However, this Reserve unit is not available as a fully fledged unit due to limited funding.
Motorised Capability	Number of Regular battalions	11	11 (-)	Under Achieved. The full Joint Force Employment requirement iro Peace Support Operations (6 Battalions) and internal operations (3 Battalions) has been satisfied. However, these units are not fully fledged for other roles due to limited funding.
	Number of Reserve regiments	20	21 (-)	Under Achieved. Annual target was mistakenly understated during the consolidation of the SANDF planning instruments. Currently 21 (minus) x Res Regts are available.
Armour Capability				
Tank Capability	Number of Regular regiments	1	1 (-)	Under Achieved. The full Joint Force Employment requirement stated iro the tank capability has been satisfied. However, this unit is not fully fledged for all its roles due to limited funding.
	Number of Reserve regiments	3	3 (-)	Under Achieved. The full Joint Force Employment requirement stated iro the tank capability has been satisfied. However, these reserve regiments are not fully fledged for all its roles due to limited funding.
Armoured Car Capability	Number of Regular regiments	1	1 (-)	Under Achieved. The full Joint Force Employment requirement stated iro the Armoured Car capability has been satisfied. However, this unit is not fully fledged for all its roles due to limited funding.
	Number of Reserve regiments	4	4 (-)	Under Achieved. The full Joint Force Employment requirement stated iro the Armoured Car capability has been satisfied. However reserve regiments are not fully fledged for all their roles due to limited funding.

Output	Performance Indicators	Annual Targets	Actual Target Achievement	Reason(s) for Over/Under Achievement
Artillery Capability				
Composite Artillery	Number of composite regiments	1	1 (-)	Under Achieved. The full Joint Force Employment requirement stated iro the Artillery capability has been satisfied. However, this regiment is not fully fledged for all its roles due to limited funding.
	Number of light regiments	1	1 (-)	Under Achieved. The full Joint Force Employment requirement stated iro the Light Artillery capability has been satisfied. However, this regiment is not fully fledged for all its roles due to limited funding.
Air Defence Artillery Capability				
Composite Air Defence Artillery Capability	Number of composite regiments	1	1 (-)	Under Achieved. The full Joint Force Employment requirement stated iro the Air Defence Artillery capability has been satisfied. However, this unit is not fully fledged for all its roles due to limited funding.
	Number of light regiments	1	1 (-)	Under Achieved. The full Joint Force Employment requirement stated iro the Air Defence Artillery capability has been satisfied. However, this regiment is not fully fledged for all its roles due to limited funding.
Engineer Capability				
Field Engineer Capability	Number of Regular regiments	4	4 (-)	Under Achieved. The full Joint Force Employment requirement especially iro peace support operations has been satisfied. However, engineer regiments (Regulars and Reserves) are not fully fledged for all their roles due to limited funding.
	Number of Reserve regiments	3	3 (-)	Under Achieved. The full Joint Force Employment requirement especially iro peace support operations has been satisfied. However, engineer regiments (Regulars and Reserves) are not fully fledged for all their roles due to limited funding.
	Number of squadrons	4	4 (-)	Under Achieved. Squadrons are structurally part of the 4 engineer regiments (minus) provided and not fully fledged due to limited funding.
	Number of light (parachute) squadrons	1	1 (-)	Under Achieved. The structure for this capability has not been approved and as such the squadron cannot be fully staffed.
General Training Capability				
General training for Regular and Reserve members[31]	Number of learners on planned courses	4 375	5 105	Over Achieved. 730 more learners qualified than planned for. Learners qualified as follows: • SA Army College 485 • SA Army CTC 1 011 • SA Army Gym 968 • 3 SAI Bn 2 641

31 This training excludes the specialised functional training being conducted within the Infantry, Armour, Artillery, Air Defence, Engineer and Signal sub-programmes.

Output	Performance Indicators	Annual Targets	Actual Target Achievement	Reason(s) for Over/Under Achievement
Signal Capability				
Signal Capability	Number of regiments	2[32]	2 (-)	Under Achieved. The full Joint Force Employment requirement iro the signal capability has been satisfied. However, regiments (Regulars and Reserves) are not fully fledged due to limited funding.

[32] Incorrectly stated as 20 in the SANDF APP.

PROGRAMME 4
AIR DEFENCE

Purpose

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

Objectives and Measures

Defend and protect South Africa and its airspace by providing:

- four helicopter squadrons and one combat support squadron per year;
- three medium transport squadrons (including one VIP squadron), one maritime and transport squadron, one light transport squadron and nine reserve squadrons at the required readiness levels per year;
- one air combat squadron per year; and
- a 24-hour air command and control capability.

Service Delivery Objectives and Indicators (Overview)

The South African Air Force (SAAF) continued to make its mark as the flagship air power instrument for the country and a competent sub-programme of the SANDF notwithstanding chronic shortages of required financial resources. Given the complexities of the internal (especially funding) and strategic environments, the SAAF's focus for the year under review was on improving the availability of all systems, with specific reference to the air mobility systems to other Services and Divisions of the SANDF. This ensured the systems integrity of the SAAF's core capabilities.

Substantial progress was made to enhance a better VVIP service to the SAAF clients, that included *inter alia* the determination of priority requirements for a VVIP support structure to manage the efficient provision of an air transport service to SAAF clients.

The SAAF proved its operational prowess in a SAAF unique Exercise WINTER SOLSTICE in which important lessons were identified and it distinguished itself in a SANDF joint Exercise NDLOVU under the auspices of the SA Army. The SAAF fighter squadron made good use of a once off unique opportunity to participate in a multi-national exercise by Gripen user countries in the Northern hemisphere (Sweden, Hungary and Czech Republic). The utility of air power to support humanitarian objectives by different countries in an organised regional and sub-regional arrangement was displayed in Exercise BLUE CLUSTER by the SADC air component. The focus of the exercise was to enhance the SADC's capability to manage humanitarian assistance tasks and disaster relief operations. Angola, Tanzania, Zambia, Botswana, Mozambique, Namibia, Zimbabwe and Malawi participated in the exercise. Consequently, a new doctrine for the rendering of air support during humanitarian operations was drafted for implementation. This doctrine is an important milestone in the history of the SAAF and air force organisations from the SADC region. In the presence of many interest groups such as the aviation industry, other military organisations from the SADC region and the media, the SAAF successfully demonstrated its air capabilities at the Roodewal Bombing Range.

A great deal was achieved in forging strategic partnerships with institutions outside the SANDF. By their nature, these partnerships are important for the survival of the SAAF and marketing of the military as a profession in general. The SAAF acceded to the request by the civilian airlines to utilise Air Force Bases Langebaanweg, Overberg and Waterkloof as diversion fields to mitigate the adverse effects of congested air traffic especially during COP17.

Partnerships with the institutions in the aviation industry enhanced a fair measure of organisational renewal in the SAAF. A memorandum of understanding (MOU) with the Chief Executive Officer (CEO) of Denel Aviation on 17 February 2012 translated into the opening of an Air Transport Maintenance and Repair Organisation (MRO) facility at AFB Waterkloof within the period under review. The SAAF successfully took receipt of the Rooivalk helicopters from Denel. A simulator centre at 43 Air School was opened in Port Alfred, further cementing co-operation between the SAAF and the aviation industry. Furthermore, the SAAF successfully ran a T56 engine at its

own Air Servicing Unit propulsion test facility. During the reporting period the SAAF PT6 Test-bench was certified to test C47 engines.

A total of 485.7 hours were flown in a historic operation where multiple air force capabilities participated in support of the election in the DRC.

The Chief of the SAAF contributed to the advancement of defence diplomacy in the SADC region and abroad. The Chief of the Pakistan Air Force was hosted and exposed to the local South African aviation industry. The Deputy Chief of the SAAF also participated in an African Command (AFRICOM) conference for Chiefs of Air Forces in Ethiopia.

The SA Air Force is committed to pursue its primary objective of defending and protecting South Africa and its airspace.

Service Delivery Objectives and Indicators (Output Detail)

Table 3.17 is the report on the achievement of the outputs, performance indicators and targets as specified in the SANDF APP FY2011/12.

Table 3.17: Air Defence Programme Output for FY2011/12

Output	Performance Indicator	Annual Target	Actual Target Achievement	Reason(s) for Over/Under Achievement
Helicopter Capability				
Medium and Light Transport Capability Combat Support Capability	Number of flying hours	12 500	10 333.26	Under Achieved The low availability of the A109 due to a lack of funding had an impact on the underachievement. The low availability of the Oryx and Rooivalk fleet and aircrew contributed to the deviation.
	Number of mixed (medium and light) squadrons	4	4	Achieved
	Number of mixed combat support squadrons	1	1	Achieved
Transport and Maritime Surveillance Capability				
Very important persons (VIP) Transport Capability, Medium and Light Transport Capability, Maritime Capability	Number of flying hours	14 210	11 539.55	Under Achieved. Low aircraft availability due to maintenance events. Technical failures (awaiting spares) and scheduled maintenance also contributed to not achieving the target.
	Number of transport squadrons	3	3	Achieved
	Number of VIP squadrons	1	1	Achieved
	Number of maritime surveillance and transport squadrons	1	1	Achieved
	Number of light transport squadrons	1	1	Achieved
	Number of Air Force Reserve squadrons	9	9	Achieved
Air Combat Capability				
Fighter Capability	Number of flying hours	250	857.1	Over Achieved. Additional funding was received from the DAFA budget for Operational Test and Evaluation flying hours.
	Number of combat squadrons	1	1	Achieved

Output	Performance Indicator	Annual Target	Actual Target Achievement	Reason(s) for Over/Under Achievement
Air Base Support Capability				
Base Support Capability countrywide	Number of air bases	8	8	Achieved
	Number of air stations	1	1	Achieved
Command and Control Capability				
Air Defence Management Capability	Number of mission-ready mission controllers available	27	34	Over Achieved. The target for mission controllers was exceeded as part of capacity building.
	Percentage availability of two mission-ready static control centres at all times	95%	95%	Achieved
	Number of radar systems at all times	10	9.5	Under Achieved. A large number of serviceability issues were experienced and many costly replacements and repairs had to be done and are still in process.
Air Traffic Management Capability	Number of mission-ready air traffic controllers available daily	64	34	Under Achieved. Controllers were attending courses and validations, and some controllers were restricted due to medical reasons.
	Percentage availability at all times of seven mission ready air traffic service units	98%	100%	Achieved
Training Capability				
General education, training and development of personnel	Number of learners on planned courses	2 335	2 795	Over Achieved. Target was over achieved as more than expected members applied for skills training.

PROGRAMME 5
MARITIME DEFENCE

Purpose

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

Objectives and Measures

Defend and protect South Africa and its maritime zones by providing:

- a surface combat capability of four frigates, one combat support vessel, two offshore patrol vessels, three inshore patrol vessels and a maritime reaction squadron in each annual operational cycle;
- a sub-surface combat capability of two submarines in each annual operational cycle;
- two mine countermeasure systems in each annual operational cycle to ensure safe access to South African harbours, and where mine clearance may be required; and
- an ongoing hydrographic survey capability to ensure safe navigation in charting areas and to meet international obligations.

Service Delivery Objectives and Indicators (Overview)

The annual performance of the SA Navy was guided and dictated by its Annual Performance Plan for FY2011/12, as mandated from higher authority. The focus of the plan was derived from the core aim of providing prepared and supported maritime defence capabilities for the defence and protection of South Africa, by providing strategic direction for maritime defence, managing HR, establishing training and maintaining prepared combat and auxiliary services and facilities.

The SA Navy has successfully participated in the following multi-national exercises despite a severe shortage of funding:

- Exercise SHARED ACCORD - a joint exercise between American Armed Forces and the SANDF, which focused on community development and assistance.
- Exercise OXIDE - combined exercise with the French Navy, whose objective was to improve inter-operability.
- Exercise GOOD HOPE V – an exercise conducted in the Mozambique channel to share anti-piracy expertise.
- Exercise INTEROP EAST - a Maritime Patrol, Interdiction and Diving Exercise with Botswana, Kenya, Lesotho, Malawi, Mozambique, RSA, Tanzania, Zambia and Zimbabwe off the East Coast of Tanzania.
- Exercise GOOD TIDINGS – a maritime interdiction exercise held with Malawi in September 2011 at Senga Bay, in which Botswana, Lesotho, Malawi, South Africa, Tanzania, Zimbabwe and Zambia participated, and in which Namibia and Mozambique participated as observers.
- Exercise NDLOVU – an exercise conducted to prepare the SANDF Maritime Defence Reaction and Link-up Force.

The SA Navy was involved in the following operations during the year under review: a humanitarian rescue operation off the island of Tristan Da Cunha in which 37 Taiwanese sailors were rescued; a search and rescue operation in which a ferry sank near the island of Pemba in Northern Tanzania; an operation to support Mozambique in combating piracy in the African East coast; and an operation to safeguard and protect the South African borders. The SA Navy also participated in the formulation of the development of the Maritime Security Strategy to combat piracy, which was subsequently adopted by the Southern African Development Community.

A tripartite memorandum of agreement on maritime patrols between the navies of South Africa, Mozambique and Tanzania was signed on the 07 December 2011.

During the year under review, the Chief of SA Navy visited numerous countries to strengthen the strategic level relations. These include Cuba, Brazil, Democratic Republic of Congo, Gabon, Germany, Malawi, Mauritius, Mozambique, Namibia, Senegal, South Korea, Sri Lanka,

United Arab Emirates, United Kingdom and Zambia. During the same period, various foreign dignitaries also visited the Chief of the SA Navy.

During the year under review, the SA Navy successfully hosted and chaired the Standing Maritime Conference and Standing Maritime Committee (SMC) meetings that took place in Durban during February 2012, and the way forward pertaining to the implementation of the SADC Maritime Security and Action Plan was concluded.

The latter part of the period under review was utilised to finalise the planning for the Indian Ocean Naval Symposium (IONS), an international event which was attended by most Chiefs of Navies around the world, which is scheduled to take place in April 2012.

The SA Navy successfully facilitated the National Youth Service (NYS) training programme at SAS Saldanha, which was concluded on 08 Dec 11.

The SA Navy was also involved in social responsibility programmes to support the previously disadvantaged communities. During the period under review the SA Navy renovated and rebuilt the Madule Crèche in Brooklyn village, Limpopo, provided a sailing training development programme to 130 disadvantaged children at Isivunguvungu sailing school in Simon's Town, and provided a music literacy development programme to 320 community members of Simon's Town, of whom 22 members toured Germany to participate in 7 concerts at the Music Show of Nations in January 2012.

During March 2012, the SA Navy was involved in the planning activities in preparation for taking over the management of the vessels from the Department of Agriculture, Forestry and Fisheries (DAFF) by 01 April 2012. A Memorandum of Agreement (MOA) was signed between the MOD&MV and the Minister of Agriculture, Forestry and Fisheries, with a service level agreement (SLA) being concluded between DAFF and the SA Navy. All efforts are now being focused on ensuring that these vessels are put to sea to support the DAFF's Operational programme.

Although the SA Navy is experiencing a shortage of personnel in critical core musterings, considerable efforts have been made to address the deficiencies. For example the SA Navy has trained a total of 3 713 personnel to equip them with necessary skills and experience.

During the period under review, the SA Navy carried out day to day maintenance of its infrastructure, but due to the age of the buildings and budgetary constraints, their condition continues to deteriorate. Although the SA Navy managed to achieve all the required directed levels of capability it will be unable to sustain them within the current funding allocation.

The SA Navy has performed in accordance with its annual performance plan and exceeded certain force preparation and employment expectations in certain instances. The SA Navy is committed to pursue its primary objective of providing a credible maritime defence for South Africa.

Service Delivery Objectives and Indicators (Output Detail)

Table 3.18 is the report on the achievement of the outputs, performance indicators and targets as specified in the SANDF APP FY2011/12.

Table 3.18: Maritime Defence Programme Output for FY2011/12.

Output	Performance Indicator	Annual Target	Actual Target Achievement	Reason(s) for Over/Under Achievement
Maritime Combat Capability				
Surface Warfare Capability	Number of frigates operated in the annual operational cycle	4	4	Achieved
Submarine Warfare Capability	Number of submarines operated in the annual operational cycle	2	2	Achieved
Combat Support & Sealift Capability	Number of combat support vessels operated in the annual operational cycle	1	1	Achieved
Mine Warfare Capability	Number of mine counter-measure vessels operated in the annual operational cycle	2	3	Over Achieved. Although the 3rd vessel was in the operational cycle, it was undergoing a refit during the year under review.

Output	Performance Indicator	Annual Target	Actual Target Achievement	Reason(s) for Over/Under Achievement
Hydrographic Services Capability	Number of hydrographic vessels operated in the annual operational cycle	1	1	Achieved
	Number of mobile hydrographic survey teams operated in the annual operational cycle	1	1	Achieved
Patrol Capability	Number of inshore patrol vessels operated in the annual operational cycle	3	3	Achieved
	Number of off-shore patrol vessels operated in the annual operational cycle	2	2	Achieved
Maritime Reaction Squadron Capability	Number of teams of the Operational Boat Division prepared in accordance with the Navy Force Design	3	4	Over Achieved. Exceeded expectations due to SA Navy's commitment to pursue its primary objective of providing a credible maritime defence for South Africa.
	Number of teams of the Operational Diving Division prepared in accordance with the Navy Force Design	3	4	Over Achieved. Exceeded expectations due to SA Navy's commitment to pursue its primary objective of providing a credible maritime defence for South Africa.
	Number of platoons of the Naval Reaction Division prepared in accordance with the Navy Force Design	3	3	Achieved
Maritime Human Resources and Training Capability				
General education, training and development of Navy personnel	Number of learners on planned courses	4 928	3 713	Under Achieved The following were the main reasons for deviations to the learner outputs at the respective five training units: • Formative Training (SAL): one MSD intake planned for 400 learners cancelled due to higher authority decisions. • Functional Warfare and Warfare Training Capability: 23 x LOs cancelled due to insufficient nominations. 6 x LOs rescheduled/postponedrefit of Fire Fighting and Damage Control Simulators. • 19 learners found not competent and 39 learners will be assessed once the appropriate platform is available. • Technical Training Capability: Fewer apprentices accepted for apprentice training. • Staff Training: fewer nominations.

Output	*Performance Indicator*	*Annual Target*	*Actual Target Achievement*	*Reason(s) for Over/Under Achievement*
Base Support Capability				
Base Support Capability	Number of Naval Bases provided, ensuring compliance with force requirements	1	1	Achieved
	Number of Naval Stations provided, ensuring compliance with force requirements	2	2	Achieved

PROGRAMME 6
MILITARY HEALTH SUPPORT

Purpose

The Military Health Support Programme provides prepared and supported health capabilities and services for the defence and protection of South Africa.

Objectives and Measures

Provide prepared and supported health capabilities and services by providing:

- a health support capability of five medical battalion groups, including one specialist medical battalion group, for deployed and contingency forces; and
- a comprehensive multi-disciplinary military health service to a projected patient population of 291,966 members per year.

Service Delivery Objectives and Indicators (Overview)

The Military Health Support Programme executed its dual mission in spite of challenges to render health support to deployed forces while simultaneously delivering a base-orientated health service.

The government's priority on African relations was promoted through networking. The South African Military Health Service (SAMHS) hosted the goodwill visit by the Director General of the Congolese Armed Force Central Hospital from Congo Brazzaville. Representatives of the Botswana Defence Force visited 1 and 3 Military Hospitals to benchmark on best practices and the establishment of military social work services. Medical equipment was donated to the OR Tambo School for Leadership in Uganda. SAMHS contributed to the SANDF Attachés and Defence Advisors Conference and hosted two successful Military Attaché Advisory Committee events.

During the 11th Southern African Development Community (SADC) Annual General Meeting, the Surgeon General handed the chairpersonship over to Tanzania. SAMHS members delivered nine papers at the 39th International Congress of Military Medicine in Nigeria. Healthcare practitioners from SAMHS and SADC countries attended a Southern African International Law on Armed Conflict course hosted by SAMHS. SAMHS also played a leading role in the co-ordination of regional programmes during the SADC Military HIV and AIDS Conference in Angola. Representatives from SAMHS participated in the 5th South African HIV and AIDS Conference and the 1st International HIV Social Science and Humanities Conference in Durban during June 2011.

The Chemical Biological Defence Advisor was part of a South African delegation to international forums such as the 7th Review Conference of the Biological and Toxin Weapons Convention in Geneva during which arms control, disarmament and non-proliferation were discussed.

Operational psychological research papers were delivered on the deployments to the Democratic Republic of the Congo (DRC) and Northern Sudan and led to the development of support programmes. SAMHS members delivered ballot papers in the DRC for the elections.

SAMHS participated in the joint planning and execution of border safeguarding and other operations. A mobile clinic was utilised to deliver primary healthcare and prevention and wellness programmes to operational bases in Mpumalanga. The Military Veterinary Institute successfully trained and transferred dogs for utilisation in border safeguarding operations. A mobile capability for the Military Medical Code List of pharmaceuticals was created for utilisation during internal and external deployments. An emergency search and rescue service was initiated at the Institute for Maritime Medicine. Maritime medical support was provided on the SAS AMATOLA during a Chief Joint Operations deployment in the Indian Ocean and on other maritime operations.

The National Youth System was supported by assessing and providing healthcare during training to 920 candidates from the Department of Health of KwaZulu-Natal and 247 from the Department of Rural Development and Land Reform. SAMHS Reserves were utilised at the Department of Home Affairs to assist with the documentation of Zimbabwean nationals. The SAMHS provided medical support to the COP17 Conference on

Climate Change.

Progress has been made with the implementation of turnkey solutions in patient administration. The planning for the centralisation of certain patient administration functions to improve processes, service delivery and accountability has been completed.

The upgrade and refurbishment of prioritised healthcare facilities has shown steady progress. The Repair and Maintenance Programme at 1 Military Hospital is nearing completion. The 3 Military Hospital building project is on track for completion in June 2012. Phase 1 of the Unit Repair and Refurbishment Programme at the Training Formation was completed.

The focus on education, training and development of SAMHS human resources has rendered results. SAMHS members attended international conferences to stay abreast of new medical and health-related technology and developments and to assist in the formulation of clinical policies as well as the improvement of research and the development of scientifically-based programmes.

SAMHS members attended the SAMHS Academic Days in Pretoria during which scientific research papers and lectures were delivered to enhance professional knowledge. New developments such as a mobile containment laboratory for chemical and biological defence, a Level 1 medical post and over-pressure filter system for the armour were displayed.

Seven non-commissioned officers completed the National Diploma in Safety Management through the University of South Africa (UNISA) in 2011. Courses such as the Combat Casualty Care and Joint Operational Medical Management System and Healthcare of Chemical, Biological and Radiological Casualties were presented. Foreign learners from the Lesotho and Zimbabwean Defence Forces attended the Military Mass Casualty Disaster Medicine course.

SAMHS was promoted as part of the University Reserve Training Programme to tertiary academic institutions with the purpose of recruiting healthcare practitioners for the Reserves. Members of the Reserves qualified as Emergency Care Technicians and Advance Emergency Assistants and attended military and functional courses such as the Personnel and Casualty Decontamination and Detection. Twenty Reserve members underwent leader group development.

The accreditation of the Military Health School included the establishment of 21 internet workstations to enable students to have access to internet facilities. The Nursing College is fully accredited with the South African Nursing Council until 2018 for the current nursing programmes. Diplomas were conferred to 99 candidates who successfully completed the four year diploma and primary healthcare nursing courses. The first group of 12 clinical associates graduated in December 2011 and will augment the human resource shortages in respect of medical officers and contribute to the revitalisation of primary healthcare. The SAMHS Basic Military Training and Officers Formative courses were also accredited.

Healthcare practitioners attended courses in anti-retroviral treatment. An agreement was signed with the University of Cape Town for Nurse Initiated Management of Anti-Retroviral Treatment. A Clinical Mentoring and Support Workshop was held for medical officers to assist with the roll-out of the course. A memorandum of understanding (MOU) was finalised between SAMHS and the Society for Family Health to assist with the development, promotion and execution of leadership HIV and AIDS programmes. Ten SAMHS members enrolled in the pharmacist assistant course after a MOU was signed with the Health Science Academy.

The investment in the development of new health systems promoted accountability through tested technologies and created platforms for best business practices. Progress has been made with health informatics projects such as the Laboratory Test Result system. The first phase of the digital scanning project was successfully implemented. The enhanced medical debtor system will ensure an audit trail, the conducting of pre-billing investigations and promote revenue collection.

The follow up and management of HIV positive members has improved with the donation of CD4 counter machines. The molecular biology laboratory at 1 Military Hospital is functional and HIV viral loads are performed. A new digital imaging X-Ray unit is operational at the Institute of Maritime Medicine. Protection and security systems were expanded by means of improved electronic surveillance and monitoring equipment as part of anti-criminality interventions.

SAMHS initiated and participated with other national health structures and non-governmental organisations in national health days to promote health prevention and promotion strategies such as the HIV Awareness Campaign and 16 Days of Activism. SAMHS participated and provided medical support during the Freedom Day parade on 27 April 2011. Public awareness and marketing of the SAMHS took place during the Rand Easter and Polokwane shows. SAMHS contributed to the success of the African Air Defence show that was held at Waterkloof Air Force Base.

Service Delivery Objectives and Indicators (Output Detail)

Table 3.19 is the report on the achievement of the outputs,

performance indicators and targets as specified in the SANDF APP FY2011/12.

Table 3.19: Military Health Support Programme Output for FY2011/12

Output	Performance Indicators	Annual Target	Actual Target Achievement	Reason(s) for Over/Under Achievement
Mobile Military Health Support Capability				
Combat-ready Military Health Support Elements for deployed and contingency forces	Number of conventional medical battalion groups	1 (-)	1 (-)	Achieved *Note: 8 Medical Battalion Group is a virtual structure. Only the Headquarters/command element consists of permanently staffed members. The structure can only be staffed with two Medical Task Groups once all the human resources are detached from SAMHS units. Management interventions to recruit and retain healthcare practitioners will only deliver results in the medium term.* *The SAMHS service unique exercise, Exercise LANCET, was not executed due to the lack of human and logistical resources. Other service and joint exercises were supported. Funds are insufficient to renew and procure deployable prime mission medical equipment. Policy proposals were unsuccessful.*
	Number of specialist medical battalion groups	1 (-)	1 (-)	Achieved *Note: The staffing of 7 Medical Battalion Group has, however, improved from the previous year to 61%. Insufficient healthcare practitioners to staff full Specialist Medical Battalion Group. Recruitment efforts continue. Recruitment of air-borne qualified personnel is challenging. Specialised operational medical support was successfully rendered during Special Forces, Parachute and Pathfinder operations and force preparation exercises/training. The air-droppable surgical post and chemical, biological and defence capabilities are ready. Members completed several courses and training exercises.*
	Number of Reserve medical battalion groups	3 (-)	3 (-)	Achieved *Note: The numbers of reserves in SAMHS have increased, but not with the required scarce skills. Challenge to recruit healthcare practitioners into the reserves demanded increased management interventions focused on recruitment. Formalised collaborative meetings with tertiary institutions took place. Active effort to redirect the utilisation of the Reserve Battalions through basic training and refresher training to address skills development. Phase 1 and 2 of the programme were concluded. Facilities are poor.*

Output	Performance Indicators	Annual Target	Actual Target Achievement	Reason(s) for Over/Under Achievement
Area Military Health Service				
Comprehen-sive, self supporting, multidisciplinary geographic military health service	Number of healthcare activities at the 88 geographic healthcare facilities	1 400 000	1 250 999[33]	Under Achieved Performance deviated from demand driven target. Demands were met in spite of challenges with human resource, ie medical and social work officer and also logistical resources in terms of medical equipment and serviceable ambulances. Sustainment of medical consumables and pharmaceuticals as a result of insufficient funding impacted on service delivery. Healthcare facilities do not comply with occupational health and safety requirements.
	Number of health assessment activities executed at the 88 geographic healthcare facilities	50 000	74 232	Over Achieved Performance better than demand driven target. The demands for health assessments increased as a result of increased deployments, ie border safeguarding. Meeting of demands for assessments challenging as result of shortage of healthcare practitioners.
	Number of medical support activities at the 88 geographic healthcare facilities	4 200	10 276	Over Achieved Performance better than demand driven target. The demand for medical support outweighs the capability ito human resources and equipment, ie ambulances. Medical support is rendered during force preparation exercises, training, medical evacuations and patient transportation, etc. Management interventions were initiated, ie increased training of Emergency Care Practitioners, to meet the additional demands for medical support to ie border safeguarding tasks and the National Youth System.

[33] An error was made when capturing the actual target achievement (i.e. 303 396 instead of 303 936) in PIMS COGNOS during the 3rd QR, which has resulted to the total actual target achievement to be 1 250 459 instead of 1 250 999.

Output	Performance Indicators	Annual Target	Actual Target Achievement	Reason(s) for Over/Under Achievement
Specialist/Tertiary Military Health Service				
Specialist/ Tertiary military health services and capabilities by means of military hospitals, institutes and a unit for dignitary and VIP health services	Number of healthcare activities at the three military hospitals	995 000	779 751	Under Achieved Performance deviated from demand driven target. The impact of the Repair and Maintenance Programmes at the three military hospitals impact on healthcare service delivery. Controlled outsourcing took place where speciality departments were not available. The sustainment of medical consumables and pharmaceuticals impacted on service delivery. Instructions were issued to curtail costs and to only attend to funding requirements directly linked to service delivery.
	Maximum number of aviation healthcare activities	15 850	15 674	Under Achieved Performance deviated slightly from the demand driven target. Demands for healthcare services were met. Equipment such as the centrifuge and altitude chambers at the Institute for Aviation Medicine is out of commission. Capital and operating budget are insufficient to replace equipment.
	Maximum number of maritime healthcare activities	61 000	67 228	Over Achieved Performance better than the demand driven target. Demand for medical support has increased due to Navy deployments and exercises. An emergency search and rescue service was established at the Institute for Maritime Medicine.
	Maximum number of Military Psychological Institute contacts	10 500	15 833	Over Achieved Performance better than demand driven target. Staffing levels have improved and contributed to improved service delivery.
	Number of animal health activities	3 260	4 957	Over Achieved Performance better than demand driven target in spite of the shortage of veterinarians. All canine prevention programmes, ie vaccinations, have been completed. Additional dogs have been trained for utilisation in border safeguarding. The requirement for specialised infantry has left a gap in SAMHS.
	Number of national and international dignitary and VIP medical support and healthcare activities	620	886	Over Achieved Performance better than demand driven target. Health support of a high standard was delivered and all demands were met. Structure of the Presidential Medical Unit was expanded to meet increased demands.

Output	Performance Indicators	Annual Target	Actual Target Achievement	Reason(s) for Over/Under Achievement
Military Health Product Support Capability				
Warehousing of pharmaceuticals and sundries and military health mobilisation and unique stock	Percentage availability of stock at all times	78%	64%	Under Achieved Performance deviated from the target. The procurement of pharmaceuticals, sundries and military health mobilisation and unique stock is dependant on the availability of funds and the lead time of suppliers. Fund shortages impacted on the sustainment of stock levels and impacted on service delivery. Increased liaison took place with suppliers. The challenge to sustain stock levels and strategic reserves will be registered as a risk as reprioritisation from the SAMHS budget cannot address the shortages.
Procurement of unique military health products, materials and services	Percentage compliance with stock procurement and delivery requirements	83%	74%	Under Achieved Performance deviated from the target as a result of funding shortages and the delivery lead times of suppliers.
Military Health Training Capability				
Military Health Training capability	Number of learners on planned courses	4 200	5 800	Over Achieved Performance better than planned target in spite of the refurbishment programme at the Military Health Training Formation. Progress has been made with the interventions to increase the capacity of the Military Health Training capability ito accredited instructors, moderators and assessors. The Basic Military Training and Officers Formative courses were accredited. The Nursing College is fully accredited with the South African Nursing Council until 2018 for the current nursing programmes.

PROGRAMME 7
DEFENCE INTELLIGENCE

Purpose

The Defence Intelligence (DI) Programme provides a defence intelligence and counter-intelligence capability.

Objectives and Measures

Classified information and thus not provided as part of this public document.

Service Delivery Objectives and Indicators (Overview)

Due to the escalating reports of security breaches in the MOD&MV, DOD and Armscor, DI instituted and conducted measures of counter-intelligence throughout these installations. This resulted in the rolling out of the security awareness programmes, the auditing of systems and recommendations to the Chiefs of Services and Divisions in the Defence Security Forum.

Progress in terms of the achievement of the strategy and objectives are continuing and intelligence support has been provided to DI clients in terms of the intelligence mandate.

DI fulfilled all obligations required by clients and delivered products on time. DI continued to ensure adherence to its intelligence mandate of conducting intelligence on foreign military forces and their intentions.

Successful intelligence exchange conferences were conducted with foreign intelligence services, which assisted in confirming DI assessments on global issues, addressed the security concerns of foreign services and maintained sound relations with these services.

The intelligence needs of the DOD have become more sophisticated and DI is required to provide information and advice to support the SANDF's mission and government's initiatives to bring about lasting peace and prosperity in Africa. These developments necessitated the redirection of DI to be able to respond quickly to changing intelligence requirements and fast breaking contingencies. The focus for the next ten years will therefore be to expand in-time early warning and maintain current intelligence coverage.

Project VAGRANT was not approved and was referred back to the SAAF to liaise with DI before implementation. The project entails the total overhaul of the physical security at SAAF bases including 61 Sqn.

DI personnel presented a geo-spatial course of nine weeks to members of an African Defence Force. Good progress was made with the implementation of the multi-national geo-spatial co-production programme (MGCP) standards. Members are currently receiving in-post training on these standards.

Service Delivery Objectives and Indicators (Output Detail)

Table 3.20 is the report on the achievement of the outputs,

performance indicators and targets as specified in the SANDF APP FY2011/12.

Table 3.20: Defence Intelligence Programme Output for FY2011/12

Output	Performance Indicator	Annual Target	Actual Target Achievement	Reason(s) for Over/Under Achievement
Intelligence processing capability	Number of defence intelligence products according to the annual schedule and client requirements	340	339	Under Achieved The products include 120 operational reports, 86 intelligence products, 65 early warning on fast breaking news reports and 68 studies, briefing/ debriefing, country profile, area studies, update dossiers and military geo reports.
Counter-intelligence capability	Number of vetting decisions taken in accordance with requirement	7 000	7 024	Over Achieved The over achievement was due to ad hoc tasks and commitments to Department of Home Affairs personnel screening.

PROGRAMME 8
GENERAL SUPPORT

OVERVIEW

The General Support Programme is divided into the following sub-programmes, i.e. Joint Logistics Services, Command and Management Information Services and Military Police. The General Support Programme provides general support capabilities and services to the department.

SUB-PROGRAMME: JOINT LOGISTIC SERVICES

Purpose

Joint Logistic Services is a sub-programme of the General Support Programme and provides logistic services to the department.

Objectives and Measures

Provide general support capabilities and services by:

- refurbishing the department's facility infrastructure at 38 bases over the next three years (eight in FY2011/12, nine in FY2012/13 and 21 in FY2013/14) and executing the Capital Works Building Programme in 82 projects (27 in FY2011/12, 26 in FY2012/13 and 29 in FY2013/14).
- providing appropriate, ready and sustained matériel, facilities, movement and logistic services focusing on supply chain and life cycle management to enable the defence mandate; and
- finalisation of the creation of the Works capability that will enable the DOD to assume selected custodian responsibilities from the National Department of Public Works, in the process creating job opportunities.

Service Delivery Objectives and Indicators (Overview)

The organisational structure of the Logistics Division (Log Div) has, during the reporting period, been amended to manage the continuously changing demands within the DOD and logistic environments.

A further amendment of the organisational structure of the Log Div was the approval of the structures of the Defence Works Capability, including the D Facilities (Level 2) and the Defence Works Formation (Def Wks Fmn) (Level 3). Capital works building projects during the reporting period have progressed well.

In order to fully capacitate the Log Div, human resource (HR) management has been moulded to include an education, training and development (ETD) strategy to enhance skilled labour, a culture of learning, morale strategy, and the adherence to transformation guidelines in terms of recruiting and balancing service ratios, race and gender with the requirements of corps and mustering specifications.

Full accreditation has been awarded to three training establishments in the Log Div, that enables the trained members to not only apply their trade in the DOD, but in the logistic domain in the wider labour market as well.

Services and Divisions successfully participated in the intervention plan to identify and dispose of surpluses, obsolete, redundant and beyond economical repair matériel.

An asset management action plan for Services and Divisions was developed. As of the end of March 2012, Phase 1 of the physical verification of the assets was undertaken by the Services and Divisions. Chief of Services and Divisions provided certificates to certify that the verification process had been updated on the Logistic systems and the information on these systems was reconciled. Where there were discrepancies, action plans were devised by the Services and Divisions to ensure that rectification took place.

State facilities utilised by the DOD remains in disrepair. Further deterioration of DOD facilities continues to tarnish the Defence's image, constrain force preparation and employment, and prevent the execution of the Defence mandate.

In the light of the above, a plan was drafted with the co-operation of the CSIR to establish a Joint Interim Operation Centre (JIOC) to manage the devolvement of maintenance and repair responsibilities from NDPW during FY2012/13.

The DOD Immovable Asset Register (IAR) was completed by the CSIR, inclusive of all required information such as title deeds, erf numbers and handed to the DOD during the reporting period for utilisation as an immovable asset management tool. The continuous updating, verification of the completeness and accuracy will be the responsibility of the DOD during future years.

The consolidated User Immovable Asset Management Plan (UAMP) was completed and submitted to National Treasury and NDPW at the end of the reporting period.

A Custodian Immovable Asset Register was compiled for the Defence Endowment Property Portfolio as prescribed by National Treasury.

Over the medium and long term the Refurbishment Programme will continue to systematically and sustainably improve the condition of state infrastructure utilised by the DOD.

The DOD is currently interacting with several developers in order to attain different concepts of developing sustainable military villages. The locations identified for development so far are Wallmannsthal and Oudtshoorn.

The range clearance project, Project UMTHOMBO was successfully finalised as planned by 29 February 2012. The skills transfer of the project has provided the DOD with the unique capability to manage both surface and sub-surface range clearance.

The joint project with the Department of Water Affairs' on the Working for Water Programme is progressing slowly due to various challenges encountered by the implementing agent, Independent Development Trust (IDT), including the verification of military veterans by the Department of Military Veterans (DMV).

National Treasury provided the approval for the procurement of NATO compliant National Codification System (NCS) which will assist the DOD in achieving the prescribed tier qualification.

During the FY2011/12 the operational capability of the DOD was severely challenged due to problems experienced wrt the supply of fuel.

Service Delivery Objectives and Indicators (Output Detail)

Table 3.21 is the report on the achievement of the outputs, performance indicators and targets as specified in the SANDF APP FY2011/12.

Table 3.21: Joint Logistics Services Sub-programme Output for FY2011/12

Output	Performance Indicator	Annual Target	Actual Target Achievement	Reason(s) for Over/Under Achievement
Joint Logistic Services				
Centralised Logistic Capabilities	Number of joint logistic operational support units	1	1	Achieved
	Number of ammunition depots	3	3	Achieved
	Number of central procurement service centres	2	2	Achieved
	Number of logistics schools	1	1	Achieved
	Number of ammunition schools	1	1	Achieved
	Number of hospitality schools	1	1	Achieved
	Number of South African Forces Institutes	1	1	Achieved
	Number of works capabilities	1	1	Achieved

Output	Performance Indicator	Annual Target	Actual Target Achievement	Reason(s) for Over/Under Achievement
Centralised Logistic Services	Percentage compliance with Capital Works Programme	100%	52%	Under Achieved Poor performance by NDPW in initiating projects and invoices were received late. Claims for work being completed were larger during previous quarters resulting in a smaller claim during this quarter.
	Percentage with Refurbishment Programme	100%	48%	Under Achieved Partial execution of refurbishment projects by NDPW.
	Percentage compliance with environmental services project requirements	100%	39%	Under Achieved The DOD is only in support of the operation removing of alien trees and plants. The responsibility for the execution of this project is with the Department of Water Affairs and its implementing agent (The Independent Development Trust).
	Percentage compliance with DOD codification requirements	100%	35%	Under Achieved Underperformance due to inadequacies of data and the current codification system. A new system is in the process of being procured.
	Percentage of ammunition disposed in accordance with disposal plan	100%	132%	Over Achieved More ammunition than planned for was disposed due to a more intense effort.
	Percentage courses successfully completed SANDF requirement	100%	110%	Over Achieved Additional courses were scheduled due to backlog of qualified personnel.
Office Accommodation	Percentage payment of leases	100%	77%	Under Achieved Administrative delays in processing lease invoices and/or renewal of contracts by NDPW resulting that leases were paid during reporting period and not earlier.
	Percentage payment of Municipal services.	100%	82%	Under Achieved Increase in electricity and water charges.
	Percentage payment of accommodation charges.	100%	77%	Under Achieved Administrative delays in processing invoices by NDPW resulting in the underachievement.

SUB-PROGRAMME: COMMAND AND MANAGEMENT INFORMATION SYSTEMS

Purpose

Command and Management Information Systems is a sub-programme of the General Support Programme and provides command and management information and related service to the Department.

Objectives and Measures

Provide the department with key information and communication systems by:

- ensuring that the mainframe service is available 98% of the time and the Wide Area Network 95% of the time; and
- providing Information and Communication Systems solutions in accordance with the Defence Enterprise Information Systems (DEIS) Master Plan, as per the programme, project milestones and associated deliverables.

Service Delivery Objectives and Indicators (Overview)

The CMIS Division provided viable Information Communication Technology (ICT) services and a Joint Information Warfare Strategic Direction capability to the DOD during FY2011/12 in accordance with its Annual Performance Plan. This was achieved despite infrastructure and serious personnel deficiencies.

Although the Electronic Content Management System (ECMS) for Defence Intelligence has progressed very well, the project was placed on hold because the allocated budget had been exceeded. The matter has been escalated in order to obtain a decision on whether to continue or terminate the project.

The CMIS Division is struggling to obtain additional storage space for DOD Archiving and this challenge has been communicated to DOD Management Bodies for intervention and assistance. This lack of storage space together with the lack of structure has a direct negative impact of the ability of the department to keep the records of the DOD personnel including the Military Veterans, as well as the capacity of the CMIS Division to provide certification to Military Veterans.

The CMIS Division is also experiencing a serious challenge to upgrade and repair the facility for the location of the DOD Mainframe, and this challenge was reported to the DOD Management Bodies for intervention and assistance.

The CMIS Division is not adequately structured to execute its functions and has submitted its proposed force design and structure to the DOD Management Bodies for approval. The approval of the CMIS structure remains dependent on the finalisation of the DPD Level 1 structures. As such, the lack of adequate structure for CMIS Division has a negative impact to the DOD in that the CMIS Division is unable to acquire adequate personnel with the right skills to render required services to the DOD and its clients. The lack of structure also has a direct negative impact on the implementation of the Promotion of Access to Information Act, 2000 (Act No. 2 of 2000).

During the period under review, the DOD ICT Strategy was developed in order to support and regulate the Defence Enterprise Information System (DEIS) Master Plan. The DOD ICT Strategy gives governance and a framework for the management of the DOD ICT.

Despite the challenges experienced, the CMIS Division managed to fulfill its objectives as captured in its Annual Performance Plan for the FY2011/12. The challenges and risks have been managed in an attempt to try and ensure that all planned outputs were achieved. The CMIS Division will endeavour to continue to provide viable ICT services and a Joint Information Warfare Strategic Direction Capability to the DOD.

Service Delivery Objectives and Indicators (Output Detail)

Table 3.22 is the report on the achievement of the outputs, performance indicators and targets as specified in the SANDF APP FY2011/12.

Table 3.22: Command and Management Information System Sub-programme Output for FY2011/12

Output	Performance Indicator	Annual Target	Actual Target Achievement	Reason(s) for Over/Under Achievement
Command and Management Information Systems				
Integrated Information and Communication Systems (ICS) solutions and enablers for the DOD	Percentage compliance with the six DOD ICS Project Portfolio (DEIS Master Plan) wrt ICS solutions	100%	61%	Under Achieved. The DOD Central Server upgrade project did not materialise due to procurement issues with SITA and the funds were surrendered at the end of the FY. The infrastructure projects did not proceed as quickly as planned due to procurement issues and resource shortages and the funds were surrendered at the end of the FY.

Output	Performance Indicator	Annual Target	Actual Target Achievement	Reason(s) for Over/Under Achievement
Supported DOD ICS and Joint Command and Control Product System Capability	Percentage availability of all corporate telecommunication and information technology product systems at all times	80%	98%	Over Achieved The Defence Central Network and central server availability was 98% due to closer support from the service provider.
Joint Information Warfare (JIW) Strategic Direction Capability for the DOD	The number of policies promulgated that provide ISS direction in accordance with the IS Policy Development Portfolio	4	3	Under Achieved Target had to be revised due to change in DOD Policy-thus not an underachievement: Chief Policy and Planning instructed that all JDPs needed to be incorporated and/ or rewritten. The ISS JDP has therefore been incorporated into the DODI which has been promulgated, leaving 3 ISS policies and not 4.
	Number of promulgated IW Plans (ie IBW, IIW, C²W, EW, NW & PsyOps) in accordance with the IW Master Plan	2	1	Under Achieved Target had to be revised after exercise NDLOVU in November 2011– thus not a under achievement: There is one IW Master Plan that includes the IW Application and Enabling domain pillar plans. Initially it was planned to have two domain pillar plans. With IW participation in operational Exercises NDLOVU in November 2011 it became evident that there was no need to have two separate domain pillar plans for the IW Enabling and Application domains as they are part of IW. Therefore there is only one IW Master Plan.

SUB-PROGRAMME: MILITARY POLICE

Purpose

The Military Police (MP) as a sub-programme of General Support that provides Military Policing capabilities and services to the department.

Objectives and Measures

The MP provides a military policing capability and services to the department by:

- reducing the number of criminal cases under investigation by the military police by 10% per year;
- sustaining 13 provost companies for operational deployment;
- sustaining four regional headquarters, 22 area offices and 22 detachments for crime prevention and investigation of criminal cases; and
- two military correctional facilities for detention and rehabilitation.

Service Delivery Objectives and Indicators (Overview)

The MP's priority of *"crime busters"* is being preformed as part of its service delivery agreement. In support of the MP's priority to align the duty of the military police officials with the task of improving the discipline of the SANDF officials, the division ensured that its training school, as well as its regional and area offices, units and detachments prepared and produced MP officials of high calibre that could be able to handle any kind of military law enforcement challenges in the SANDF.

The MP was involved in peacekeeping operations to help with the stabilisation of the African continent and Southern African Development Community. The MP has members deployed as part of the peace support operations (PSOs) in the Democratic Republic of the Congo (DRC) providing training, in Sudan providing military police advice and peace support, along the coast of Mozambique providing support to anti-piracy operation, and in the borders of the Republic of South Africa participating in border safeguarding operations. In total 238 members

were provided for deployment in PSOs. The division has continuously prepared and provided military police officials to CJ Ops to participate in joint operations and exercises.

The MP has achieved most of its predetermined plans successfully, despite structural challenges and budget constraints. In striving towards a crime-free military environment, the division was involved in crime-combating efforts of Services and Divisions, and established an anti-criminality capability to prevent and combat crime in the DOD.

A delegation led by the Provost Marshal General was invited to visit Uganda in February 2012 to engage with the Uganda Military Police and discuss the exchange of training opportunities between the two countries.

The MP Division assisted with security during the opening of Parliament and provided escort services to Services and Divisions as required. A total of 720 deliberate crime prevention operations were conducted jointly with the SAPS and traffic departments throughout the country, ranging from roadblocks and checkpoints to search and target identified hot spots.

A total number of 4 284 criminal and disciplinary cases were handled over from FY2010/11 and 2 137 new cases were reported. Of these, 2 129 were finalised and 1 342 duplicated dockets were closed. Liaison forums were established between the MP and Legal Services Division to ensure contribution to watertight cases resulting in the speeding up and successful finalisation of cases by both military and civilian courts.

Service Delivery Objectives and Indicators (Output Detail)

Table 3.23 is the report on the achievement of the outputs, performance indicators and targets as specified in the SANDF APP FY2011/12.

Table 3.23: Military Police Sub-programme Output for FY2011/12

Output	Performance Indicator	Annual Target	Actual Target Achievement	Reason(s) for Over/Under Achievement
Military Police				
Military Policing (MP) Capability and Services to the DOD	Number of regional headquarters	4	4	Achieved
	Number of area offices	22	22	Achieved
	Number of Detachments	22	22	Achieved
	Number of military correctional facilities	2	2	Achieved
	Percentage reduction of the number of criminal cases under investigation by the MP that goes to court	10%	28.84%	Over Achieved Positive deviation of 18.84% from the set annual target was due to the effective management and control of the process by all relevant roll players.
Military Policing Combat Capability	Number of combat-ready provost companies available according to force requirements	1	1	Achieved

APPENDICES

APPENDIX A: DOD DIPLOMACY REPORT FOR FY2011/12

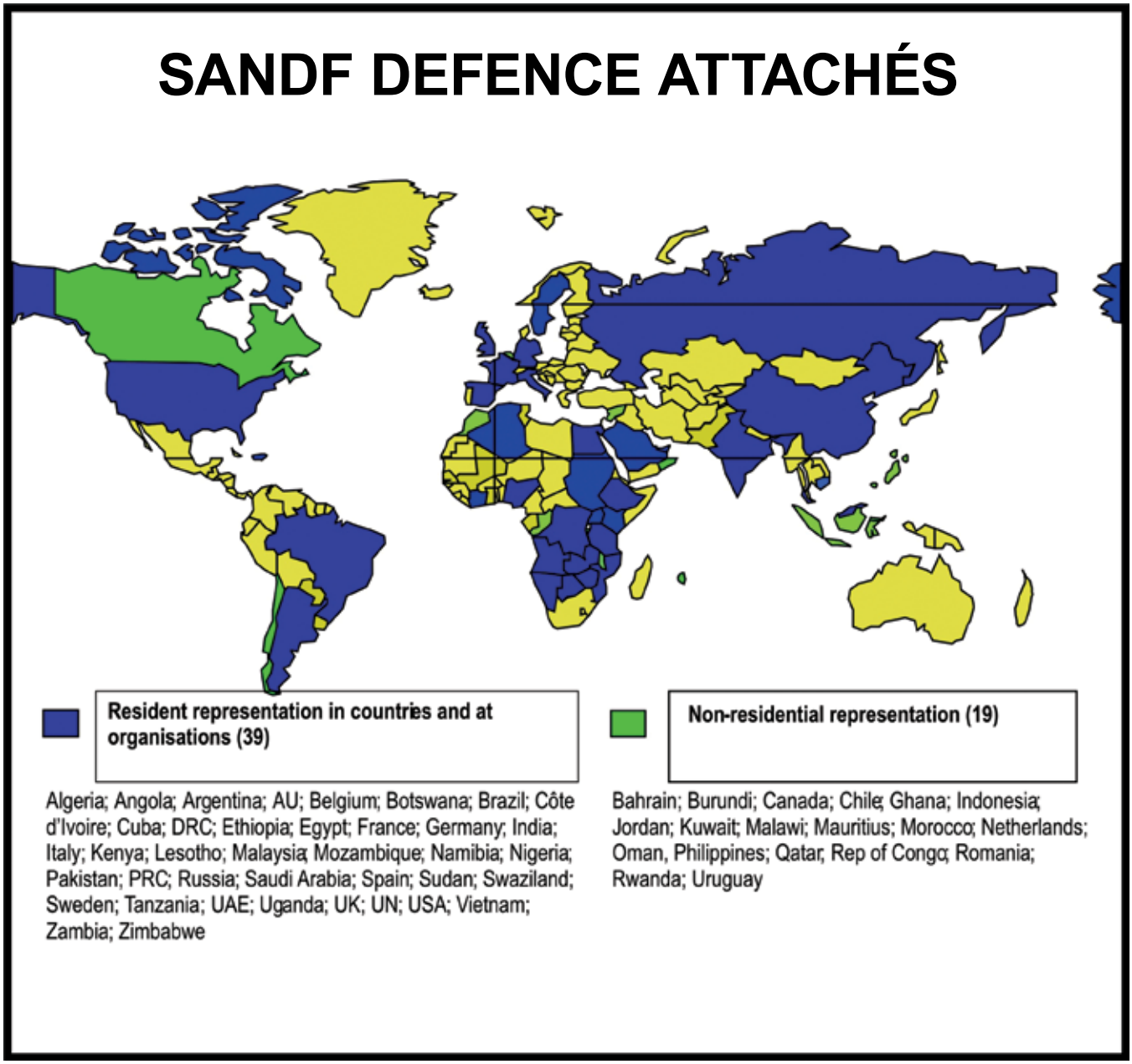
Introduction

The defence diplomacy actions by the SANDF continued to vary from focussed efforts such as defence representation abroad, bi-lateral and multi-lateral meetings to indirect actions which had a defence diplomacy impact. The latter include participation in combined exercises, participation in functional and developmental training with foreign defence forces and attendance of conferences and seminars. The benefits to bi-lateral co-operation are greatly valued and give impetus to the defence diplomacy drive of the DOD.

SANDF Defence Attaché Representation

Figure A-1 indicates SANDF Defence Attaché representation internationally for the FY2011/12.

Figure A-1: Map indicating Representation by SANDF Attachés



Military Attaché and Advisor Corps (MAAC) Representation

Figure A-2 indicates MAAC representation in South Africa for the FY2011/12.

Figure A-2: Map indicating MAAC Representation in South Africa

Bi-lateral and Multi-lateral Interaction

The Southern African Development Community (SADC) as a region, together with the African continent as a whole, remains the main focus of the DOD for bi-lateral and multi-lateral interaction. Table A-1 below indicates the meetings held within the framework of the SADC Inter-State Defence and Security Committee structures (ISDSC).

Table A-1: SADC/ISDSC Structures Meetings for FY2011/12.

Committee	Date	Destination/Venue
ISDSC Operations Sub-sub Committee Meeting, Chiefs of Defence and Plenary ISDSC	11-13 May	Zambia
ISDSC Telecommunication Information Workgroup	11-13 May	Zambia
Ministers' Committee of the Organ	17-21 June	Zambia
SADC Defence Standing Committee and State Security Standing Committee	24-27 July	RSA
Extraordinary Session of the Ministers' Committee of the Organ	16-17 August	Angola
ISDSC Logistics Workgroup	24-27 August	Malawi
11th SADC Annual General meeting of the Military Health Workgroup	26-28 October	Tanzania
Defence Intelligence and Security Committee	02-04 November	Tanzania
Extraordinary meeting of the ISDSC Chiefs of Defence	20 December	RSA
Extraordinary meeting of the ISDSC Ministers of Defence	20 January 2012	RSA
ISDSC Telecommunication Information Workgroup	28-29 March 2012	Zimbabwe
ISDSC Logistics Workgroup	19-22 March 2012	Malawi

- **African Union.** The SANDF was represented at the 7th meeting of the African Chiefs of Defence Staff and Heads of Security.
- **Inter-governmental Meetings.** Defence representatives attended a total of six inter-governmental bi-lateral meetings, namely: the Mozambique/RSA Joint Bi-lateral Commission for Co-operation; the Bi-lateral Joint Permanent Commissions on Defence and Security with respectively Namibia, Zimbabwe and Botswana; the Bi-national Commission with the DRC; the Russian Joint Inter-departmental Commission for Military Technical Co-operation. The participation in these meetings allows Defence to support the foreign policy of the South African Government.
- **Bi-lateral Defence Committee Meetings.** During the financial year the RSA/USA Mid-term Review was held. The RSA/Tanzania Defence Committee, the Malawi/RSA Defence Committee and the IBSA Defence Workgroup met during the year. In June 2011 the Agreement on the Conduct of Maritime Patrols was signed by Mozambique and the RSA. During January 2012 an Agreement on Defence Co-operation was signed with Cuba. An Agreement on Military Co-operation was signed with Oman in March 2012.
- **Service Level Bi-lateral Meetings.** The SA Navy held staff talks with Argentina, Germany and India to further the existing bi-lateral co-operation with the respective countries.

Foreign Visits

- **Foreign Visits to African Countries.** 47 visits were undertaken by members of the SANDF to African countries for reasons varying from high-level goodwill visits, planning and debriefing conferences/meetings for combined exercises, support to SA troops deployed in Africa and intelligence exchanges. The SA Army is continuing its training under the 'Train the Trainer' concept in Namibia as part of a bi-lateral co-operation between the two countries.
- **Visits to the DOD by African Countries.** For reasons varying from benchmarking or comparative studies on training, human resource management or medical matters, intelligence exchange, sport or goodwill visits, the SANDF welcomed 16 delegations from Africa.
- **Foreign Visits to Countries in the Rest of the World.** The nature of the visits to these countries varied from observers to military exercises, benchmarking of training, attendance of conferences as members of professional bodies, programmes on strategic issues or work groups to defence exhibitions. Approximately 93 visits took place during the FY2011/12.
- **Visits to the DOD by Countries from the Rest of the World.** Approximately 16 visits to the SANDF took place ranging from reciprocal goodwill visits, discussions on precise functional topics, study visits by military training institutions and the hosting of workgroups.

- **Foreign Military Training.** Present on the flagship development courses of the SANDF, namely the Executive National Security Programme and the Joint Senior Command and Staff Programme were 16 foreign officers. The SANDF furthermore hosted foreign officers and members on 32 functional courses. Five courses were presented by SANDF logisticians in the Central African Republic as part of the DOD's commitment to assistance to African Armed Forces. The courses entailed training in Initial Supply Support, Procurement, as well as Junior Officers Training. The SAAF continued multi-year aircraft maintenance apprenticeship training to members from four African countries. The Namibian Defence Force is being assisted in Artillery training. SA Army instructors mentored Namibian officers in preparation of instructions and writing of exercise scenarios; assisted with the establishment tables for a future Artillery School; redesigning and developing courses, syllabus and training objectives; coordination and execution of the live firing exercises; and will in future assist with an instructor in a number of artillery related courses. Fifteen SANDF officers attended senior development courses abroad during the financial year. A further 103 members attended a variety of functional courses. Delegations from senior military training institutions from eight countries chose South Africa as destination for study visits.
- **Visits by Ships.** During the reporting period, various naval vessels visited South African ports en route around the Cape of Good Hope and paid informal visits to the SA Navy. Ships were welcomed from Australia, Brazil, Germany, India, People's Republic of China and the United Kingdom. Throughout the year the SA Navy ships SAS MENDI, SAS AMATOLA and SAS ISANDLWANA were patrolling the Mozambican channel in support of the anti-piracy measures in the region. During Exercise INTEROP EAST the SAS MENDI, DRAKENSBERG, QUEEN MODJADJI sailed to Tanzania.
- **Equipment Transfer to Foreign Recipients.** 11 laptop computers were donated to the FARDC of the DRC as part of Project BULISA to enable the FARDC to complete the drafting of the FARDC strategic plans. A Rinkhals ambulance was transferred to the Central African Republic Armed Forces (value R55,000). The MOD&MV has approved the donation of medical equipment to the Uganda Defence Forces under Project KAWAWETA to the value of R7,000,000 pending finalisation of the procurement process.
- **African and SADC Standby Forces.** Following on the previous year's activities, Exercise AMANI AFRICA I, another command post exercise was conducted in Addis Ababa during 2011. Although the exercise was generally viewed as successful in reaching its set objectives, factors such as undue influence of the donor community or unbalanced participation between the regional planning elements were identified. The planning cycle for Exercise AMANI AFRICA II has commenced with an initial planning conference during March 2012. Exercise AMANI AFRICA II will be a rapid deployment capability test of the African Standby Force conducted at field training level. On regional level the SAAF hosted SADC Air Forces during a humanitarian relief command post exercise, Exercise BLUE CLUSTER. Special Forces presented Exercise STALWART, a map exercise together with Special Forces units from the SADC region.

Specific Defence Diplomacy Actions

- **Military Operations.** Operational co-operation formed a mainstay of military bi-lateral and multi-lateral co-operation between countries and enhanced operational inter-operability, whilst knowledge transfer took place. Although military operations had not always commenced as a defence diplomacy action, the advantages of participation in multi-national peace support operations were vested in the enhancement of the RSA's commitment to providing capacity to these operations and the image of the South African soldier abroad. Continuation of multi-national peace support operations in which the SANDF participated included operations in the DRC and in Sudan. Small-scale general military assistance provided by the SANDF included operations in the Central African Republic, which entailed capacity building and provision of close protection to the President of the country. Support was provided to the Mozambique Defence Force with counter-piracy operations during which South African Naval vessels patrolled the Mozambique Channel. Assistance was provided to the DRC with the distribution of election material and South Sudan during the Independence Day celebration in Juba, during July 2011. A search and rescue operation was conducted assisting Tanzania during the ferry disaster in that country. Support was provided to the SAPS in the safeguarding of the AU Summit held in Equatorial Guinea. With these operations the SANDF supported the work of the African Union and the United Nations in striving for peace and security on the African continent.
- **Joint Inter-departmental and Multi-national**

(JIM) Military Exercises. Although JIM military exercises were reported in detail under the Force Employment Programme, the impact of these exercises on defence diplomacy should be acknowledged. Exercise OXIDE, a regular maritime exercise between the RSA and France was conducted off the East Coast of Africa. Exercise SHARED ACCORD was a peace support operation and humanitarian relief exercise between the SANDF and the United States Armed Forces. Exercise INTEROP EAST was a Maritime Patrol, Interdiction and diving Exercise with Botswana, Kenya, Lesotho, Malawi, Mozambique, RSA, Tanzania, Zambia, and Zimbabwe off the East Coast of Tanzania. Exercise GOOD TIDINGS with Malawi was a maritime interdiction exercise. The biennial Exercise GOOD HOPE between the German and South African Navies and Air Forces took place during March 2012 focusing on anti-piracy operations. Exercise LION EFFORT, which took place in Sweden, had as its aim to develop a combined Gripen system for the user nations of the Gripen fighter aircraft and took place under the auspices of the Gripen User Group memorandum of understanding.

- **Specialist Advisory Team to Kinshasa, DRC.** The specialist advisory team has finalised the DRC Military Strategy and Plans. C SANDF authorised the continuation of this deployment to oversee implementation of the respective strategies and plans.
- **Mission THEBE.** The training of FARDC infantry battalions in the DRC were completed during 2011. A small deployment of SA Army members is still present in the DRC to protect SANDF equipment in the country.
- **Secondments to Multi-national Organisations.** Four members of the DOD were seconded to the AU during the financial year. There is currently one SANDF member seconded to the UN, whilst the officer seconded to the SADC multi-national structure returned during the period under review.

APPENDIX B: DOD FOREIGN AID ASSISTANCE REPORT FOR FY2011/12

Table B-1 indicates the foreign aid assistance to the DOD for FY2011/12.

Table B-1: Foreign Aid Assistance to the DOD for FY2011/12.

Donor Country (Source)	*Type of Aid (Funds or In-kind)*	*Rand Value (R'000)*	*Intended Use of the Assistance*	*Actual Performance on the Use of Assistance*	*Reason for Deviation*	*Pending Application for Assistance*
FORCE EMPLOYMENT						
Canada	In kind	25	Civil-Military Relations	Attended by one J Ops member	N/A	N/A
USA	In kind	120	Ranger Training and Instructor course	Attended by one J Ops member	N/A	N/A
USA	In kind	5	Anti-Piracy course	Attended by one J Ops member	N/A	N/A
USA	In kind	148	Healthcare Specialist course	Attended by one J Ops member	N/A	N/A
USA	In kind	120	Ranger Training and Instructor course	Attended by one J Ops member	N/A	N/A
LANDWARD DEFENCE						
India	In kind	45.2	Defence Service Staff course	Attended by one Army member	N/A	N/A
USA	In kind	200	Capt Career Engineers course	Attended by one Army member	N/A	N/A
USA	In kind	110	Africa Centre for Strategic Studies Warrant Officer Symposium	Attended by one Army member	N/A	N/A
USA	In kind	18.4	Annual Engineer Regimental Conference "*Enforce*"	Attended by one Army member	N/A	N/A
UK	In kind	134.8	Royal Military Academy, Sandhurst	Attended by one Army member	N/A	N/A
USA	In kind	60	Benchmarking visit with the US Army Africa in Italy	Attended by two Army members	N/A	N/A
USA	In kind	35	Logistics Capt Career Course	Attended by one Army member	N/A	N/A
USA	In kind	77.6	Army War College	Attended by one Army member	N/A	N/A
Kenya	In kind	584	Attendance of the National Defence College course	Attended by one Army member	N/A	N/A

Donor Country (Source)	Type of Aid (Funds or In-kind)	Rand Value (R'000)	Intended Use of the Assistance	Actual Performance on the Use of Assistance	Reason for Deviation	Pending Application for Assistance
AIR DEFENCE						
USA	In kind	563	US Air War College	Attended by one SAAF member	N/A	N/A
USA	In kind	14.5	Patrol Craft course	Attended by one SAAF member	N/A	N/A
USA	In kind	21.5	Attendance of USAF Senior Enlisted Conference	Attended by one SAAF member	N/A	N/A
USA	In kind	525	International Counter Terrorism Fellowship	Attended by one SAAF member	N/A	N/A
USA	In kind	49.2	Aeronautical Evacuation and en route Medical Care symposium	Attended by two SAAF members	N/A	N/A
USA	In kind	185	Human Factors in Accident Investigation conference	Attended by two SAAF members	N/A	N/A
Italy	In kind	82.8	Maritime Reconnaissance Surveillance conference	Attended by one SAAF member	N/A	N/A
UK	In kind	258	Visit to Royal Air Force	Attended by four SAAF members	N/A	N/A
Italy	In kind	67.5	Augusta A109 Operators conference	Attended by two SAAF members	N/A	N/A
Russia	In kind	95.1	International Helicopter Operators conference and air show	Attended by one SAAF member	N/A	N/A
Spain	In kind	68.5	CASA Contract Performance review	Attended by two SAAF members	N/A	N/A
Sweden	In kind	69.3	Attendance of Exercise LION EFFORT	Attended by 46 SAAF members	N/A	N/A
France	In kind	69.3	Multi-lateral Lynx Support Committee meeting	Attended by two SAAF members	N/A	N/A
USA	In kind	1,791	Four Falcon 900 Simulator courses	Attended by two SAAF members per course	N/A	N/A
USA	In kind	1,738	Four Falcon 50 Simulator courses	Attended by two SAAF members per course	N/A	N/A
USA	In kind	1,015	Two Boeing Mechanic Maintenance courses	Attended by five SAAF members	N/A	N/A
UK	In kind	571	Two Boeing Simulator courses	Attended by two SAAF members per course	N/A	N/A
USA	In kind	343	Two C130 Ground Crew recurrent Technical training	Attended by nine SAAF members	N/A	N/A
USA	In kind	1,330	Five C130 simulator training courses	Attended by four to five SAAF members per course	N/A	N/A
USA	In kind	567	CASA 235 simulation training	Attended by four SAAF members	N/A	N/A
USA	In kind	440	Boeing avionics training	Attended by one SAAF member	N/A	N/A

Donor Country (Source)	Type of Aid (Funds or In-kind)	Rand Value (R'000)	Intended Use of the Assistance	Actual Performance on the Use of Assistance	Reason for Deviation	Pending Application for Assistance
USA	In kind	155	Digital avionics training	Attended by two SAAF members	N/A	N/A
MARITIME DEFENCE						
Germany	In kind	40	Guest speaker at International Conference and Exhibition on Maritime Security and Defence	Attended by three SAN members	N/A	N/A
India	In kind	25	Hydrographic Course	Attended by three SAN members	N/A	N/A
Singapore	In kind	160.7	International Maritime Security Conference and International Maritime Defence Expo	Attended by four SAN members	N/A	N/A
USA	In kind	480	Naval Staff College	Attended by one SAN member	N/A	N/A
USA	In kind	90	Legal Aspect	Attended by one SAN member	N/A	N/A
USA	In kind	160	Senior Enlisted	Attended by two SAN members	N/A	N/A
USA	In kind	1,100	Fellowship Programme (ENSP)	Attended by one SAN member	N/A	N/A
USA	In kind	16.7	2011 Indian Ocean Senior Intelligence Officer conference	Attended by one SAN member	N/A	N/A
Southern Africa and Islands Hydrographic Commission	In kind	30	Southern Africa and Islands Hydrographic Commission Technical visit	Attended by one SAN member	N/A	N/A
USA	In kind	7	Anti-piracy course	Attended by one SAN member	N/A	N/A
Argentina	In kind	52	Ice Navigation course	Attended by one SAN member	N/A	N/A
Chile	In kind	61.2	Sailing with the ESMERALDA training vessel	Attended by one SAN member	N/A	N/A
India	In kind	93.8	Gunnery Instructor course	Attended by two SAN members	N/A	N/A
Organisers – German Submarine Consortium, Germany	In kind	83.4	Attendance of SUBCON conference	Attended by two SAN members	N/A	N/A
Germany	In kind	50	Senior Staff Course	Attended by one SAN member	N/A	N/A
USA	In kind	560	Naval Staff College	Attended by one SAN member	N/A	N/A
USA	In kind	80	Senior Enlisted course	Attended by one members	N/A	N/A
India	In kind	3	Clearance Diving course	Attended by one members	N/A	N/A

Donor Country (Source)	Type of Aid (Funds or In-kind)	Rand Value (R'000)	Intended Use of the Assistance	Actual Performance on the Use of Assistance	Reason for Deviation	Pending Application for Assistance
MILITARY HEALTH SUPPORT						
Angola	In kind	42	Evaluation Angola Defence Force preparations prior SADC HIV/AIDS conference	Attended by one SAMHS member	N/A	N/A
USA	In kind	95	Log Information Management course	Attended by one SAMHS member	N/A	N/A
USA	In kind	32	Army Captain Career course	Attended by one SAMHS member	N/A	N/A
Pharmaceutical Company ABBOT	In kind	27.6	Attendance of the International Dental federation World Dental Congress	Attended by one SAMHS member	N/A	N/A
Netherlands and UK	In kind	45.3	Attendance of the 2011 Biological and Toxin Weapons Convention	Attended by one SAMHS member	N/A	N/A
USA President's Emergency Plan for AIDS Relief (PEPFAR)	In kind	2,100.5	Project MASIBAMBISANE: HIV and AIDS prevention programme for SANDF members	A complete database of implemented programmes is available at Military Psychological Institute	Human Resource shortages in the SAMHS ito Health Care Practition-ers has led to deviations in the planned programme activities	Ongoing project until donor indicates otherwise
USA President's Emergency Plan for AIDS Relief (PEPFAR)	In kind	13,961	Sponsorship of anti-retroviral drugs	The donation is not a predetermined amount. The value of the donation is determined by the number of patients that receive anti-retroviral treatment.	Nil	Ongoing project until donor indicates otherwise
Henry Jackson Foundation for Medical Research International	In kind	43.7	Research visit to the USA in the expanding of medical field through the management of HIV and AIDS and the consequent impact of managing the disease through appropriate policies.	Attended by two SAMHS members	N/A	N/A
GENERAL SUPPORT (LOGISTICS)						
USA	In kind	95	Civil Relations course	Attended by one C Log member	N/A	N/A
USA	In kind	34.3	Exposure to the impact of change on defence establishments	Attended by one C Log member	N/A	N/A
UK	In kind	100	Senior Command and Staff College	Attended by one C Log member	N/A	N/A

Donor Country (Source)	Type of Aid (Funds or In-kind)	Rand Value (R'000)	Intended Use of the Assistance	Actual Performance on the Use of Assistance	Reason for Deviation	Pending Application for Assistance
USA	In kind	95	Logistic Information Management course	Attended by one C Log member	N/A	N/A

Table B-2 indicates the foreign aid assistance by the DOD for FY2011/12.

Table B-2: Foreign Aid Assistance by the DOD for FY2011/12.

Recipient	Type of Aid	Rand Value (R'000)	Intended Use of the Assistance	Actual Performance on the Use of Assistance	Reason for Deviation	Pending Application for Assistance
DRC	Equipment	80	To enable the FARDC (DRC) to complete plans under Project BULISA	Donation of 11 obsolete laptops previously used by Team BULISA	N/A	N/A
CAR	Equipment	55	Capacity Building	A Rinkhals ambulance was transferred to the Armed Forces	N/A	N/A
Uganda	Equipment	7,000	Capacity Building	For the purchase of medical equipment (Project KAWAWETA)	N/A	N/A

APPENDIX C: DOD ANTI-CRIMINALITY REPORT FOR FY2011/12

MANAGE ANTI-CRIMINALITY FROM A NODAL POINT AND ENSURE INVOLVEMENT OF ALL ROLE-PLAYERS

The DOD Nodal Point on Anti-Criminality has been established. A new Senior Staff Officer (SSO) Nodal Point on Anti-criminality was staffed during November 2011 and the member formally reported for duty at the start of January 2012. Only three of the remaining six posts in the section were active with staffed members and the remaining three posts are in the process to be staffed.

COMMANDERS/MANAGERS ACCEPT RESPONSIBILITY FOR THE MANAGEMENT OF ANTI-CRIMINALITY IN THEIR AREA OF RESPONSIBILITY

The management of crime is systematically being included in the performance agreements/management directives/ duty sheets of all commanders/managers. Not all Services and Divisions have included the responsibility to manage criminality in the performance agreements/management directives/duty sheets of all their commanders/managers, but the issue is receiving attention.

Anti-Criminality is, in most cases, listed as a standing point on all the command and management forums. This issue is important to the Anti-Criminality Strategy as is makes everybody aware and serves to drive the implementation of the strategy.

The DOD Safeguarding Board met monthly and was attended by the Nodal Points on Anti-Criminality representatives of most of the Services and Divisions. There were however Services/Divisions who did not attend these meetings regularly and/or sent different representatives to each meeting and the PMG already interacted with the respective Chiefs of Services and Divisions in order to address this issue.

The commitment of the Chiefs of Services and Divisions to the management of crime was demonstrated by them personally signing all safeguarding/anti-criminality reports and compliance plans.

POLICY ALIGNMENT

A work group was established for the drafting of a departmental policy on Anti-criminality and it is expected that the DOD Anti-criminality Policy will be promulgated by the end of November 2012. The DOD Anti-criminality Policy will also include content on anti-corruption and anti-fraud as well as on ethics. The owners of policy are reporting that anti-criminality is being included in all new policies, but it could not yet be confirmed, since the staff officers of the Nodal Point on Anti-Criminality were not formally invited to participate in the drafting of all the new policies.

CAPACITY TO MANAGE ANTI-CRIMINALITY SUCCESSFULLY

Adequate Human Resources

Most Services/Divisions have officially appointed Nodal Points. Some members have only been appointed verbally and do not have valid performance agreements/ management directives/duty sheets. This is however receiving urgent attention and will be rectified in due course. For most of the appointed Service/Division Nodal Points, this appointment is an over-and-above task.

The Corporate Nodal Point on Anti-Criminality (MP Div) offered to provide informal Anti-Criminality training on request to Services and Divisions and the SA Navy and SAMHS formally requested assistance and will be assisted by the MP Div Nodal Point on Anti-Criminality in due time. The formal training has not yet been confirmed with Defence Intelligence (DI) and the Corporate Nodal Point will still interact with DI in order to establish formal training support for Services and Divisions' Nodal Points. Three one-day courses were arranged during the past year at Personnel Services School to train the Nodal Points on Anti-criminality representatives of all the Services and Divisions to function on the new DOD Anti-criminality Information System and new courses will be scheduled during the next year according to the requirements from the Services and Divisions. Twenty five members were successfully trained during these three one-day courses at Personnel Services School.

Adequate Facilities/Infrastructure

Currently most of the facilities (± 80%) in the DOD have the required security measures.

Information Infrastructure. One of the biggest challenges experienced in the Anti-Criminality environment in the past was the availability, flow and integrity of crime related information. The DOD Nodal Point on Anti-Criminality however managed to successfully interact with SITA on the designing of an Information System that will integrate all the fragmented information already available in other systems in the DOD eg PERSOL, Crime Administration System (CAS), Consolidated Control System (CCS) and Loss Management. The aim of this system will be to verify information against the various systems and to make

business intelligence available to commanders/managers on all levels. This will enhance decision making relating to crime due to the information being available and it will also enhance the integrity of the data. The integrated data system is in an advanced stage of its development. SITA is currently providing manual reports on a monthly basis, drawn from different systems available to the DOD eg PERSOL, CAS and Consolidated Control. The manual reports will be replaced with an electronic version in due course. The system is in the stage of being tested on PERSOL for reporting purposes. A concern that is currently being addressed is that some of the Services and Divisions prefer to make use of the information obtained from the Consolidated Control System and not from the DOD Anti-criminality Management Information System.

Adequate Material Resources

The tracking capability of A-class items is lacking in the sense that if it is not serial number controlled, it is virtually impossible to identify it as DOD property. The serial numbers of the equipment that carries it, is recorded on receipt and issue, which helps with the identification thereof. However general equipment does not have such numbers and if it is not specifically marked, it cannot be identified as DOD property.

SAFEGUARDING AND PROTECTION OF ASSETS

A deliberate attempt is being made to safeguard the DOD's vehicle fleet. Most Services and Divisions have already placed stickers on their vehicles (especially D-vehicles) in order to make them readily identifiable. Some of the Services/Divisions already fitted their vehicles with satellite tracking systems, which would be monitored by DI and/or the particular Service/Division. Clarity on the funding of the project however delayed the project and Services and Divisions are awaiting detailed instructions on the funding of the project.

CONCLUSION

Good progress was made in the DOD during the past year on the management of Anti-criminality. During the reporting period much was achieved in terms of organising the organisation in such a manner that it is conducive to the management of crime. The most significant performance during the past year was that the DOD Anti-criminality Strategy of 2001 was revised by a selected work group and although the revised strategy has not yet been approved by the C SANDF, the work group was complimented for the standard of the product and the product was acknowledged as 90% completed. The anti-corruption and anti-fraud strategy as well as the strategy on ethics was incorporated into the revised DOD Anti-criminality of 2011. The MP Div was instructed by the C SANDF to draft an Immediate Action Plan on Anti-criminality, derived from the DOD Anti-criminality Strategy, for speedy implementation by the DOD. The MP Div is in the process of finalising the Immediate Action Plan on Anti-criminality.

The integrated data system, which is being developed, provides information that is crucial to the management of Anti-Criminality. The information obtained gives the crime picture on which the focus of effort can be based.

Anti-Criminality in the DOD is well on its way to achieving the goals of the Strategy on Anti-Criminality. As the management of crime is not solely a Military Police task, greater effort must be applied to ensure that every member of the DOD buys in and makes the prevention of crime their own.

APPENDIX D: DOD CORRUPTION AND FRAUD PREVENTION REPORT FOR FY2011/12

OVERVIEW

Corruption and fraud prevention represents a significant potential risk to the DOD's assets and reputation. The department is committed to protecting its funds and other assets. The DOD will not tolerate corruption and fraudulent activities, whether internal or external to the department, and will vigorously pursue and prosecute any parties, by all legal means available, which engage in such practices or attempt to do so.

Custodianship for Corruption and Fraud Prevention for the Department of Defence is the sole responsibility of Directorate Anti-Corruption and Anti-Fraud (DACAF). DACAF's main task is to deal with anti-corruption and anti-fraud, integrity, and related matters. DACAF is properly structured with an approved organogram indicating positions, reporting structure and responsibilities.

The Anti-criminality strategy was reviewed in October 2011 with Corruption and Fraud Prevention, on instruction of the AMC, as a chapter. Ethics was also included in the strategy.

The Minimum Anti-corruption Capacity requirements were included in the Corruption and Fraud prevention Plan to ensure implementation at all levels thereby ensuring adherence to the Department of Public Service and Administration (DPSA) publication Anticorruption Capacity Requirements - Guidelines for implementing the Minimum Anti-corruption Capacity Requirements in the Public Service published in 2006.

The DOD Corruption and Fraud Risk Assessment process was implemented and managed by DACAF to provide an indication of how Corruption and Fraud risks are manifested. The Corruption and Fraud Risk Register identifies the priorities of the Corruption and Fraud risks and indicates actions to mitigate these risks. The Corruption and Fraud risk register forms part of the DOD consolidated risk register. Corruption and Fraud risk assessments will be conducted annually.

Anti- Corruption and Fraud Awareness Training

Anti-corruption and anti-fraud prevention training forms part of the induction training of members (DAP and PSAP). Training of highest risk areas was prioritised and follow up training is being scheduled on an annual basis. Highest risk areas are identified as Finance, Personnel, Acquisition, Procurement and the Logistics environments.

DOD Corruption and Fraud Nodal Point Forum

This is a consultative forum that effectively deals with Corruption and Fraud matters as contained in the Anti-Criminality Strategy and the Corruption and Fraud Prevention Plan. In the execution of the Corruption and Fraud Prevention Plan, the Budget Holder's representative presents the specific Corruption and Fraud risks experienced in their respective environments, at the DOD Corruption and Fraud Nodal Point Forum who manage the mitigating actions.

Corruption and Fraud Prevention Strategy

The Corruption and Fraud Prevention Strategy focuses on the following:

- The promotion of transparency and accountability in the actions and conduct of DOD members.
- Regulatory measures to determine correct conduct of individuals.
- Policies and controls to prevent the occurrence of fraudulent and corrupt acts within the DOD.
- Alternative measures in addition to the main strategy of the DOD to combat fraud and corruption.
- The awareness of DOD personnel concerning the nature and extent of fraud and corruption, and what to look out for to detect such activities.
- Emphasis on promoting integrity of individuals as well as work ethics, as these are factors to prevent corruption and fraud from taking place in the first place.

CONCLUSION

The Anti-Corruption and Anti-Fraud Support Strategy and Corruption and Fraud Prevention Plan have been reviewed as a result of the expressed commitment of the department to fight corruption. It is also an important contribution to the National Anti-Corruption Strategy of the country and supplements both the Public Service Anti-Corruption Strategy and the Departmental Anti-Criminality Strategy.

APPENDIX E: DOD CORPORATE RISK REPORT FOR FY2011/12

Table E-1 provides the actual achievement of the Corporate Risks for the FY2011/12, in accordance with the Annual Performance Plans for FY2011/12.

Table E-1: Corporate Risks

Responsible Division	*Risk Description*	*Mitigating Strategy/Action*	*Progress and Interventions*
HoSCI (supported by C Log, GITO, CMIS & CFO)	Full Compliance with Regulatory Framework. The DOD's inability to fully comply with the regulatory framework requirements in respect of accounting and supply chain management.	Implementation of best practice supply chain and life cycle management. The acquisition of a single logistic information management system that is compliant with National Treasury and Auditor-General reporting requirements is being investigated. Until then, manual work-around and enhancements of legacy defence logistics systems are being implemented.	All Supply Chain Management prescripts and regulations as published by the National Treasury were interpreted and disseminated within the DOD for compliance. To enhance supply chain best practices, the process to develop the policy on Processes and Procedures for Supply Chain in respect of Matériel Governance was approved. The DOD Procurement Policy, including the procurement delegations and powers of DOD procurement authorities, was revised to ensure full alignment with National Treasury prescripts. The reviewed policy is in the process of being approved and distributed. In line with supply chain management best practice, the DOD continued to act as the process assurer for all matériel requirements processed through the DOD's acquisition agency, Armscor. The DOD user requirements for a single system for Immoveable Asset Register have been consolidated and the process of transferring all the data captured in autocad to shapefile so that it can be stored into the GIS continuous. A request for the relaxation of the moratorium on the DOD Financial Management System (FMS) has been approved by National Treasury to enable the procurement of the NATO complaint tool. The procurement process to acquire a system in line with NATO standards is under way. A new proposal for a new Central Statutory Serial Number Controlled Register to replace the current Equipment Register (KURMENU) continues, in order to facilitate development which is in line with various Acts such as Firearms Control Act, 2000 (Act No. 60 of 2000) and eNaTIS and is also compatible with CALMIS and OSIS functionality.

Responsible Division	*Risk Description*	*Mitigating Strategy/Action*	*Progress and Interventions*
C Log	The DOD Infrastructure and Facilities State of Disrepair. Continued deterioration of DOD infrastructure, facilities and equipment due to insufficient funding. This situation constrains the DOD from executing its mandate effectively.	The verification of the DOD asset portfolio is under way. Closer management of the DOD and Public Work Department's respective rights and obligations on infrastructure and facilities maintenance. The DOD Internal maintenance /works capabilities are being enhanced.	The DOD continued to interact with developers concerning the concepts and feasibility funding options to address the shortage of accommodation within the DOD. The DOD (together with the CSIR) has advanced well in setting up a capability that will assist the Department with functions that are to be devolved from NDPW to the DOD. The consolidated UAMP was completed and submitted to National Treasury at the end of the reporting period. The UAMP will be utilised as a management tool to accomplish the following: ● Accountability, fair and transparent management of Immovable Assets. ● Effective, efficient and economic use of Immovable Assets. ● Reduced overall Cost of Service Delivery. ● Reduced demand for new Immovable Assets. A User Requirement Statement is being drafted to acquire an information system to manage the UAMP. The condition assessments of all State Facilities utilised by the DOD were completed, this is a critical aspect for future facility management. The structures of the DOD Works Formation were approved during the reporting period. This will enhance the DOD's in maintenance and capital works capabilities in future years.

Responsible Division	*Risk Description*	*Mitigating Strategy/Action*	*Progress and Interventions*
GITO (supported by CMIS & CFO)	The non-integration of DOD IT systems. The non-integration of information systems (Finance, Supply Chain Management and Human Resources systems) and inadequate information technology network has a negative impact on the DOD's performance.	Risk transferred to the DOD Strategic Risk Register as part of the DOD Strategic ICT Risks that should be mitigated by the DOD ICT Strategy.	The DOD ICT Strategy that will enable the effective and efficient alignment of all legacy and new ICT requirements in support of the DOD's business requirement was completed and approved. Implementation plans are to be executed as from 01 April 2012 in accordance with short, medium and long term initiatives specified in the DOD ICT Strategy. Progress wrt the implementation plans will be monitored in accordance with the DOD Information Strategy Control Plan.

PART 4
HUMAN RESOURCE MANAGEMENT

OVERVIEW

In pursuance of the new growth path which places people's employment at the centre of Governments' economic policy, the Department continued, during the FY2011/12, with the implementation of its Overarching Human Resource Strategy. The strategy aims to ensure an appropriately composed, empowered and managed defence human resource complement to execute the Department's mandate and mission. The emphasis of implementation remained the rejuvenation of the South African National Defence Force's human resources, the ongoing configuration of the Department's human resource composition to meet operational requirements and the development of the Department's human capital, including youth development initiatives embedded in the Military Skills Development System (MSDS) and National Youth Service.

A total of 2 446 young members were appointed in the Military Skills Development System. The reduced Jan 2012 Intake is a result of a budget cut by national Treasury. The sustained implementation of the Military Skills Development System has led to 57% of Privates and equivalent ranks in the Regulars having complied with the ideal rank-age norm of between 18 and 24 years, at the end of FY2011/12. The reduction in the Military Skills Development could again result in an older workforce, especially in the Private ranks.

As part of the Department's continued efforts to rejuvenate, 91 Uniformed Personnel and 14 Public Service Act Personnel exited voluntarily by means of the Mobility Exit Mechanism and Employee-Initiated Severance Package, respectively. Besides facilitating the Department's rejuvenation efforts, these voluntary exits also gave further impetus to improve the demographic representation within the Department. At the end of FY2011/12, the full-time human resource composition of the Department comprised 71% Africans, 13% Coloureds, 1% Indians and 15% Whites. The total gender composition was 28% women and 72% men.

During FY2011/12, the acquisition and retention of scarce combat, technical and professional skills and experience continued to be a challenge. The Department pursued new retention incentives for the above scarce skills categories, including the implementation of a new Technical Allowance.

Besides the intakes for the Military Skills Development System, the Department trained 1 680 members in the National Youth Service system at De Brug and Saldanha in the FY2011/12. The seven week foundation phase project provided young people who received training in amongst others, personal discipline, civic education, patriotism and voluntarism. Together with the Military Skills Development System, the National Youth Service remained a core Departmental initiative to prepare the youth for careers either within or outside the Department.

In order to give further impetus to human capital development, the Department's Human Resource Development Strategy was approved and implemented in the FY2011/12. Concomitant with the development of the Department's Works Capability to maintain its own facilities, a reskilling programme has also been embarked on to build capacity within the National Defence Force for the development of qualified professionals and artisans who will form the core of the future Defence Works Capability. At the end of FY2011/12, there were 673 members under training with subsequent intakes having been planned.

In summary, during FY2011/12 the Department continued to pursue a human resource composition of appropriate quality, quantity, composition and cost, accountable human resource administration and meeting its commitments in pursuance of Government's human resource policy and strategy.

Take note that in cases where the added total differs from the indicated total in the table, it will be due to the rounding off of figures.

MACRO-PERSONNEL STRENGTH

The Macro-Personnel Strength of the DOD as at 31 March 2012 was 78 744. The planned average strength budgeted for the FY2011/12 is compared with the actual strength at the end of the financial year, in Table 4.1 below:

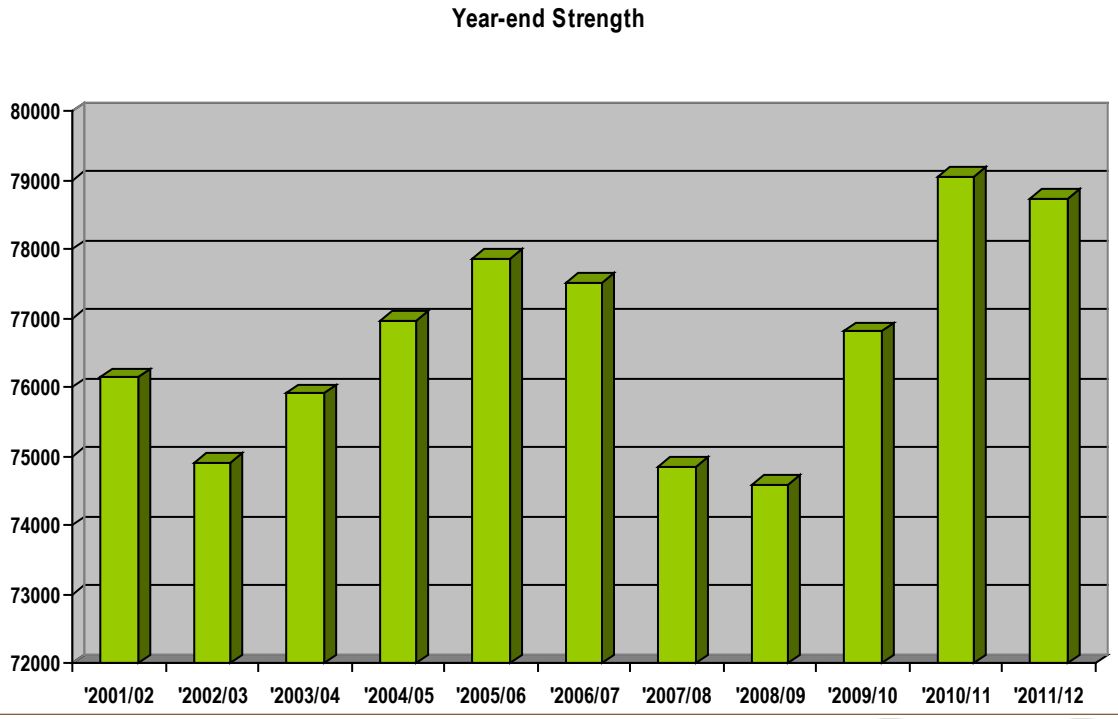
Table 4.1: DOD's Average Planned and Actual Strength as at 31 March 2012

Budget Holder	Planned	Actual
SA Army	41 123	39 445
SA Air Force	11 501	11 245
SA Navy	7 327	7 585
SA Military Health Services	8 976	9 098
Defence Legal Service Division	366	340
Defence Corporate Communication	69	56
Defence Reserves	29	29
Defence Foreign Relations Division	111	131
Corporate Staff Division	359	416
Military Policy, Strategy and Planning	25	26
Human Resource Division	1 666	1 400
Ministry of Defence	40	43
Chief of the SANDF Office	15	15
Defence Inspectorate Division	138	143
Chaplain General	15	22
Defence Policy, Strategy and Planning Division	105	90
Financial Management Division	908	841
Defence Secretariat	49	51
Defence International Affairs	17	17
Logistic Division	2 039	3 136
Command and Management Information System Division	157	142
Military Police Division	1 669	1 738
Defence Intelligence Division	693	773
Joint Operations Division	1 912	1 867
Defence Material Division	75	68
Department of Military Veterans		27
Total	**79 384**	**78 744**

DOD year-end strength

The DOD year-end strength changes since the FY2002/03 are indicated in Figure 2.

Figure 2: Department of Defence Year-end Strength as at 31 March 2012



SERVICE DELIVERY

The following tables reflect the components of the Service Delivery Improvement (SDI) Plan as well as progress made in the implementation thereof.

Table 4.2: Main services provided and standards

Main services	Actual customers	Potential customers	Standard of service	Actual achievement against standards
Military Skills Development System. The MSDS will provide qualified military practitioners who will enhance the operational readiness of the SANDF (deployment in external and internal operations), by rejuvenating Regulars and Reserves and granting development and empowerment opportunities to the SA Youth	DOD (HR rejuvenation of Regulars and Reserves)	Youth of the RSA. Public and Private Enterprises with members exiting the DOD after two years of service	The planned strength of 2 446 will enter into service to ensure the rejuvenation of Regulars and the Reserves. 1 680 empowered MSDS members join the Reserves to improve the conventional capability of the SANDF	2 379 entered into service to ensure the rejuvenation of Regulars and the Reserves. 986 empowered MSDS members joined the Reserves to improve the conventional capability of the SANDF
Implementation of performance management in the DOD by means of the Balanced Scorecard (BSC) methodology in order to empower leadership to make informed decisions and enhance visibility of performance	DOD Leadership	Members and employees of the DOD (Personnel governed by the Defence Act and Public Service Act respectively)	Top three score cards (DOD, Defence Secretariat and SANDF) integrated into DOD FY2011/12 Strategic Plans	Quantity. Top three score cards aligned with National Treasury requirements, the DOD's Electoral and sustained mandate. Fully integrated into the DOD Strategic Plans for FY2011/12. Quality. Level 1 Strategic Plans for FY2011/12 approved in Balanced Score card format

Table 4.3: Consultation arrangements with customers

Type of arrangement	Actual Customers	Potential Customers	Actual achievements
That the recruiting target set for the SANDF is met in terms of quality and quantity. That the members who exit the SANDF join the Reserves after Reserves briefings. That young school leavers are provided with both military and life skills before leaving the SANDF. That service contracts are issued to those members who qualify to support the drive to rejuvenate the Regulars and Reserves.	DOD (HR rejuvenation of Regulars and Reserves)	Youth of the RSA Public and Private Enterprises with members exiting the DOD after two years of service	2 379 entered into service to ensure the rejuvenation of Regulars and the Reserves
Department of Treasury involved in the full integration of the BSC into the DOD's BSC.	DOD Leadership	Members and employees of the DOD (Personnel governed by the Defence Act and Public Service Act respectively)	Development of organisational performance and individual performance other than senior management (post level 12 and lower) to align based on Balanced Scorecard methodology

Table 4.4: Service delivery access strategy

Access Strategy	Actual achievements
The DOD embarks on structured recruitment drives for school leavers to enter the MSDS, utilizing physical recruitment visits and lectures at schools and by means of television, newspapers, periodicals, radio and the internet.	2 446 entered into service to ensure the rejuvenation of Regulars and the Reserves. 986 empowered MSDS members join the Reserves to improve the conventional capability of the SANDF
Partial automation of the DOD's BSC's	Automation of DOD's Balanced Scorecard undergoing testing and evaluation.

Table 4.5: Service information tool

Types of information tool	Actual achievements
Information is provided through physical recruitment visits to schools, including lectures, and by means of television, brochures, pamphlets, periodicals, radio and the internet, open days and Commanding Officers' briefings, once in service	Information tools utilised optimally
Policies and directives	Promulgated and updated annually
DOD HR intranet website	Updated weekly with information about DOD HR management notices, developments and activities
SA Soldier	Official DOD monthly publication that includes articles focusing on DOD HR activities
DOD Information Bulletins	Published to inform personnel about HR-related developments within the DOD
Public Service Act Personnel Induction and Reorientation Programmes	Scheduled programmes conducted twice per year to introduce newly appointed and serving Public Service Act Personnel to the organisation and functioning of the Department at large
Empowerment Workshops for Commanders	Ongoing workshops presented to empower Commanders in the management of Labour Relations

Table 4.6: Complaints mechanism

Complaints Mechanism	Actual achievements
New Individual Grievances Regulations promulgated by MOD&MV on 30 June 2010	The new process is fully supported by the Grievance IT System and available throughout the DOD

Expenditure

The following tables summarise final audited expenditure by programme and by salary bands. In particular, it provides an indication of the amount spent on personnel costs in terms of each of the programmes or salary bands within the department.

Table 4.7: Personnel costs by programme, FY2011/12

Programme	Total Expenditure (Rand)	Personnel Expenditure (Rand)	Training Expenditure (Rand)	Professional and Special Services (Rand)	Personnel Cost as a Percent of Total Expenditure	Average Personnel Cost per Employee (Rand)
Defence Administration	3 748 288 763	1 190 599 663	14 310 411	35 017 552	32%	320 484
Landward Defence	10 943 116 281	7 572 004 456	30 082 259	22 785 983	69%	191 964
Air Defence	6 523 150 527	2 511 302 426	43 672 872	284 393 611	38%	223 326
Maritime Defence	2 569 441 175	1 535 686 678	8 423 336	24 713 073	60%	202 464
Military Health Support	3 400 875 849	2 333 564 096	14 036 081	62 362 760	69%	256 492
Defence Intelligence	661 112 833	227 372 198	2 664 320	164 740	34%	294 143
General Support	4 128 108 644	1 113 033 022	38 433 589	193 204 311	27%	221 897
Force Employment	2 358 514 748	1 188 255 581	3 139 938	12 286 748	50%	636 452
Total	**34 332 608 820**	**17 671 818 120**	**154 762 805**	**634 928 778**	**51%**	**224 421**

Note: 1: Personnel expenditure includes payments to the value of R102,838,188, which were made to Households in respect of attrition.
2: Total Expenditure includes Special Defence Account to the value of R4,862,656,765.

Table 4.8: Personnel costs by salary bands, FY2011/12

Salary Bands	Personnel Expenditure	% of Total Personnel Cost	Average Personnel Cost per Employee
Senior Management	270 609 528	1.531%	949 507
Senior Professionals	150 488 006	0.852%	1 286 222
Highly Skilled Supervision	4 262 538 032	24.121%	445 593
Highly Skilled Production	5 944 359 974	33.638%	249 010
Skilled	6 256 162 997	35.402%	173 966
Lower Skilled	202 496 392	1.146%	86 022
Military Skills Development System	584 866 471	3.310%	88 913
Interns	296 720	0.002%	29 672
Total	**17 671 818 120**	**100.000%**	**224 421**

Table 4.9: Salaries, Overtime, Home Owners Allowance and Medical Assistance by programme, FY2011/12

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	788 029 571	66%	3 195 748	0.3%	19 548 971	1.6%	15 343 047	1.3%
Landward Defence	5 346 557 603	71%	44 506 326	0.6%	210 115 871	2.8%	38 543 553	0.5%
Air Defence	1 689 752 773	67%	7 494 758	0.3%	54 453 082	2.2%	18 893 877	0.8%
Maritime Defence	1 064 652 564	69%	20 375 392	1.3%	34 415 747	2.2%	13 916 496	0.9%
Military Health Support	1 576 777 941	68%	166 278 971	7.1%	33 758 960	1.4%	7 067 463	0.3%
Defence Intelligence	169 595 423	75%	205 122	0.1%	4 678 902	2.1%	389 423	0.2%
General Support	792 951 172	71%	6 849 109	0.6%	26 151 011	2.3%	5 859 602	0.5%
Force Employment	332 348 130	28%	1 592 987	0.1%	8 157 177	0.7%	1 365 797	0.1%
Total	**11 760 665 177**	**67%**	**250 498 412**	**1.4%**	**391 279 721**	**2.2%**	**101 379 257**	**0.6%**

The following tables provide a summary per programme and salary bands, of expenditure incurred as a result of salaries, overtime, home owners allowance and medical assistance. In each case, the table provides an indication of the percentage of the personnel budget that was used for these items.

Table 4.10: Salaries, Overtime, Home Owners Allowance and Medical Assistance by salary bands, FY2011/12

Salary Bands	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
Senior Management	137 591 196	51%	559 808	0.2%	4 000	0.0%	0	0.0%
Senior Professionals	75 319 214	50%	31 189 533	20.7%	0	0.0%	0	0.0%
Highly Skilled Supervision	2 800 613 939	66%	102 518 750	2.4%	43 614 048	1.0%	3 677 338	0.1%
Highly Skilled Production	4 046 986 597	68%	49 754 008	0.8%	136 180 782	2.3%	32 390 197	0.5%
Skilled	4 169 897 455	67%	59 427 474	0.9%	197 369 685	3.2%	52 028 359	0.8%
Lower Skilled	132 146 912	65%	958 116	0.5%	14 111 206	7.0%	13 283 363	6.6%
Military Skills Development System	397 860 013	68%	6 090 725	1.0%	0	0.0%	0	0.0%
Interns	249 850	84%	0	0.0%	0	0.0%	0	0.0%
Total	**11 760 665 177**	**67%**	**250 498 412**	**1.4%**	**391 279 721**	**2.2%**	**101 379 257**	**0.6%**

Employment and vacancies

The following tables summarise the number of posts on the establishment, the number of employees, the vacancy rate, and whether there are any staff that are additional to the establishment. This information is presented in terms of three key variables: - programme, salary band and critical occupations. The vacancy rate reflects the percentage of posts that are not filled.

Table 4.11: Employment and vacancies by programme, 31 March 2012

Programme	Number of Posts	Number of Employees	Vacancy Rate	Number of Posts Filled Additional to the Establishment
Defence Administration	4 897	3 715	24.14%	1 182
Landward Defence	44 548	39 445	11.46%	5 103
Air Defence	12 815	11 245	12.25%	1 570
Maritime Defence	7 197	7 585	-5.39%	-388
Military Health Services	9 878	9 098	7.90%	780
Defence Intelligence	1 112	773	30.49%	339
General Support	5 475	5 016	8.38%	459
Force Employment	2 426	1 867	23.04%	559
Total	**88 348**	**78 744**	**10.87%**	**9 604**

**Note: Posts refer only to approved production posts captured on the post establishment of which only 79,384 were funded for FY2011/12. Number of posts filled additional to the establishment means the difference between the number of posts on the structure minus the number of employees in the SANDF. These are then vacant posts but not necessarily funded. In Maritime Defence they have more personnel on strength than posts.*

Table 4.12: Employment and vacancies by salary bands, 31 March 2012

Salary Band	Number of Posts	Number of Employees	Vacancy Rate	Number of Posts Filled Additional to the Establishment
Senior Management	298	285	4.36%	13
Senior Professionals	303	117	61.39%	186
Highly Skilled Supervision	11 146	9 566	14.18%	1 580
Highly Skilled Production	33 097	23 872	27.87%	9 225
Skilled	32 591	35 962	-10.34%	-3 371
Lower Skilled	10 913	2 354	78.43%	8 559
Military Skills Development System	0	6 578	0.00%	-6 578
Interns	0	10	0.00%	-10
Total	**88 348**	**78 744**	**10.87%**	**9 604**

Note: Posts refer only to approved production posts captured on the post establishment. There are no designated MSDS posts as MSDS members are placed in training posts at the commencement of training and only after training are they utilsed in approved production posts.

Table 4.13: Employment and vacancies by critical occupation, 31 March 2012

Critical Occupation	Number of Posts	Number of Employees	Vacancy Rate	Number of Posts Filled Additional to the Establishment
Air Space Control	537	570	-6.15%	-33
Aircrew	617	507	17.83%	110
Anti-Aircraft	970	909	6.29%	61
Artillery	1 292	1 416	-9.60%	-124
Combat Navy	633	403	36.33%	230
Engineer	180	138	23.33%	42
Medical Prof*	1 659	1 458	12.12%	201
Nursing	1 655	1 728	-4.41%	-73
Technical	8 493	6 859	19.24%	1 634
Total	**16 036**	**13 988**	**12.77%**	**2 048**

Note: 1: Occupations included in the Medical Professional category are Medical Practitioners, Pharmacists, Specialists and Ancillary Health.

2: Posts refer only to approved production posts captured on the post establishment. There are currently 803 MSDS members under training of which 156 are in the Artillery Occupation resulting in a figure of 124 Members as additional to the establishment

Job evaluation

The Public Service Regulations, 1999 introduced job evaluation as a way of ensuring that work of equal value is remunerated equally. Within a nationally determined framework, executing authorities may evaluate or re-evaluate any job in his or her organisation. In terms of the Regulations all vacancies on salary levels 9 and higher must be evaluated before they are filled. This was complemented by a decision by the Minister for the Public Service and Administration that all SMS jobs must be evaluated before 31 December 2002. The following table summarises the number of jobs that were evaluated during the year under review. The table also provides statistics on the number of posts that were upgraded or downgraded.

Table 4.14: Job Evaluation, 01 April 2011 to 31 March 2012

Salary Bands	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
Senior Management	298	33	11.07%	0	0.00%	0	0.00%
Senior Professionals	303	0	0.00%	0	0.00%	0	0.00%
Highly Skilled Supervision	11 146	134	1.20%	0	0.00%	0	0.00%
Highly Skilled Production	33 097	1258	3.80%	0	0.00%	2	0.16%
Skilled	32 591	1186	3.64%	4	0.34%	0	0.00%
Lower Skilled	10 913	783	7.17%	3	0.38%	0	0.00%
Military Skills Development System	0	0	0.00%	0	0.00%	0	0.00%
Interns	0	0	0.00%	0	0.00%	0	0.00%
Total	**88 348**	**3394**	**3.84%**	**7**	**0.21%**	**2**	**0.06%**

The following table provides a summary of the number of employees whose salary positions were upgraded due to their posts being upgraded. The number of employees might differ from the number of posts upgraded since not all employees are automatically absorbed into the new posts and some of the posts upgraded could also be vacant.

Table 4.15: Profile of employees whose salary positions were upgraded due to their posts being upgraded, 01 April 2011 to 31 March 2012

Beneficiaries	African	Asian	Coloured	White	Total
Female	0	0	0	0	0
Male	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**
Employees with a disability					0

The following table summarises the number of cases where remuneration levels exceeded the grade determined by job evaluation. Reasons for the deviation are provided in each case.

Table 4.16: Employees whose salary level exceeds the grade determined by job evaluation, 01 April 2011 to 31 March 2012 (in terms of PSR 1.V.C.3)

Total Number of Employees whose salaries exceeded the grades determined by job evaluation in FY2011/ 12	None

The following table summarises the beneficiaries of the above in terms of race, gender and disability.

Table 4.17: Profile of employees whose salary level exceeds the grade determined by job evaluation, 01 April 2011 to 31 March 2012 (in terms of PSR 1.V.C.3)

Beneficiaries	African	Asian	Coloured	White	Total
Female	0	0	0	0	0
Male	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**

Employees with a disability	0

Employment changes

This section provides information on changes in employment over the financial year. Turnover rates provide an indication of trends in the employment profile of the department. The following tables provide a summary of turnover rates by salary band and by critical occupations.

Table 4.18: Annual turnover rates by salary band for the period 01 April 2011 to 31 March 2012

Salary Band	Number of Employees as at 01 April 2011	Appointments and Transfers into the Department	Terminations and Transfers out of the Department	Turnover Rate
Minister/Deputy/Advisors	5	2	1	20.00%
Senior Management Service band D	3	1	1	0.00%
Senior Management Service band C	14	3	0	21.43%
Senior Management Service band B	53	4	6	-3.77%
Senior Management Service band A	187	5	14	-4.81%
Senior professionals	92	3	9	-6.52%
Highly skilled supervision	8 994	197	461	-2.94%
Highly skilled production	23 830	156	628	-1.98%
Skilled	34 856	173	1117	-2.71%
Lower skilled	2 090	694	69	29.90%
Military Skills Development System	8 911	2 446	1680	8.60%
Interns	10	4	3	10.00%
Total	**79 045**	**3 688**	**3 989**	**-0.38%**

Table 4.19: Annual turnover rates by critical occupation for the period 01 April 2011 to 31 March 2012

Critical Occupation	Number of Employees as at 01 April 2011	Appointments and Transfers into the Department	Terminations and Transfers out of the Department	Turnover Rate
Air Space Control	548	31	13	3.28%
Aircrew	517	7	15	-1.55%
Anti-Aircraft	907	40	33	0.77%
Artillery	1 498	48	129	-5.41%
Combat Navy	341	1	20	-5.57%
Engineer	140	1	6	-3.57%
Medical Prof	1 404	232	194	2.71%
Nursing	1 785	3	76	-4.09%
Technical	6 788	152	189	-0.55%
Total	**13 928**	**515**	**675**	**-1.15%**

Note: 256 MSDS members are included in the total appointment figure for all critical occupations

The following table identifies the major reasons why staff left the department.

Table 4.20: Reasons why staff are leaving the department

Termination Type	Number	% of Total
Death	637	15.97%
Resignation	453	11.36%
Contract Expiry	1 748	43.82%
Transfer	255	6.39%
Dismiss - Ops Req	3	0.08%
Dismiss - Ill Health	72	1.80%
Dismiss - Misconduct	194	4.86%
Discharge - Incapacity	1	0.03%
Retirement	521	13.06%
MEM/EISP/VSP	105	2.63%
Total Number of Employees who left as a % of the Total Employment as at 31 March 2012	**3 989**	**5.07%**

**Note: A higher number of MSDS exited in December 2011.*

Table 4.21: Promotions by critical occupation

Critical Occupation	Number of Employees as at 01 April 2011	Promotions to Another Salary Level	Notch progressions as a % of employees by occupation
Air Space Control	548	134	24.45%
Aircrew	517	172	33.27%
Anti-Aircraft	907	81	8.93%
Artillery	1 498	135	9.01%
Combat Navy	341	135	39.59%
Engineer	140	46	32.86%
Medical Professional	1 404	158	11.25%
Nursing	1 785	184	10.31%
Technical	6 788	1 071	15.78%
Total	**13 928**	**2 116**	**15.19%**

Table 4.22: Promotions by salary band

Salary Band	Number of Employees as at 01 April 2011	Promotions to Another Salary Level	Notch progressions as a % of employees by salary
Senior management	262	21	8.02%
Senior professionals	92	14	15.22%
Highly skilled supervision	8 994	1 288	14.32%
Highly skilled production	23 830	2 549	10.70%
Skilled	34 856	5 299	15.20%
Lower skilled	2 090	59	2.82%
Military Skills Development System	8 911	0	0.00%
Interns	10	0	0.00%
Total	**79 045**	**9 230**	**11.68%**

Employment equity

The tables in this section are based on the formats prescribed by the Employment Equity Act, 1998 (Act No. 55 of 1998).

Table 4.23: Total number of employees (including employees with disabilities) in each of the following occupational categories as on 31 March 2012

Occupational Category (SASCO)	Male				Female				Total
	African	Asian	Coloured	White	African	Asian	Coloured	White	
Legislators, Snr Officials and Managers	1	0	0	0	1	0	0	0	2
Professionals	774	92	135	484	696	85	214	589	3 069
Technicians and Associate Professionals	3 219	62	440	1 187	1 616	54	312	555	7 445
Clerks	5 768	106	1 493	1 112	3 606	77	702	2 054	14 918
Service and Sales Workers	21 466	182	2 916	1 893	4 754	22	780	500	32 513
Craft and Related Trades Workers	4 720	177	1 086	2 179	1 226	10	211	242	9 851
Plant and Machine Operators and Assemblers	265	1	87	21	9	0	2	0	385
Elementary Occupations	5 409	22	1 096	529	2 655	14	664	172	10 561
Total	**41 622**	**642**	**7 253**	**7 405**	**14 563**	**262**	**2 885**	**4 112**	**78 744**
Employees with disabilities	215	4	64	105	18	0	5	53	464

Table 4.24: Total number of employees (including employees with disabilities) in each of the following occupational bands as on 31 March 2012

Occupational Band	Male				Female				Total
	African	Asian	Coloured	White	African	Asian	Coloured	White	
Top Management	20	1	0	3	4	0	0	1	29
Senior management	149	12	10	116	49	9	5	23	373
Professionally Qualified	2 849	176	819	3 020	1 134	87	237	1 244	9 566
Skilled Technical	10 671	302	2 941	3 096	3 527	108	840	2 387	23 872
Semi-skilled	23 642	101	2 790	862	6 991	34	1 197	345	35 962
Unskilled	961	1	218	15	868	6	252	33	2 354
Military Skills Development System	3 323	49	475	293	1 987	18	354	79	6 578
Interns	7	0	0	0	3	0	0	0	10
Total	**41 622**	**642**	**7 253**	**7 405**	**14 563**	**262**	**2 885**	**4 112**	**78 744**

Table 4.25: Recruitment for the period 01 April 2011 to 31 March 2012

Occupational Band	Male				Female				Total
	African	Asian	Coloured	White	African	Asian	Coloured	White	
Top Management	3	0	0	2	1	0	0	0	6
Senior management	4	0	0	1	4	1	1	1	12
Professionally Qualified	27	17	2	33	35	16	14	53	197
Skilled Technical	35	1	11	15	55	3	22	14	156
Semi-skilled	57	0	17	9	64	0	14	12	173
Unskilled	253	0	64	4	252	1	113	7	694
Military Skills Development System	1 267	25	169	124	722	5	108	26	2 446
Interns	1	0	0	0	3	0	0	0	4
Total	**1 647**	**43**	**263**	**188**	**1 136**	**26**	**272**	**113**	**3 688**

Employees with disabilities	0	0	0	0	0	0	0	0	0

Table 4.26: Promotions for the period 01 April 2011 to 31 March 2012

Occupational Band	Male				Female				Total
	African	Asian	Coloured	White	African	Asian	Coloured	White	
Top Management	4	0	0	0	0	0	0	0	4
Senior Management	15	0	0	6	5	1	1	3	31
Professionally Qualified	502	25	109	228	244	17	61	102	1 288
Skilled Technical	1 356	19	222	180	529	16	85	142	2 549
Semi-skilled	2 883	30	346	290	1 496	7	194	53	5 299
Unskilled	5	0	5	0	24	3	22	0	59
Total	**4 765**	**74**	**682**	**704**	**2 298**	**44**	**363**	**300**	**9 230**
Employees with disabilities	20	0	4	3	1	0	0	1	29

Table 4.27: Terminations for the period 01 April 2011 to 31 March 2012

Occupational Band	Male				Female				Total
	African	Asian	Coloured	White	African	Asian	Coloured	White	
Top Management	1	0	0	0	1	0	0	0	2
Senior Management	16	1	0	9	3	0	0	0	29
Professionally Qualified	83	11	33	157	60	16	13	88	461
Skilled Technical	255	10	47	88	107	3	14	104	628
Semi-skilled	707	2	115	30	211	0	42	10	1 117
Unskilled	36	0	11	1	15	0	5	1	69
Military Skills Development System	931	7	71	71	543	0	45	12	1 680
Interns	0	0	0	0	3	0	0	0	3
Total	**2 029**	**31**	**277**	**356**	**943**	**19**	**119**	**215**	**3 989**
Employees with disabilities	5	0	0	1	1	0	1	2	10

Table 4.28: Misconduct and Disciplinary Hearings Finalised for the period 01 April 2011 to 31 March 2012

Occupational Band	Male				Female				Total
	African	Coloured	Asian	White	African	Coloured	Asian	White	
Senior Management	0	0		0	0	1	0	0	1
Professionally Qualified	0	0	0	0	0	0	0	0	0
Skilled Technical	0	0	0	0	0	0	0	0	0
Semi-Skilled	6	5	0	1	3	2	0	0	17
Unskilled	18	5	0	0	6	6	3	3	41
Military Skills Development System	0	0	0	0	0	0	0	0	0
Total	**23**	**10**	**0**	**1**	**6**	**8**	**3**	**3**	**59**

Table 4.29: Training Provided for the period 01 April 2011 to 31 March 2012

Occupational Categories	Gender	Number of Employees as at 01 April 2011	Training Provided within Start of Reporting Period			
			Learnerships	Skills Programmes and other Short Courses	Other Forms of Training	Total
Legislators, senior officials and managers	Female	1	0	0	1	1
	Male	1	0	0	2	2
Professionals	Female	1 556	0	1 100	300	1 400
	Male	1 474	0	1 150	820	1 970
Technicians and associate professionals	Female	2 499	40	640	550	1 230
	Male	4 904	60	2 700	2 800	5 560
Clerks	Female	6 297	800	6 000	1 220	8 020
	Male	8 472	850	6 500	1 500	8 850
Service and sales workers	Female	6 333	250	3 150	1 400	4 800
	Male	27 096	143	8 500	10 500	19 143
Craft and related trades workers	Female	1 603	0	1 300	479	1 779
	Male	8 098	0	950	1 514	2 464
Plant and machine operators and assemblers	Female	7	4	3	5	12
	Male	394	0	319	132	451
Elementary occupations	Female	3 275	1 023	1 600	1 300	3 923
	Male	7 035	1 900	3 500	4 600	10 000
Subtotal	Female	21 571	2 117	13 793	5 255	21 165
	Male	57 474	2 953	23 619	21 868	48 440
Total		**79045**	**5070**	**37412**	**27123**	**69605**

Employees with disabilities	0	0	0	0	0	0

Performance rewards

To encourage good performance, the department has granted the following performance rewards during the year under review. The information is presented in terms of race, gender, disability, salary bands and critical occupations.

Table 4.30: Performance Rewards by race, gender and disability, 01 April 2011 to 31 March 2012

Race	Gender	Total number of Employees in Group as at 01 April 2011	Number of Beneficiaries	% of Total within Group	Total Cost (Rand)	Average cost per Employee (Rand)
African	Male	41 874	7	0.02%	16 080	2 297
	Female	14 344	8	0.06%	26 784	3 348
African Total		56 218	15	0.03%	42 864	2 858
Asian	Male	623	0	0.00%	0	0
	Female	252	0	0.00%	0	0
Asian Total		875	0	0.00%	0	0
Coloured	Male	7 255	5	0.07%	15 480	3 096
	Female	2 723	2	0.07%	3 000	1 500
Coloured Total		9 978	7	0.07%	18 480	2 640
White	Male	7 511	9	0.12%	55 976	6 220
	Female	4 201	7	0.17%	31 661	4 523
White Total		11 712	16	0.14%	87 636	5 477
Grand Total		**78 783**	**38**	**0.05%**	**148 981**	**3 921**
Employees with Disabilities		444	0	0.00%	0	0

*Note: *Due to the implementation of the new Performance Management Development System (PMDS) performance rewards were not paid for the FY2011/12. The ones paid were rectifications of the previous assessment cycle. The results of the assessment period 01 April 2011 to 31 March 2012 will be taken into consideration for the payment of performance rewards in July 2012. The surplus funds were used to clear the shortfall in the personnel budget due to the fact that the DOD did not receive the full amount of the difference between the planned 5.5% annual salary increase and the approved 6.8%.*

Table 4.31: Performance Rewards by salary bands for personnel below Senior Management Service, 01 April 2011 to 31 March 2012

Salary Band	Beneficiary Profile			Cost		
	Total number of Employees as at 01 April 2011	Number of Beneficiaries	% of Total within Salary Band	Total Cost (Rand)	Average cost per Employee (Rand)	Total Cost as a % of the Total Personnel Expenditure per Salary Band
Senior Professionals	92	0	0.00%	0	0	0.00%
Highly Skilled Supervision	8 994	9	0.10%	72 492	8 055	0.00%
Highly Skilled Production	23 830	12	0.05%	36 324	3 027	0.00%
Skilled	34 856	16	0.05%	38 765	2 423	0.00%
Lower Skilled	2 090	1	0.05%	1 400	1 400	0.00%
Military Skills Development System	8 911	0	0.00%	0	0	0.00%
Interns	10	0	0.00%	0	0	0.00%
Total	**78 783**	**38**	**0.05%**	**148 981**	**3 921**	**0.00%**

Table 4.32: Performance Rewards by critical occupations, 01 April 2011 to 31 March 2012

Critical Occupation	Beneficiary Profile			Cost	
	Total number of Employees as at 01 April 2011	Number of Beneficiaries	% of Total within Salary Band	Total Cost (Rand)	Average cost per Employee (Rand)
Air Space Control	543	1	0.18%	2 400	2 400
Aircrew	506	0	0.00%	0	0
Anti-Aircraft	906	0	0.00%	0	0
Artillery	1 495	0	0.00%	0	0
Combat Navy	327	0	0.00%	0	0
Engineer	136	0	0.00%	0	0
Medical Prof	1 393	2	0.14%	14 560	7 280
Nursing	1 783	2	0.11%	12 680	6 340
Technical	6 778	6	0.09%	31 143	5 191
Total	**13 867**	**11**	**0.08%**	**60 783**	**5 526**

Table 4.33: Performance related rewards (cash bonus), by salary band, for Senior Management Service

Salary Band	Beneficiary Profile			Cost		
	Total number of Employees as at 01 April 2011	Number of Beneficiaries	% of Total within Salary Band	Total Cost (Rand)	Average cost per Employee (Rand)	Total Cost as a % of the Total Personnel Expenditure per Salary Band
Senior Management Service Band A	187	0	0.00%	0	0	0.00%
Senior Management Service Band B	53	0	0.00%	0	0	0.00%
Senior Management Service Band C	14	0	0.00%	0	0	0.00%
Senior Management Service Band D	3	0	0.00%	0	0	0.00%
Minister/Deputy/Advisors	5	0	0.00%	0	0	0.00%
Total	**262**	**0**	**0.00%**	**0**	**0**	**0.00%**

Foreign workers

The tables below summarise the employment of foreign nationals in the department in terms of salary bands and by major occupation. The tables also summarise changes in the total number of foreign workers in each salary band and by each major occupation.

Table 4.34: Foreign Workers, 01 April 2011 to 31 March 2012, by salary band

Salary Band	01 April 2010		31 March 2011		Change	
	Number	% of Total	Number	% of Total	Number	% change
Lower skilled (Levels 1-2)	0	0	0	0	0	0
Skilled (Levels 3-5)	0	0	0	0	0	0
Highly skilled production (Levels 6-8)	0	0	0	0	0	0
Highly skilled supervision (Levels 9-12)	0	0	0	0	0	0
Senior management (Levels 13-16)	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**

Table 4.35: Foreign Workers, 01 April 2011 to 31 March 2012, by major occupation

Major Occupation	01 April 2010		31 March 2011		Change	
	Number	% of Total	Number	% of Total	Number	% change
N/A	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**

Leave utilisation for the period 01 January 2011 to 31 December 2011

The Public Service Commission identified the need for careful monitoring of sick leave within the public service. The following tables provide an indication of the use of sick leave and disability leave. In both cases, the estimated cost of the leave is also provided.

Table 4.36: Sick Leave (taken by Uniformed Personnel) for the period 01 January 2011 to 31 December 2011

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)
Senior Management	798	118	54%	7	1 395 121
Senior Professionals	294	49	58%	6	825 994
Highly Skilled Supervision	38 396	5 595	64%	7	42 181 289
Highly Skilled Production	100 494	13 942	68%	7	66 117 724
Skilled	115 731	16 047	54%	7	55 851 230
Military Skills Development System	5 086	1 158	18%	4	1 340 708
Total	**260 799**	**36 909**	**56%**	**7**	**167 712 066**

Table 4.37: Sick Leave (taken by Public Service Act Personnel) for the period 01 January 2011 to 31 December 2011

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)
Senior Management	214	31	47%	7	406 347
Senior Professionals	40	7	22%	6	100 803
Highly Skilled Supervision	4 295	582	68%	7	4 981 183
Highly Skilled Production	24 901	2 781	86%	9	14 302 223
Skilled	38 527	4 428	72%	9	11 754 408
Lower Skilled	12 726	1 466	62%	9	3 138 321
Interns	25	7	70%	4	4 060
Total	**80 728**	**9 302**	**73%**	**9**	**34 687 345**

Note: Employees are entitled to 36 working days sick leave in a cycle of 3 years on an average norm of 9 working days per year.

Table 4.38: Disability Leave (temporary and permanent – taken by Uniformed Personnel) for the period 01 January 2011 to 31 December 2011

Salary Band	Total Days	Number of Employees using Disability Leave	% of Total Employees using Disability Leave	Average Days per Employee using Disability Leave	Estimated Cost (Rand)
Senior Management	373	13	6%	29	700 352
Senior Professionals	19	1	1%	19	53 828
Highly Skilled Supervision	14 171	510	6%	28	15 512 216
Highly Skilled Production	33 745	1 356	7%	25	22 932 309
Skilled	32 467	1 268	4%	26	16 271 395
Military Skills Development System	0	0	0%	0	0
Total	**80 775**	**3 148**	**5%**	**26**	**55 470 101**

Table 4.39: Disability Leave (temporary and permanent – taken by Public Service Act Personnel) for the period 01 January 2011 to 31 December 2011

Salary Band	Total Days	Number of Employees using Disability Leave	% of Total Employees using Disability Leave	Average Days per Employee using Disability Leave	Estimated Cost (Rand)
Senior Management	0	0	0%	0	0
Senior Professionals	0	0	0%	0	0
Highly Skilled Supervision	1 087	31	4%	35	1 402 769
Highly Skilled Production	11 519	351	11%	33	6 463 185
Skilled	25 282	606	10%	42	7 612 105
Lower Skilled	4 683	124	5%	38	1 215 810
Interns	0	0	0%	0	0
Total	**42 571**	**1 112**	**9%**	**38**	**16 693 869**

Note: Employees are entitled to disability leave after the 36 working days of normal sick leave have been fully utilised.

Table 4.40: Annual Leave (taken by Uniformed Personnel) for the period 01 January 2011 to 31 December 2011

Salary Band	Total Days Taken	Average Days per Employee using Annual Leave
Senior Management	4 846	23
Senior Professionals	1 857	22
Highly Skilled Supervision	209 415	24
Highly Skilled Production	488 970	24
Skilled	560 757	21
Lower Skilled	0	0
Military Skills Development System	56 909	14
Total	**1 322 754**	**22**

Table 4.41: Annual Leave (taken by Public Service Act Personnel) for the period 01 January 2011 to 31 December 2011

Salary Band	Total Days Taken	Average Days per Employee using Annual Leave
Senior Management	949	19
Senior Professionals	221	28
Highly Skilled Supervision	14 838	22
Highly Skilled Production	75 770	24
Skilled	150 786	24
Lower Skilled	38 319	19
Interns	144	13
Total	**281 027**	**23**

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.

Table 4.42: Capped Leave (taken by Uniformed Personnel) for the period 01 January 2011 to 31 December 2011

Salary Band	Total Days of Capped Leave Taken	Average Number of Days Taken per Employee	Average Capped Leave per Employee as at 31 December 2011
Senior Management	83	8	108
Senior Professionals	8	3	62
Highly Skilled Supervision	4 183	6	47
Highly Skilled Production	7 223	5	24
Skilled	5 479	6	20
Total	**16 975**	**6**	**28**

Table 4.43: Capped Leave (taken by Public Service Act Personnel) for the period 01 January 2011 to 31 December 2011

Salary Band	Total Days of Capped Leave Taken	Average Number of Days Taken per Employee	Average Capped Leave per Employee as at 31 December 2011
Senior Management	4	4	47
Senior Professionals	5	5	45
Highly Skilled Supervision	275	9	45
Highly Skilled Production	810	4	31
Skilled	2 163	6	50
Lower Skilled	93	4	23
Total	**3 350**	**5**	**43**

Note: Although 5% of employees took capped leave it is to the benefit of the DOD as it will reduce the financial contingent liability on the DOD with respect to leave credits

HIV and AIDS & health promotion programmes

The tables below summarise HIV and AIDS & Health Promotion programmes in the department.

Table 4.44: Steps taken to reduce the risk of occupational exposure

Units/categories of employees identified to be at high risk of contracting HIV & related diseases (if any)	*Key steps taken to reduce the risk*
Low risk: All Members	HIV and AIDS workplace programmes Peer education programmes Availability first aid kits/boxes/personal protective equipment Wellness programmes Condom distribution points for both males and females Health promotion programmes before and after deployments
Medium risk: Members on deployment (internal to RSA)	All the above programmes and interventions apply. The emphasis is on discipline and the conduct of military personnel HIV and AIDS lectures given during all military courses Trained operational emergency care practitioners deploy with troops
High risk: Members on deployment (external to RSA)	All the programmes and interventions reflected for low and medium risk exposure Peer education Trained operational emergency care practitioners Specific HIV prevention programmes aimed at reducing high risk behaviour Specific health promotion programmes during deployment

Table 4.45: Details of Health Promotion and HIV and AIDS Programmes (tick the applicable boxes and provide the required information)

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		Brig Gen L.L. Siwisa until 16 Jan 2012, thereafter Brig Gen E.M. Joseph Director HIV and AIDS SA National Defence Force 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		The Directorate HIV and AIDS Programmes co-ordinate "*The Comprehensive Plan for Care, Management and Treatment of HIV and AIDS in the Department of Defence and Military Veterans*" with a staff compliment of three members, including the Director. The Director is assisted by an Advisory Board and Coordinating Committee. In addition, two members manage monitoring and evaluation of the Department of Defence and Military Veterans HIV and AIDS programme. HIV prevention and health promotion programmes are planned and implemented throughout the organisation by 15 Regional HIV and AIDS Managers based in the nine provinces of South Africa. Wellness programmes are executed at SA Army, SA Air Force, SA Navy and SA Military Health Service unit level through Military Community Development Committees. All Commanding Officers in the SA National Defence Force have the responsibility to ensure that wellness programmes take place in their respective units. Health care practitioners at primary health care level provide HIV prevention, health promotion and curative HIV and AIDS programmes to all patients/clients throughout the organisation. The HIV and AIDS Programme of the Department of Defence and Military Veterans is funded through the departments' budget, the budget of the Military Health Support Programme and through optional funding to the Military Health Support Programme. The budget allocation for FY2011/12 was Rm48. In addition, donor funding was received from the United States President's Emergency Plan Fund for Aids Relief for prevention programmes and also donor funding from the United States National Institute for Health for research (Project Phidisa)

Question	Yes	No	Details if yes
Has the Department introduced an Employee Assistance or Health Promotion Programme for you employees? If so indicate the key elements/ services of this Programme	x		The Military Health Support Programme has played a key role in intensifying the campaign against communicable diseases and the treatment of patients through the Comprehensive Plan for Care, Management and Treatment of HIV and AIDS in the Department of Defence and Military Veterans. These programmes include prevention of HIV and health promotion programmes. Progress has been made with the plan to increase treatment to HIV members and to increase prevention programmes such as workplace programmes to be accessible at all primary military health care facilities. The challenge un executing these plans are as a result of the shortage of health care practitioners and funding. The key elements of the HIV Prevention and Health Promotion Programmes are: HIV Counselling and testing. HIV and AIDS workplace programmes (includes condom provision, behaviour modification programmes, peer education training, gender based training, CHATSEC, mass awareness and occupational health and safety). Mass awareness campaigns. Management of occupational transmission eg supply of personal protective equipment. Post-exposure prophylaxis. Prevention of vertical transmission previously known as mother to child transmission. Prevention of opportunistic infections. Utilisation of all awareness opportunities (eg National Health Days, Health Month, World AIDS Day, Commemoration Days, etc). Programmes/projects that focus on abstinence and faithfulness. Medical male circumcision. Prevention with positives. Prevention and treatment of alcohol and drug abuse. Key elements of the Health Promotion Programmes are: Counselling and Support. Comprehensive health assessments. Health education, training and development by means of lectures. Management of sexually transmitted infections. Health promotion through physical training, sport and recreation. Poster presentations. Health programmes targeting women of child bearing age Awareness programmes. Involvement of non-governmental organisations and communities. Community development programmes ie Thaba Tshwane Project Health Fares and Health Walks. The facilitation of the Combating HIV and AIDS Through Spiritual and Ethical Conduct (CHATSEC) programme to members of the SA Military Health Service Military Skills Development System formed part of prevention and promotion interventions. Three mobile clinics were procured with donor funds for the provision of health care services to eligible patients in remote rural areas. They are currently deployed in Mpumalanga, Limpopo and KwaZulu Natal provinces. An additional three mobile clinics will be procured with donor funds within the next two years.

Question	Yes	No	Details if yes
Has the Department established (a) committee(s) 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 the represent		x	The "*Comprehensive Plan for Care, Management and Treatment of HIV and AIDS in the Department of Defence: 2011-2016*" is coordinated through the Directorate HIV and AIDS Programmes. Coordination within the SA National Defence Force through bilateral meetings between the SA Military Health Service and the SA Army, the SA Navy and the SA Air Force via the Advisory Board. The Director HIV and AIDS coordinate matters through the SAMHS HIV and AIDS Coordinating Committee. The committee consists of members representing formations and units that provide health care services.
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		There are numerous policies that address the issues of discrimination including the DOD Overarching HR Strategy. All HIV infected uniformed members are managed according to "*The DOD Instruction on the Management of HIV and AIDS in the DOD*" and the "*Department of Defence Directive on the Health Classification and Deployability of SA National Defence Force Members with HIV and AIDS*".
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 department adheres to the principle of equity and equally of opportunities in all practices. It values and manages diversity and in doing so recognises that talent, ability and potential are inherently distributed across the population. It strives to eradicate all forms of unfair discrimination within the department. Policy documents: Department of Defence Directive: Transformation Management in the Department of Defence Department of Defence Instruction: Policy on Transformation Management in the Department of Defence Joint Defence Publication: Process and Procedures for Transformation Management in the Department of Defence.
Does the Department encourage its employees to undergo Voluntary Counseling and Testing? If so list the results that you have achieved.	x		All uniformed members of the Department of Defence are required to undergo regular HIV testing as part of Comprehensive Health Assessments. In addition the SA Military Health Service is a Key Stakeholder in the National Department of Health HIV Counselling and Testing Campaign with.
Has the Department developed measures/ indicators to monitor & evaluate the impact of its health promotion programme? If so list these measures/indicators	x		The monitoring and evaluation of the Department of Defence and Military Veterans HIV and AIDS Programme is managed by Instruction. Sources of data are: Knowledge Attitude and Practice Survey (Last survey performed 2007, next survey planned for May2012). Health Informatics Clinical Data Management System. Project Feedback Forms submitted following interventions (all planned HIV prevention interventions are monitored). Care and Treatment indicators are monitored for patients on anti-retroviral treatment. Information from staff visits to the various units.

Labour relations

The following collective agreements were entered into with trade unions within the department.

Table 4.46: Collective agreements, 01 April 2011 to 31 March 2012

Total collective agreements	None

The following table summarises the outcome of disciplinary hearings conducted within the department for the year under review.

Table 4.47: Misconduct and Disciplinary Hearings finalised for the period 01 April 2011 to 31 March 2012

Outcomes of disciplinary hearings	Number	% of Total
Correctional counselling	1	2%
Verbal warning	3	5%
Written warning	16	27%
Final written warning	12	20%
Suspended without pay	8	14%
Fine	0	0%
Demotion	0	0%
Dismissal	9	15%
Not guilty	5	8%
Case withdrawn	5	8%
Total	**59**	**100%**

Note: Fines do not mean sanctions as contained in PSCBC Resolution 2/99 as amended by PSCBC Resolution 01/03

Table 4.48: Types of Misconduct addressed at Disciplinary Hearings for the period 01 April 2011 to 31 March 2012

Type of misconduct	Number	% of Total
Absence without permission	14	26%
Theft	14	26%
Fraud	6	11%
Assault	2	4%
Misuse/Damage of State Property	3	6%
Disobedience/Insubordination	3	6%
Unauthorised Use/Possession of State Property	3	6%
Mismanagement/Loss of State Funds	6	11%
Threatening conduct	1	2%
Disclosure of confidential information	1	2%
Total	**53**	**100%**

Note: The figures indicated in tables 4.47 and 4.48 differ due to the reason that an employee may be charged for more than one offence at a single disciplinary hearing.

Table 4.49: Grievances Lodged for the period 01 April 2011 to 31 March 2012

Grievances	Number
Number of Grievances Resolved	54
Number of Grievances not Resolved	142
Total Number of Grievances Lodged	**196**

Note: Individual grievances may be finalized within 90 working days in accordance with the Individual Grievances Regulations (Government Gazette No 33334 dd 30 June 2010)

Table 4.50: Disputes Lodged with Councils for the period 01 April 2011 to 31 March 2012

Disputes	Number
Number of disputes upheld	4
Number of disputes dismissed	24
Total number of disputes lodged	**51**

Note: The dispute proceedings operate within the prescripts of the law, similar to court procedures. Timeframes, set downs etc are all indicated by Bargaining Council/CCMA having jurisdiction.

Table 4.51: Strike Actions for the period 01 April 2011 to 31 March 2012

Total number of person working days lost	0
Total cost of working days lost	R0
Amount recovered as a result of no work no pay	R0

Table 4.52: Precautionary Suspensions (of Uniformed Personnel) for the period 01 April 2011 to 31 March 2012

Number of people suspended	26
Number of people whose suspensions exceeded 30 days	26
Average number of days suspended	365
Cost of suspensions	R15 407 925

Skills development

This section highlights the efforts of the department with regard to skills development.

Table 4.53: Training Needs Identified for the period 01 April 2011 to 31 March 2012

Occupational Categories	Gender	Number of Employees as at 01 April 2011	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	1	0	0	1	1
	Male	1	0	0	3	3
Professionals	Female	1 556	0	1 100	300	1 400
	Male	1 474	0	1 150	822	1 972
Technicians and associate professionals	Female	2 499	40	640	550	1 230
	Male	4 904	60	2 700	2 800	5 560
Clerks	Female	6 297	800	6 000	1 220	8 020
	Male	8 472	850	6 500	1 500	8 850
Service and sales workers	Female	6 333	250	3 150	1 400	4 800
	Male	27 096	143	8 500	10 500	19 143
Craft and related trades workers	Female	1 603	0	1 300	479	1 779
	Male	8 098	0	950	1 514	2 464
Plant and machine operators and assemblers	Female	7	0	3	5	8
	Male	394	0	325	132	457
Elementary occupations	Female	3 275	1 023	1 600	1 300	3 923
	Male	7 035	1 920	3 500	4 600	10 020
Subtotal	Female	21 571	2 113	13 793	5 255	21 161
	Male	57 474	2 973	23 625	21 871	48 469
Total		**79 045**	**5 086**	**37 418**	**27 126**	**69 630**

Table 4.54: Training Provided for the period 01 April 2011 to 31 March 2012

Occupational Categories	Gender	Number of Employees as at 01 April 2011	Training Provided within Start of Reporting Period			
			Learnerships	Skills Programmes and other Short Courses	Other Forms of Training	Total
Legislators, senior officials and managers	Female	1	0	0	1	1
	Male	1	0	0	2	2
Professionals	Female	1 556	0	1 100	300	1 400
	Male	1 474	0	1 150	820	1 970
Technicians and associate professionals	Female	2 499	40	640	550	1 230
	Male	4 904	60	2 700	2 800	5 560
Clerks	Female	6 297	800	6 000	1 220	8 020
	Male	8 472	850	6 500	1 500	8 850
Service and sales workers	Female	6 333	250	3 150	1 400	4 800
	Male	27 096	143	8 500	10 500	19 143
Craft and related trades workers	Female	1 603	0	1 300	479	1 779
	Male	8 098	0	950	1 514	2 464
Plant and machine operators and assemblers	Female	7	4	3	5	12
	Male	394	0	319	132	451
Elementary occupations	Female	3 275	1 023	1 600	1 300	3 923
	Male	7 035	1 900	3 500	4 600	10 000
Subtotal	Female	21 571	2 117	13 793	5 255	21 165
	Male	57 474	2 953	23 619	21 868	48 440
Total		**79 045**	**5 070**	**37 412**	**27 123**	**69 605**

Injury on duty

The following tables provide basic information on injury on duty.

Table 4.55: Injury on Duty (by Uniformed Personnel) for the period 01 April 2011 to 31 March 2012

Nature of Injury on Duty	Number	% of Total
Required basic medical attention only[1]	1 176	79%
Temporary total Disablement[2]	24	2%
Permanent Disablement[3]	264	18%
Fatal[4]	24	2%
Total	**1 488**	**100%**

Table 4.56: Injury on Duty (by Public Service Act Personnel) for the period 01 April 2011 to 31 March 2012

Nature of Injury on Duty	Number	% of Total
Required basic medical attention only[1]	204	71%
Temporary total Disablement[2]	36	13%
Permanent Disablement[3]	36	13%
Fatal[4]	12	4%
Total	**288**	**100%**

**Note: 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 stabilize 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 to a loss of a limb or 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 4.57: Report on Consultant Appointments using appropriate funds, FY2011/12

Project Title/Description	Total number of consultants that worked on project	Duration : Work days	Value In Rand
CFO KPMG/SAB&T/BIG - Operation Clean Audit	1*	26 Days	6,791,700.97
CFO Protect -A- Partner - Audit Consultants - GRAP Project	2	56 Days	709,337.31
Def Insp Div Beracah Economic Consulting CC - SADFI Feasibility Study	1*	31 Days	1,071,600.00
C LOG PiLog (SA) - Bar Coding	1*	107 Days	4,796,502.92
MOD&MV Ministerial Task Team Academics on National Youth Service -4 Professors	4	71 Days (568 Hours)	579,928.00
CHR Research on Medals, SOPs Directives and Policies - 1 Professor	1	5 Days (38 Hours)	13,125.00
Total number of Projects	**Total individual consultants**	**Total duration: Work days**	**Total in Rand**
6	7	296 Days	13,962,194.20

**Note: Denotes that one Service Provider was appointed as the consultant and provided the Department of Defence with personnel at different remuneration rates as well as their admin fee and overheads. The expenditure is for the FY2011/12. Based on the above it would be incorrect to mathematically distribute the figures as if it were based on man-hours or man-days.*

Table 4.58: Analysis of consultant appointments using appropriated funds, in terms of Historically Disadvantaged Individuals (HDIs)

Project Title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of Consultants from HDI groups that work on the project
CFO KPMG/SAB&T/BIG - Operation Clean Audit	44%	86%	87
CFO Protect -A- Partner - Audit Consultants - GRAP Project	45%	40%	0
Def Insp Div Beracah Economic Consulting – SADFI Feasibility Study	100%	100%	5
C LOG PiLog (SA) - Bar Coding	51%	51%	4
MOD&MV Ministerial Task Team Academics on National Youth Service - 4 Professors	100%	100%	4
CHR Research on Medals, SOPs Directives and Policies - 1 Professor	0%	0%	0

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Part 5
ANNUAL FINANCIAL STATEMENTS

DEPARTMENT OF DEFENCE AND MILITARY VETERANS

FINANCIAL PERFORMANCE

1 April 2011 to 31 March 2012

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REPORT OF THE SHARED AUDIT COMMITTEE - DEPARTMENT OF DEFENCE AND MILITARY VETERANS for the year ended 31 March 2012

Final Report of the Shared Audit Committee for the year ended 31 March 2012

We are pleased to present our final report for the financial year ended 31 March 2012.

Establishment of the Shared Audit Committee

The Audit Committee is established in terms of section 38(1)(a)(ii) of the Public Finance Management Act, No. 1 of 1999 and the Treasury Regulations.

The Minister of Defence and Military Veterans formally approved the establishment of a shared audit committee for the Department of Defence and Department of Military Veterans on 08 February 2012 and is in the process of requesting National Treasury to ratify the sharing arrangement in compliance with the Treasury Regulations. The Auditor-General South Africa (AGSA) was formally informed of such developments.

Audit Committee Members and Attendance

We operated within formally approved terms of reference. We met eleven (11) times in the financial year including once for the Department of Military Veterans and consisted of the members listed below:

Name of Member	*Number of Meetings Attended*
Mr V Nondabula (Chairperson)	11
Mr S Radebe (Member)	7
Mr Z Ngcakani (Member)	11

Audit Committee Responsibility

The Committee has discharged all its responsibilities and regulated its affairs in compliance with its Charter.

The Committee operates with an independent and objective stance and performs oversight function over the effectiveness of internal audit function, internal controls, risks and governance on the operations of both Departments.

The Committee therefore reports that it has complied with its responsibilities in terms of section 38 (1)(a) (ii) of the PFMA and Treasury Regulations 3.1.1.3.

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REPORT OF THE SHARED AUDIT COMMITTEE - DEPARTMENT OF DEFENCE AND MILITARY VETERANS for the year ended 31 March 2012

The effectiveness of Internal Control

The Committee has reviewed the internal audit reports as performed by the office of the Inspector General Department of Defence (IG DOD) during the year intended to give the Committee assurance that the system of internal control is working as intended. We also reviewed the final AGSA management reports for DOD (GDA and SDA) and audit reports.

The Department of Defence Internal auditors in the Defence Inspectorate Division had been performing reviews that are more in compliance and inspectorate in nature without focusing specifically on root causes of the identified gaps in internal controls. The IG DOD has also not reviewed the internal control environment for SDA.

In particular, the IT Governance and related IT controls especially in relation to assets were not part of the reviews done by this office and we were of particular concern as some critical systems are not integrated and some are manual. We are concerned with the leadership oversight relating to assets in both environments. As reflected in the audit report, management has impressively worked hard to ensure that the weaknesses identified are addressed. We believe that both GDA and SDA must ensure compliance with relevant legislation and regulations relating to performance.

We have noted with great satisfaction that all entities which are the responsibility of the Department received unqualified and clean audit opinions. This is an indication of commitment to good governance and sound internal controls system practised by the Department.

We are however concerned about the delays and/or non - submission of relevant information to both auditors. This has led to the delay in the finalisation of the statutory audit of the GDA as the Department requested further extension to submit the information beyond the statutory deadlines as prescribed by the PFMA.

The Department of Military Veterans did not make much progress in filling the vacancies, thereby resulting in the budget under spend. Potentially, this might present internal control gaps, as management is the first line of defence to ensure good governance. Despite these deficiencies, we have reviewed and are satisfied with the plans put into place by management to address the identified weaknesses.

We are confident that all the issues raised will be effectively addressed during the financial year 2012/13.

Internal Audit

The Defence Inspectorate Division implemented its audit plan and provided the Committee and Management with reviews intended to close the identified gaps in the system of internal control, risk management and governance. However, IG auditors were predominantly focused on some compliance reviews which are not as would be expected of an internal audit function in compliance with the Standards. We therefore concur with the AGSA findings in this regard.

The Department of Defence appointed the Head of Internal Audit in February 2012 who assumed duties on 2 April 2012. Since this appointment, we are satisfied with the efforts made by the newly established function to perform state of readiness reviews intended to prepare the Department for the statutory audit, in key areas of risks pertaining to the financial statements and performance information. This review of readiness for statutory audit will be strengthened in future.

The Department of Military Veterans also established its Internal Audit function with the appointment of its Head on 01 November 2011.

We are satisfied with the progress made by both Departments in this regard, and that appropriate approach to Internal

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REPORT OF THE SHARED AUDIT COMMITTEE - DEPARTMENT OF DEFENCE AND MILITARY VETERANS for the year ended 31 March 2012

Audit in compliance with the Standards for Professional Practice of Internal Audit (SPPIA), in relation to internal control, risk management and governance will be achieved effectively in the financial year 2012/13.

This effective approach put into place by the new functions in assisting the Departments with the Financial Statement close review process as well as their interaction and co-ordination with AGSA before and during the statutory audit has contributed to the positive outcomes of the audit during the year under review.

We concur with AGSA findings and we are also not satisfied with the progress made in resourcing the Internal Audit of the Department. Potentially, this might hamper our oversight responsibility as described in the Treasury Regulations and the Charter. Both management and the Committee might get a very low level of assurance from the Internal Audit function if it is not adequately resourced.

We are satisfied with the commitments made by the Accounting Officer in this regard, and we will continue to monitor progress.

We believe that management, under the current leadership and guidance of the Minister of Defence and Military Veterans, Secretary for Defence working hand in hand with the Chief of South African Defence Force and Director General of the Department of Military Veterans, has done its utmost best to ensure good governance and has effectively managed all the emerging risks and internal control challenges as reported by IG DOD, AGSA and other assurance providers in their operations during the year under review.

The quality of in year management and monthly/quarterly reports submitted in terms of the PFMA

The Accounting Officer has tabled the In Year Management (IYM) and monthly/quarterly reports to the Minister of Defence and Military Veterans and to the Committee in compliance with the Act.

We were satisfied with the quality of IYM and monthly management reports. There is no anticipated overspending on the budget appropriated to the Department. In areas where there is under spending the Department has surrendered the funds to National Treasury and requested the necessary virements and authorisation for roll over from the Minister of Defence and Military Veterans. We are satisfied that there are management plans to avoid the recurrence of this in future.

The Committee is satisfied with the quality of the quarterly reports and where the Department did not achieve the set targets, corrective measures were put in place. However, in certain few areas the quality of the quarterly reports needs to be improved in relation to the objectives to strictly adhere to SMART principle.

We concur with the AGSA findings.

Evaluation of Annual Financial Statements

We have reviewed the adjustments made to the audited annual Financial Statements presented to us by management for the financial year under review. The following specific functions were conducted:

- Reviewed accounting policies and generally recognised accounting practices;
- Reviewed the Department's compliance with legal and regulatory provisions;
- Reviewed the Accounting Officer's report;
- Reviewed the adjustments effected during the audit including notes; and
- Performance Information accompanying the AFS.

Department of Defence and Military Veterans
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REPORT OF THE SHARED AUDIT COMMITTEE - DEPARTMENT OF DEFENCE AND MILITARY VETERANS for the year ended 31 March 2012

An approval to disclose three categories of Assets in the notes to the AFS and other categories as Annexures had been received from National Treasury. We are satisfied with the progress the Department has made in addressing the qualification in relation to assets received in the prior year. We are convinced that the Department is making good progress to address other categories of assets that were not included in the exemption.

We concur with AGSA that there are still challenges in the timing of compilation and finalisation of accurate Annual Financial Statements to ensure effective readiness of the Department for the statutory audit.

The Department, through Internal Audit, is in the process of implementing a combined assurance programme, which will ensure that all levels of line of defence are working as intended.

Auditor-General South Africa

We have reviewed the final Management and audit Reports and have observed and concur with their findings. We are convinced that the management has compiled plans to address findings as reflected in the AGSA Management Report. Internal Audit will be following up regarding the implementation of the recommendations and commitments made by management.

The Committee concurs and accepts the audit opinion issued by AGSA on the annual Financial Statements, and is of the opinion that the audited annual Financial Statements be accepted and read together with the report of the AGSA.

Appreciation

The Committee has worked hand in hand with the former Minister of Defence and Military Veterans during the year under review to ensure good governance. We wish to express our gratitude for her leadership and support to the Committee and Internal Audit. We recognise and acknowledge the hard work and passion that she has discharged in her oversight responsibilities of the Department.

We wish to place on record our gratitude to the Minister of Defence and Military Veterans and the Deputy Minister of Defence and Military Veterans for their leadership and guidance, to management for its support during the year as well as AGSA and IG DOD for their consistent value-adding contributions.

V NONDABULA
CHAIRPERSON OF THE SHARED AUDIT COMMITTEE

28 AUGUST 2012

Department of Defence and Military Veterans
Vote 22

REPORT OF THE ACCOUNTING OFFICER - for the year ended 31 March 2012

Report by the Accounting Officer to the Executive Authority and Parliament of the Republic of South Africa.

The Annual Financial Statements attached to this report include the expenditure of the Department of Military Veterans.

1. General review of the state of financial affairs

1.1 Strategic issues and important policy decisions

This section provides an overview of the strategic positioning that the Department of Defence (DOD) has taken as directed by the Executive Authority and the Accounting Officer to improve its resources base as well as to maximise the efficient, economic and equitable accountability thereof. During the period under review the following progress was made on previously identified strategic issues and policy decisions.

1.1.1 Strategic issues

During the period under review the following priorities were identified by Minister of Defence and Military Veterans (MOD&MV) and implemented by Services and Divisions within the department.

1.1.1.1 **Execution of the Border Safeguarding Function.** The safeguarding of the borders of South Africa remains one of the key functions of the SANDF. In pursuit of this assignment, the SANDF successfully deployed members under Operation CORONA based on the roll-out plan approved by the Military Command Council (MCC). Seven SANDF sub-units were deployed to the borders of Limpopo, Mpumalanga, KwaZulu-Natal (KZN) and the Free State provinces during Phase 2 of the Operation. In addition, Operation CORONA included the combating of cross border crime, stock theft, illegal grazing and anti-rhino poaching in the Kruger National Park. Operational successes achieved during the reporting period include; 8 confiscated weapons, 16 850 apprehended illegal foreigners, 368 arrested criminals, 60 recovered stolen vehicles, the confiscation of 9 068kgs of dagga, 1 394 recovered livestock, 453kgs confiscated copper cable and contraband goods to the value of R14 695 413.

1.1.1.2 **Establishment of the New Service Dispensation.** The promulgation of the Defence Amendment Act, 2010 (Act No. 22 of 2010) came into operation on 15 April 2011, provided for the establishment of the permanent Defence Force Service Commission (DFSC). The mandate of the DFSC, amongst others, focused on the improvement of the conditions of service of SANDF members. As intended, the Defence Amendment Act, 2010 (Act No. 22 of 2010) created a new service dispensation for the SANDF members and FY2011/12, saw the implementation of the afore-mentioned amendment in order to realise this dispensation. This priority will be furthered by means of ongoing developments of the required regulations.

1.1.1.3 **Enhancement of the SANDF's Landward Defence Capabilities.** The Landward Defence Capability has not enjoyed the advantage of being part of the Strategic Defence Packages (SDPs) and lack the required technologically advanced Primary Mission Equipment (PME) due to limited financial resources. The modernisation of the Landward System through the enablement of the Landward System has furthermore remained stagnant, pending finalisation of the Defence Review which will inform the required future Landward Defence Capabilities of the SANDF. The renewal of the Landward Programme Capabilities (equipment) through the Strategic Capital Acquisition Master Plan (SCAMP), and limited financial resources, saw the adoption by the C Army of a partial-acquisition process, which included the following main focus areas:

a. Sustainment of landward forces,

b. Soldier modernisation,

c. Mechanised infantry combat vehicles, and

d. Ground Based Air Defence Systems (GADS).

In order to undertake the required missions, the enhancement of the Landward Defence capabilities remain essential.

1.1.1.4 **Maritime Security.** During 2011, the DOD developed and adopted the South African Maritime Security Strategy which is currently in the process of being integrated with the broader South African Development Community (SADC) Maritime Security Strategies. Simultaneously, the SANDF as a strategic partner within the context of maritime interests and responsibilities in the Southern African Region was involved in a number of initiatives on a bilateral and multinational basis to ensure security against piracy in the SADC waters. These initiatives included, *inter alia*, establishing relations at Ministerial level between the RSA and Botswana defence and security forces on border safeguarding thereby enabling the effective management of matters relating to cross border crimes. The DOD obtained a financial allocation of Rm 81 from the National Treasury for the funding of anti-piracy operations in the Mozambique channel.

1.1.1.5 **Job Creation.** Job Creation remained a Ministerial priority in the reporting period, in support of Governments initiatives for job creation. During the reporting period, the DOD created job opportunities in the following areas:

a. A total of 900 vacant and funded positions were filled within the DOD. In addition, efforts were instituted to reduce the acquisition process thereby ensuring the timely filling of funded positions.

b. 10 519 Young South Africans were recruited to the Military Skills Development System (MSDS), a reduced recruitment figure, due to the budgetary cuts by National Treasury.

c. A total of 15 316 Defence Reserve members were called-up to undertake specific defence tasks over specific periods of time.

d. The establishment of the DOD Works Capability on 01 April 2011, established an in-house capability for the undertaking of Defence facilities repair and maintenance through the provision of employment for those with the required technical skills within the SANDF, was undertaken. Staffing of the DOD Works Capability structure has been achieved at 45%, while further resourcing from a proposed re-allocation of a portion of the funds currently allocated to the National Department of Public Works for maintenance and repair of Defence facilities, will enable appropriate capacitation of the DOD Works Capability structures.

e. The creation of job opportunities within the defence industry in accordance with approved DOD projects will continue to be informed by the pending finalisation of the White Paper on Defence Industry (Policy) as well as the subsequent Defence Industry Strategy.

1.1.1.6 **Enhancement of the SANDF's Peacekeeping Capability.** The role of the SANDF in promoting peace and security in the region and the continent necessitated the enhancement of the SANDF's peacekeeping capability that included the SANDF's Forward Deployment Capability. The SANDF continued to participate in the United

Nations Peace Support Operation (PSO) in the Democratic Republic of Congo (Op MISTRAL), the UN/African Union (AU) hybrid Peace Support Operation in the Sudan (Op CORDITE) and the provision of training to the Armed Forces of the Central African Republic (Op VIMBEZELA). The SANDF was tasked to execute Op COPPER in support of the Mozambican Defence Force with counter piracy operations in the Mozambique Channel.

1.1.1.7 **National Youth Service (NYS).** The implementation of the NYS programme, utilised core defence capabilities to provide initial training to the youth prior to absorption into service delivery departments. During the reporting year a total of 1 680 NYS members underwent initial training in Bloemfontein. The NYS policy framework was developed and submitted to the Secretary for Defence for recommendation for the Minister's approval. Subsequent to the development of the Concept Paper on NYS, a draft NYS policy was completed and is currently in the approval phase.

1.1.1.8 **Revitalisation of the Reserves.** The transformation and revitalisation of the Reserves remained a priority area, so as to enable the fulfilling of their primary role of providing the majority of the conventional landward capability of the SANDF, whilst at the same time supplementing the peace support missions conducted by the Regular Force. Additional Reserve call-ups were undertaken to supplement peace support operations and border safeguarding as well as support to the Department of Home Affairs and Department of Military Veterans (for veterans' registrations). A total of 15 316 Reserves were utilised during the reporting period.

1.1.1.9 **Restructuring and Support of the Defence Industry.** The draft discussion documents on the future White Paper, Defence Strategy and Force Design were handed over to the Defence Review Committee. It is envisaged that the restructuring and support of the Defence Industry will focus on defence capability requirements in support of the Defence mandate. The emphasis will be on Governance, Risk Management, Compliance and Accountability framework applicable within Defence Portfolio.

1.1.1.10 **Department of Defence Works Capability.** The DOD advanced with the establishment of the Works Formation which began operating and undertaking identified renovation projects of DOD facilities in cooperation with National Department of Public Works (NDPW) on the execution of planned maintenance projects. The Formation continued expanding its technical training capacity, thereby enabling the undertaking of facility maintenance functions. A total number of 263 qualified artisans and 877 artisans under training, were located within the Formation.

1.1.2 Policy Proposals

In support of the MOD&MV priorities, the following policy proposals were approved.

1.1.2.1 **Development of a Policy Framework to form the basis of the Defence Amendment Act (Act 22 of 2010) and its implementation.** The policy framework which was developed as the basis for the Amendment Act, was completed and handed over to the Defence Legal Services Division for alignment with the regulations.

1.1.2.2 **Development of the Defence Security Strategy to contribute to the National Security Strategy.** A draft discussion document was handed over to the Defence Review Committee. The contribution of Defence to the National Security Strategy was incorporated in the Defence Review process and provides Defences input to the development of a National Security strategy.

1.1.2.3 **Defence contribution to the Crime Prevention Strategy of Government which will include support to the JCPS Cluster priorities and requirements.** The DOD contributed to the JCPS Cluster activities on a monthly basis to anti-corruption and anti-fraud engagements and activities. During the reporting period, all defence

related inputs on crime prevention were provided to the JCPS Cluster. In addition, the DOD was requested to provide special support in bringing the xenophobic attacks in Johannesburg under control as well as when the prison warders embarked on strike-action.

1.1.2.4 **Finalisation of the DOD Border Management Strategy which includes Border Safeguarding.** A comprehensive discussion document was drafted on Border Safeguarding and handed over to the Defence Review Committee for integration into the draft Defence Review document.

1.1.2.5 **The National Youth Service Conceptual and policy framework**. To set the norms and standards which the DOD will follow in order to ensure the achievement of the targets (DOD representation) as set in the delivery agreement of MTSF Outcome namely *"Skilled and capable workforce to support an inclusive growth path"*. The NYS policy framework was developed and submitted to the Secretary for Defence for recommendation for the Minister's approval. Subsequent to the development of the Concept Paper on NYS, a draft NYS policy was completed and is currently in the approval phase.

1.1.2.6 **Establishment of Research Capacity in the Policy Division in order to inform policy development and formulation.** The Policy Research Unit concept was approved by the Minister during September 2011. The work study investigation is still in the process of being conducted for the establishment of this Unit. The functions of the unit will include international benchmarking and best practice analysis with other defence sectors. The organisational structure including the filling of positions will be finalised in due course.

1.1.2.7 **Review of the White Paper on Defence Related Industries and development of a Defence Industry Strategy.** To strategically position the Defence function to maximise the responsiveness of the Defence Industry in supporting the delivery of the mandate. The review of the White Paper on Defence Related Industries and Defence Industry Strategy, which is dependent thereon, are both dependent on the outcome of the Defence Review process. To provide impetus to this review process, the Secretary for Defence (Sec Def) during the February 2012 Strategic Planning Work session, directed that the Defence Industry Strategy should in addition, address the following during the FY2012/13, but not be limited thereto:

a. The current business model of the industries is to address performance based and incentive driven.

b. The benefits of keeping the Defence Industries within the DOD are to be ascertained.

c. The positioning of the C Def Materiél function is to be decided upon.

d. Capacity building within the Defence Industries to enhance job creation is to be ensured.

1.1.2.8 **Defence Related Public Entities Strategy.** To include the transformation of Armscor and proposals on the Repositioning of Denel: Repositioning of Defence Public Entities. This policy seeks to address the strategic challenges at organisational level facing the Defence Public entities. The outcome of this policy will address firstly in the Updated Defence Industry White Paper / Policy and then elaborated on in the subsequent Defence Industry Strategy.

1.1.2.9 **Assets and Facilities Management Policy Framework.** To enable the DOD to assume full responsibility for the management and maintenance of facilities and fixed assets: The Estate Management Framework. The policy seeks to address the misalignment between DOD financial resources allocated to facilities management, and the actual DPW maintenance activities on DOD facilities. The Estate Management Policy Framework comprises of the capacity requirements, that will prepare DOD to take over the total life-cycle management function of

Immovable Assets under DOD control. This policy framework is in the draft phase and finalisation thereof is envisaged during the FY2012/13.

1.1.2.10 **The repositioning of the DOD "*Shared Staffs*" functions.** To allow for the execution of the Defence Secretariat and the SANDF distinct yet complimentary roles. The position paper on the repositioning on the Defence Secretariat was refined to include the recommendations made by the MOD&MV in 2011 during her strategic worksession. This document is still under revision by the MOD&MV.

1.1.2.11 **Development of an HR Policy and Skills Development Plan which will include the finalisation of a DOD Skills Audit.** During the FY2011/12, a Policy and Strategy were endorsed by the Plenary Defence Staff Council and guidelines were provided to the Services and Divisions for implementation. Compliance by Services and Divisions is expected with effect from April 2012. In the FY2012/13 the DOD will have to complete the verification of qualifications of all DOD personnel on salary levels 1 to 12 and finalise all DOD post profiles. Furthermore, the placement of individuals in accordance with their skills and competencies and the identification of individual's skills gaps and the implementation of their subsequent development plans. The Alternative Service Delivery Board has endorsed the utilisation of an external service provider to facilitate the DOD skills audit process as recommended by the Department of Public Service for all state entities. An allocation of Rm 4,56 has been secured in pursuit thereof.

1.1.2.12 **Development of Defence Fiscal and Defence Capability Framework.** The Defence budget allocation as a percentage of South Africa's Gross Domestic Product and total annual Government Expenditure has shown a declining trend for the past decade. Several requests have been made for increases in Defence's allocation with minimum success. At the same time more and more has been required from Defence in terms of both internal and external deployments to promote peace and stability in both the region and the Continent. In the reporting year, a conceptual Fiscal Framework to support the budget realignment initiative was developed. The Minister's priorities were presented to the Portfolio Committee as well as the Medium Term Expenditure Committee. Additional funding was received for the Military Ombud (Rm 5) and Borderline Control (Rm 200), no allocation was received for the Maritime Strategy or Defence Service Commission.

1.1.2.13 **An Armed Force Day policy Framework that facilitates armed forces engagements with the national citizenry.** To further profile the role of defence during peace time, as well as to project and sustain the image of defence as a caring department, a process to designate for the engagement and appreciation of armed forces by citizens has been seen as critical for social cohesion. This practice is common placed in the USA, UK, Nigeria, Zimbabwe, Ghana, Australia and other countries across the world. Comprehensive work on the development of this policy framework will be conducted in FY2012/13. The President of RSA, the commander in Chief of the SANDF declared on 18 January 2012, that henceforth, 21 February annually, the day of the sinking of SS Mendi will be commemorated as the National Armed Forces Day.

1.1.3 Strategic Decisions

1.1.3.1 Over the period 31 January to 01 February 2012, the MOD & MV made a determination on matters considered important to the DOD to be pursued as strategic priorities during the FY2012/13 and beyond. These defence priorities seek to implement the pronouncements of the 2011 State of the Nation Address (SONA). The strategic priorities as identified for FY2012/13 and beyond are as follows:

a. Enhancement of the SANDF's Landward Defence capabilities.

b. Maritime security.

c. Job creation.

d. Enhancement of the SANDF's peacekeeping capability (SANDF Deployability).

e. National Youth Service (NYS).

f. Revitalisation of the Reserves.

g. Restructuring and support of the Defence Industry.

h. Department of Defence Works Capability.

i. Zero tolerance attitude towards to all forms of corruption and fraud within the DOD.

1.2 Defence Vote: Rm 34,604,965 (Appropriation Act, 2011 (Act No. 11 of 2011), Vote 22)

1.2.1 The DOD approved budget published in the Estimate of National Expenditure: 2011 report for the period 1 April 2011 to 31 March 2012 was compiled on a cash basis per programme and amounted to Rm 34,604,965. It includes all entities under control of the Minister of Defence and Military Veterans. The original budget was approved in the Appropriation Act, 2011 (Act No. 11 of 2011). The original budget objectives and policies per main division of the Vote were published in the 2011/12 Annual Performance Plans of the South African National Defence Force and the Defence Secretariat and will be reported on in detail in the annual report.

1.2.2 The 2011/12 Defence Vote increased with Rm 673,6 (1,99%) from the 2010 Medium Term Expenditure Framework allocation for the same year and increased with Rm 3 889,7 (12,66%) from the previous financial year. Defence Vote amounted to 1,19% of South Africa's gross domestic product (GDP) or 3,53% of total government expenditure (GE). The overall increase in the allocation is due to the establishment of the Department of Military Veterans, the execution of border safeguarding, municipal charges, funding the new SANDF remuneration dispensation, peace support operations and maintaining defence capabilities.

1.2.3 Additional and reduced allocations that influenced the 2011/12 Defence Vote are:

• Inflation related adjustment for salaries	Rm	492
• New SANDF remuneration dispensation	Rm	419
• Municipal charges	Rm	154
• Border safeguarding	Rm	100
• Military veterans affairs	Rm	15
• Efficiency savings	Rm	(507)

1.2.4 Landward Defence (34,00%), Air Defence (19,56%) and General Support (11,27%) are the three largest programmes within the Defence Vote. The year on year increase in the Landward Defence programme is mainly due to additional funding for increases in military skills development system intakes, maintenance of the SA Army's ageing operational vehicle fleet, equipment renewal projects, procurement of critical ammunition and the implementation of the military salary dispensation. Increases in the Air Defence programme is largely due to

the upgrade of the Falcon 900 project, increased serviceability of the C130 aircraft capability, implementation of protection systems at air force bases, units and deployed elements and the delivery milestones of the replacement of aircraft rescue and fire vehicles project. The decrease in the General Support programme is largely due to the completion of the upgrade of the Air Force Base Waterkloof runway.

1.2.5 From an economic classification perspective compensation of employees (48,46%) and transfers and subsidies (20,16%) amounts to 68,62% of the Vote leaving available 31,38% for operating the department and renewing capital assets. Significant operating costs provided for are contractors (Rb 4,197), computer services (Rb 1,060) inventory: food and food supplies (Rm 783), travel and subsistence (Rm 703) and property payments (Rm 680).

1.3 Defence Adjustment Vote: Minus Rm 255,878 (Adjustment Appropriation Act, 2010)

1.3.1 The Defence Vote was decreased with (Rm 255,878) to Rb 34,349 through the Adjustments Vote for the following:

1.3.1.1 **Increases**

a. **Unforeseeable and Unavoidable Expenditure.** An additional Rm 81,437 was allocated to Programme 2: Force Employment for the deployment of members to, in conjunction with the Mozambican Defence Force, counter piracy in the Mozambican Channel.

b. **Other Adjustments.** Other adjustments include:

i. **Adjustments.** Due to Significant and Unforeseeable Economic and Financial Events. An additional Rm 200 has been allocated for higher personnel remuneration increases than the main budget provided for, as follows:

(a)	Programme 1: Administration	Rm 16,586
(b)	Programme 2: Force Employment	Rm 13,022
(c)	Programme 3: Landward Defence	Rm 77,505
(d)	Programme 4: Air Defence	Rm 31,088
(e)	Programme 5: Maritime Defence	Rm 16,631
(f)	Programme 6: Military Health Support	Rm 22,533
(g)	Programme 7: Defence Intelligence	Rm 2,803
(h)	Programme 8: General Support	Rm 19,832

ii. **Self-financing Expenditure.** Departmental revenue of Rm 62,685 from selling equipment and spares procured through the Special and General Defence Account has been allocated as follows:

(a)	Programme 3: Landward Defence	Rm 22,609
(b)	Programme 4: Air Defence	Rm 38,555
(c)	Programme 5: Maritime Defence	Rm 1,521

1.3.1.2 **Decreases**

Declared Savings. Programme 4: Air Defence. Savings of Rm 600 have been declared due to delays in the strategic defence procurement programme.

1.4 Adjusted Defence Vote: Rm 34,349,087.

1.5 Expenditure

1.5.1 Spending trends and adjustment estimates

Defence's expenditure in comparison with the previous two years is indicated in the table below:

FINANCIAL YEAR	2009/2010	2010/2011	2011/2012
	Rm	Rm	Rm
Vote	31,325,256	30,442,591	34,349,087
Expenditure	31,324,247	30,442,371	34,331,437
Amount surrendered	1,009	220	17,650
Amount surrendered as percentage of Vote	0,01%	0,001%	0,05%

The under spending in 2011/12 amounts to Rm 17,650 made up of Rm 16,479 within the Military Veterans environment and Rm 1,171 within the DOD environment in transfers and subsidies.

1.6 Virements

The following Virements were approved during the period under review:

1.6.1 **Approved by the National Treasury (NT):**

1.6.1.1 The reallocation of Rm 23,493 within the Maritime Defence Programme from Goods and Services to Transfers and Subsidies, Public Corporations and Enterprises for an additional transfer to the ARMSCOR Dockyard for cranes, lifts, pumps, generators, gantries, fuel and piping, emergency services, harbour services and general upkeep.

1.6.1.2 The reallocation of Rm 0,845 from Landward Defence Programme (Current Transfers and Subsidies: Households) to the Administration Programme (Transfer Payments) (SASSETA) for the payment of SASSETA.

1.6.1.3 The reallocation of Rm 51,767 from Transfers and Subsidies (Households) to supplement the shortfall within Compensation of Employees.

REPORT OF THE ACCOUNTING OFFICER - for the year ended 31 March 2012

1.6.2 **Approved by the Accounting Officer:**

1.6.2.1 The reallocation of Rm 58,977 from Programme 8, General Support (Joint Logistics Services) to Programme 1, Administration for the payment of leases.

1.6.2.2 The reallocation of funds between Programmes within the Defence Budget to defray expenditure in respect of authorised losses, Compensation of Employees and to balance the expenditure for the 2011/12 financial year.

1.6.3 **Virements and Shifts: Function Shifts within the same Vote:**

a. Programme 1: Administration: Rm 4,655 has been received from Programme 3 following the shift of the migration of the light workshop troops.

b. Programme 8: General Support: Rm 68,611 has been received from Programme 1 following the shift of the migration of the service corps.

2. Services rendered by Defence

2.1 The services rendered by the DOD are detailed in Part 2 of the Annual Report.

2.2 Tariff Policy

2.2.1 The DOD tariff policy consisted of the following elements:

a. Tariffs instituted by law;

b. Tariffs prescribed by a department that are applicable to all spheres of government; and

c. Tariffs unique to the Department of Defence determined by the tariff owner and where the tariff structure is approved by the National Treasury.

2.3 Free Services

Free services amounting to R22,755 were rendered to other departments for the usage of facilities and/or accommodation.

3. Capacity constraints and impact thereof

Capacity constraints impacted again on the DOD across most functional areas.

3.1 The downward trend in skills losses continued throughout the period under review resulting in some critical skills to be acquired from industry at exorbitant cost due to the expertise not being available in the department anymore. Although new personnel, as an initiative to address a joint human resource strategy for training and the utilisation of scarce human resources, were recruited and trained, it will take time for these members to gain the necessary experience. The improved remuneration dispensation implemented during FY2010/11, is expected to curb personnel exits.

3.2 The shortage of specialists (technical staff) and support personnel continued to have a negative effect on the staffing of personnel to all the peace support missions, resulting in contingents not being fully staffed. This

again has resulted in the non-compliance with minimum standards of serviceability of major equipment and as a result thereof, the DOD is not fully reimbursed by the United Nations if serviceability levels of major equipment are not maintained at the prescribed level in peacekeeping deployment areas.

3.3 In the environments of financial and logistic management, critical personnel shortages were experienced which were increased by developing regulatory requirements of accounting and financial reporting. To mitigate this, the Financial Management Division is in the process of realigning its structures with the intention of creating capacity in terms of skills and qualifications as well as the number of incumbents. Within the Logistic Division the macro structure has already been adjusted making provision for the appointment of senior managers in the specialist areas of asset management, accruals and leases. Micro structures will be developed in the 2012/13 financial year and will be staffed with skilled and qualified incumbents.

3.4 The impact of non-repair and maintenance of Defence facilities has resulted in further dilapidation of DOD facilities. This continued to negatively affect service delivery. The forum established during FY2010/11 between the Department of Defence and the National Department of Public Works (NDPW), has already led to an improvement in services provided by the National Department of Public Works to the DOD. The phased approach to create own maintenance of facilities through the Defence Works Capability was established and has already undertaken various maintenance and repair tasks.

3.5 The state of prime mission equipment, particularly in the Landward Defence programme, continued to decline to unacceptable levels. Additional funding provided for maintenance and repair of the operational vehicle fleet has had some effect, but is not sufficient to address this concern adequately. The rejuvenation of these capabilities therefore remains one of the DOD's top priorities.

4. Utilisation of donor funding

4.1 The department did not receive any donor funding in this period under review.

4.2 The DOD received reimbursements from United Nations for the participation in peace operations amounting to Rm 360,206. This was deposited into the National Revenue Fund and recognised in note 2 of the financial statements to this report.

5. Public entities

The Castle Control Board and the Armaments Corporation of South Africa (ARMSCOR) are reported as listed public entities under the ownership control of the Minister of Defence and Military Veterans. Each of these public entities is controlled by a Board of Directors reporting to the Minister of Defence and Military Veterans. The transfer payment made to Armscor is included in the table of transfer payments below and no transfer payment was made to the Castle Control Board.

REPORT OF THE ACCOUNTING OFFICER - for the year ended 31 March 2012

6. Organisations to whom transfer payments have been made

Transfer payments were made to the following organizations:

Transferee	*Reason for Payment*	*Accountability Arrangements*	*Adjusted Appropriation 2011/12 Rm*	*Budget Vote 2011/12 Rm*	*Annual Expenditure 2011/12 Rm*
Armaments Corporation of South Africa Ltd (Armscor).	To subsidise Armscor in their mission to meet the acquisition, maintenance and disposal needs of the Department of Defence and other clients in terms of defence matériel, related products and services.	Armscor is a Schedule 2 Public Entity managed by a Board of Directors appointed by the Minister of Defence and Military Veterans. ARMSCOR annually submits a business plan and an estimate of expenditure, which is motivated by the General Manager Finance and Administration of ARMSCOR, to the Department's Programme and Budget Evaluation Committee before such funds are included in the Departmental Vote. Audited financial statements for the financial year 2010/11 were submitted according to payment conditions.	867,257	890,750	890,750
St Johns Ambulance Brigade.	To provide accreditation for training of Defence members and make their members and equipment available to be called-up by the SA Military Health Service (SAMHS) during times of national disaster and emergency.	Audited financial statements for the financial year 2010/11 were submitted according to payment conditions.	0,400	0,400	0,400

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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 Miliary Veterans 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 2010/11 were submitted according to payment conditions.	5,917	5,917	5,917
Safety and Security Sector 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, 1998 (Act No. 97 of 1998).	Audited financial statements for the financial year 2010/11 were submitted according to payment conditions.	15,608	16,452	15,281
Special Defence Account	To acquire, procure and develop armament and technology.	Under control of the Accounting Officer of the Department of Defence.	4,862,657	4,862,657	4,862,657
Household Employer Social Benefits – Cash Resident	To cover the cost of employment benefits due to Defence members being separated from the department through the Mobility Exit Mechanism.	As approved by the Minister of Defence and Military Veterans.	155,443	102,838	102,838
TOTAL			**5,907,282**	**5,879,014**	**5,877,843**

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7. Public Private Partnership

No formal Public Private Partnership (PPP) has been concluded in the DOD during the year under review. The following progress is reported regarding identified PPP projects registered with the National Treasury:

7.1 **SA Navy.** The SA Navy is currently involved in two possible PPPs. The first project is the establishment of the Sea Safety Training Centre in Simon's Town and the second the establishment of a new Navy Headquarters and Mess in Pretoria. The feasibility studies for both projects are completed. No formal contract has been entered into as at the reporting date.

7.2 **SA Military Health Service.** The SA Military Health Service (SAMHS) is currently involved in three possible PPPs:

a. The establishment of Medical Referral Services in eight regional centres. The feasibility study has been completed. No formal PPP contract has been entered to as at the reporting date. Treasury Approval I has been obtained. There is no unitary fee that is payable on this project, only a service fee and the funds are available within SAMHS. The DOD is still awaiting Treasury Approval IIA.

b. The establishment of a new facility for SAMHS headquarters. The feasibility study was completed by the Transaction Advisor and no formal PPP contract has been entered into as at the reporting date.

c. The establishment for new facilities for a Military Health Training Formation. The initiative is in the inception phase, as the terms of reference is in the process of being worked. No Transaction Advisor has been appointed and no formal PPP contract has been entered into as at the reporting date.

7.3 **Human Resource Division.** The establishment of a SA National Defence Training Institute. No formal PPP contract has been entered into as at the reporting date.

7.4 **Defence Intelligence.** The establishment of a new headquarters for Defence Intelligence. The feasibility study was completed by the Transaction Advisor. No formal PPP contract has been entered into as at the reporting date.

8. Corporate Governance Arrangements

8.1 Risk Management

8.1.1 For the period under review, the focus was on the implementation of the DOD Enterprise Risk Management (ERM) Framework, as approved in December 2010, which provided the foundation and organizational arrangements for designing, implementing, monitoring, reviewing and improving the risk maturity level of the DOD. The Framework was disseminated to the DOD and has formed the basis for departmental enterprise-wide risk management efforts. Extensive improvement in the level of risk management awareness has been observed for the reporting period.

8.1.2 Based on the approved ERM Framework, the current DOD Risk Management Policy and DOD Risk Management Strategy were revised. The promulgation of both documents has been hampered by the longer than envisaged consultative process. It is anticipated that they will be promulgated in the second quarter of the FY2012/13. Notwithstanding, the Department planned for a maturity level improvement from level 2 to level 3, and achieved a final assessment reflecting a score of 4 in terms of the National Treasury maturity level rating.

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8.2 Description of other governance structures

8.2.1 **Leadership.** The DOD has in the year under review, demonstrated its commitment to implement sound governance principles. This has been achieved through enhanced monitoring by the various DOD management bodies, ranging from the Council on Defence (COD) at Ministerial level and the Defence Staff Council at senior management level and lower level management bodies.

8.2.2 In the year under review, the management bodies performed according to their respective Charters or Constitutions, where possible challenges were experienced, controls were established to minimise the effect. All management bodies ensured that the monitoring and evaluation functions was exercised within their specific domains. The Accountability Management Committee significantly contributed to departmental decision making and continuous improvement. Significant for the period under review, was the establishment of the Compliance Unit within the Ministry, which ensured that the Department's compliance environment is improved and good corporate governance principles are adhered to.

8.2.3 **Strategic Management.** The Department's strategic management environment ensured that reasonable planning, monitoring and evaluation as well as reporting guidelines were provided to the Services and Divisions. The Planning Board consistently deliberated on the pertinent planning, monitoring and evaluation and reporting matters. In addition to provision of the aforementioned guidelines, the Department adhered to the planning and reporting statutory requirements.

8.2.4 **Financial Management.** The Financial Management Division, through the budgetary control function, provided reasonable assurance that the Department's financial reporting meets the set standards. Operation Clean Audit yields were consolidated. The OCA Committee continued to ensure the enhancement of internal controls. All Auditor–General of South Africa (AGSA) audit findings, were addressed at this Committee and progress on action plans were evaluated.

8.2.5 **Prosecution and Recovery Unit.** The Prosecution and Recovery Committee, a subcommittee of the Accountability Management Committee (AMC), is the mechanism through which the Defence Secretariat secures accountability by officials of the DOD, for the management of Financial Misconduct, in accordance with the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). The Prosecution and Recovery Committee focused on ensuring that where financial misconduct cases were reported, they are investigated and losses are recovered. It also ensures that perpetrators are brought to book.

8.2.6 **Supply Chain Governance.** The Department, through its Supply Chain Governance Directorate, ensured that procurement of goods and services is compliant with National Treasury and other legislation by effectively interpreting and disseminating instructions to all procurement entities. Regular materiel governance visits were carried out to DOD procurement entities to ensure compliance to Supply Chain Governance legislation. All contracts awarded by the Department were approved by officially constituted tender/bid committees and boards. Procurement for goods and services, through the Departments acquisition agency, Armscor, has been undertaken through the Armscor's procurement policy.

8.2.7 **Armament Acquisition.** Armament Acquisition was effectively administered through the Armament Acquisition Committee (AAC) chaired by the Minister of Defence and Military Veterans. The AAC was supported by the following approval sub-committees: Armament Acquisition Steering Board (AASB) and the Armament Acquisition Control Board (AACB). These respective governance forums have provided reasonable assurance on the verification of process integrity, authorisation of project phase approvals and commitment of financial resources armament acquisition projects.

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8.2.8 **Policy Direction.** Effective and efficient management of the Department's policies and procedures played a major role in ensuring that good corporate governance principles are adhered to. The Policy Board effectively provided guidance on the revision of the existing policies and development of new policies.

8.2.9 **Enterprise Risk Management.** An integrated approach towards effective and efficient Enterprise Risk Management continued to receive dedicated attention. Risks were assessed on a continuous basis and the Strategic Risk Management Committee provided oversight and quality assurance of the strategic risk registers. As indicated by National Treasury, the Department's risk maturity level improved from level 2 to level 4.

8.2.10 **Signing of Performance Agreements and Financial Disclosures.** The Department did not in all instances comply with the performance agreement requirements, as set out by the Department of Public Service and Administration. The Minister of Defence and Military Veterans' Delivery Agreement prescribed the Department's senior management to sign performance agreements and adhere to personal financial disclosures submissions processes.

8.2.11 **Stakeholder Management.** Creating stakeholder wealth is one of the key tenets for good corporate governance. During the period under review, meaningful engagement with all stakeholders was achieved. This improved visibility of the Department enhanced stakeholder buy-in.

8.2.12 **Audit Committee.** The Audit Committee executed its functions as per legislative requirement. All meetings as prescribed in the Audit Committee Charter were conducted. Guidance was received from the Audit Committee, especially regarding the review of financial statements and the audit report, the management responses and the dash board report.

8.2.13 The Defence Inspectorate Division provided the secretarial services for the Audit Committee.

8.2.14 The following information regarding the Audit Committee is relevant:

a. **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, 1999 (Act No. 1 of 1999) (PFMA). The external members to the DOD were as follow with their appointment dates indicated in brackets: Mr V. Nondabula (Chairperson) (26 May 2011 to 31 March 2012); Mr S. Radebe (26 May 2011 to 31 March 2012) and Mr Z. Ngcakani (26 May 2011 to 31 March 2012). Dr T. Gamede (Chief Defence Policy, Strategy and Planning) was appointed as an internal member to the DOD AC on 31 March 2009.

b. **Responsibilities.** The Audit Committee complied with its responsibilities arising from Section 38(1)(a) of the PFMA and Treasury Regulation 3.1.3. Four scheduled, three special and one orientation meetings were held. Two In-committee meetings were held with the Auditor-General and DOD Management respectively. The Chairperson attended interviews for the staffing of the Chief Audit Executive as well as a Ministerial work session where the Auditor-General findings and Dashboard Report were discussed. Activities of the Audit Committee were formalised into a plan, allowing the coverage of the total spectrum of risk areas that needed to be assessed and monitored, in accordance with the Public Finance Management Act and National Treasury Regulations. The Terms of Reference, which guide the activities of the Department of Defence's Audit Committee, were reviewed in November 2011 and was approved by the Accounting Officer.

c. **Activities.** The Audit Committee members had direct access to the Auditor-General, the Secretary for Defence and the Chief of the South African National Defence Force.

8.2.15 **Internal Audit.** Internal Audit is an independent process conducted to evaluate internal controls implemented by management, to ensure that resources had been acquired economically and utilised efficiently and effectively and to report this to management and its legislative body. It is acknowledged that during the year under review, the Internal Audit Unit did not operate under the leadership of the Head of Internal Audit as the post was vacant, thus all its activities were carried out under the leadership of the Inspector General DOD.

Although the Inspector General DOD continued to execute a component of the internal audit function, progress was made towards the establishment of the independent Internal Audit function. As at the end of the reporting period, it was confirmed that the Chief Audit Executive will commence duty with effect from 1 April 2012 and the Inspector General DOD will become the Inspector General SANDF.

8.2.16 During the FY2011/12, 86 audits were conducted. The following components were addressed:

a. **Performance Measurement.** Annual and quarterly reports were audited and it was found that the reporting on performance information improved. The risk exposure of the final annual report was reported as low and the findings can be managed by routine procedures.

b. **Combat Readiness.** An audit on combat readiness was conducted in the period under review and it was noted that the unit had several equipment shortage and outstanding administration for readiness. However, it was rectified before the force reported to the DOD Mobilisation centre for Mission Readiness training. This was an indication of improvement.

c. **Mobilisation and Force Deployment.** Mobilisation of forces was audited and remarkable improvement was evident. One external and four internal deployments were audited and remarkable improvements were found especially on internal deployments.

d. **Foreign Audits.** Six audits were conducted at Military Attaché Offices and it was found that these offices were well managed. The offices audited were situated in Germany, Italy, Sweden, Pakistan, The Republic of China and Tanzania.

e. **Risk based audits.** Thirty three risk based audits and twelve ad-hoc audits were conducted such on projects, disposal of assets and/or medication, management of registries, telephones, leave administration and general stores.

f. **Follow-up audits.** Thirty follow-up audits were conducted on boarding and lodging, ammunition, fuel, ration management and the management of projects. Improvement was confirmed.

8.3 Military Integrated Environmental Management

8.3.1 **International Environmental Co-operation.** The RSA-USA Environmental Security Working Group (ESWG) under the RSA-USA Defence Committee achieved all of its objectives including the finalisation of the joint Guidebook on Environmental Auditing. This workgroup initiated the planning of a joint workshop on Outreach for Mission Sustainability, scheduled to take place at the Dinokeng Big 5 Game Reserve and Piernaars River Training Area in the North West Province in March 2013.

8.3.2 **Environment for Operations.** The Joint Operations Force Employment Requirements and Guidelines, CSANDF Directive 069/2010 were implemented by means of the incorporation of the environmental appreciation and the execution of environmental support plans for joint and multi-national exercises, EX NDLOVU, EX SHARED ACCORD and EX BLUE CLUSTER. Environmental personnel have also conducted environmental awareness

training for deployed personnel as part of the mobilisation of SA contingents to Sudan at the DOD Mobilisation Centre in Bloemfontein.

8.3.3 **Military Range Clearance.** Project UMTHOMBO was successfully completed to develop an approved process for the clearing of military ranges in the DOD in accordance with the National Environmental Management Act, 1998 (Act No. 107 of 1998) (NEMA), inclusive of a costing and priority model as decision making tools. The former Hell's Gate Training Area in KwaZulu-Natal and the Madimbo Training Area in the Limpopo province were cleared of Unexploded Ordnance (UXOs) and ammunition debris, as part of the settlement of land claims on these two areas. The official process of the handing back to the relevant Regional Land Claims Commissioners has been initiated and applicable awareness documentation is being developed for the members of the communities.

8.3.4 **Operation VUSELELA**. The joint project under the auspices of the Department of Water Affairs' working on water programme is progressing slowly due to various challenges encountered by the implementing agent, Independent Development Trust (IDT) including the verification of military veterans by the Department of Military Veterans (DMV). The Department of Water Affairs (DWA) has engaged with DMV to solve this issue to the benefit of the veterans. Environmental personnel are engaging with IDT regarding implementing proper planning by the various IDT regional project managers in order to schedule project activities within the annual military training plans on shooting ranges and training areas on which projects are being conducted.

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 have been prepared on the cash basis of accounting modified for the recognition of certain near-cash balances and supplemented with disclosures on transactions and balances not recognised in the primary statements.

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.

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 Conflict of Interest

8.5.1 Senior members of the DOD are expected to declare their economic interest annually in terms of Chapter 3 of the Public Service Regulations, 2001 and Chapter 9 of the SMS Handbook, 2003 for submission to the Office of the Public Service Commission. The compliance standard for such annual declarations is high and accountability is enforced through the line of command by means of an annual DOD Instruction and presentations at senior management bodies.

8.5.2 Members of management bodies dealing with the procurement and acquisition are required to declare potential conflicts before commencement of meetings. In terms of the DOD policy on personal gifts, personal

sponsorships personal hospitality and other personal benefits, members are required to declare gifts, sponsorships, hospitality and other benefits. Service and Divisional Chiefs are required to maintain proper registers for such declarations. The DOD in addition strengthened its Internal Audit capacity over the last year and provides assurance and compliance capacity to monitor implementation and any deviation through the Inspector General structures of the DOD and the DOD Audit Committee.

Further more in order to adhere to governance compliance, service providers and suppliers are requested to declare their interest with any members of the Department of Defence on registration on the data bases of the procurement entities in the DOD as potential suppliers/service providers as per the SBD4 form. This requirement is not applicable to contracts for services that are acquired through the State Information Technology Agency and those that are procured centrally by National Treasury as on a transversal basis.

9. Asset Management

9.1 Background. In the previous financial period the DOD obtained a qualified audit opinion due to the following challenges :

9.1.1 Assets are managed manually or on one of the five logistical systems and are paid for via the Financial Management System (FMS). These systems support cash accounting and are not integrated.

9.1.2 The use of the multiple logistics systems lead to data integrity issues especially when assets are transferred between units using different logistical systems.

9.1.3 Not all assets are uniquely identifiable (equipment unique serial number or bar code) such as office furniture. They are managed based on quantities per National Stock Number (NSN) and location only.

9.2 Asset Management Plan

In order to address these challenges and the audit qualifications, the DOD developed a short and long term rectification plan. The short term plan focuses on Specialised Military Assets, Transport Assets and Defence Endowment Property (Immoveable Assets). The implementation of the asset management plan was monitored at various fora to ensure achievement of the objectives. These fora were as follows:

a. The Logistics Audit Forum chaired by Chief of Logistics;

b. The Operation Clean Audit forum chaired by the Chief Financial Officer; and

c. The Accountability Management Committee chaired by the Secretary for Defence.

9.3 Departure approved by National Treasury

9.3.1 In the light of the above the DOD requested a departure from reporting assets in the Annual Financial Statements in terms of the Departmental Reporting Framework Guide issued by the National Treasury. Accountant-General therefore approved this departure which excluded Specialised Military Assets, Transport Assets and Immovable Assets. Details are disclosed in note number 33 of the Annual Financial Statements as well as paragraph 17.2 of this report.

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9.4 Progress against plan

9.4.1 **Short Term Intervention Plan.** As a result of the high volumes of assets, geographical spread and in some cases the lack of unique identification (bar coding) of assets, the short term plan is executed in three phases. Phase 1 focused on the serial controlled items, while phase 2 and 3 will focus on the bar coding and verification of the other asset categories. Highlighted below is the progress with regards to phase 1.

9.4.1.1 **Moveable Capital Assets**

Clean up of data relating to Moveable Capital assets was focused on the Specialised Military Assets and Transport Assets in accordance with Phase 1 of the Asset Management Plan. During the 2011/12 financial period the following was achieved on this phase:

a. Policy framework was developed and agreed with National Treasury.

b. Valuation guidelines developed and the asset register for the year ending 31 March 2012 prepared in accordance with those guidelines.

c. Physical count of assets carried out and compared to the information on the systems and where necessary updates on systems carried out.

d. Monthly reconciliation of the information contained in the various systems has been implemented from November 2011 to ensure that the information reported in the financial statements is accurate.

e. Process for generation of monthly reports has been established and business rules agreed upon.

f. Phasing out of legacy systems is being prioritised.

g. Proper classification of assets in terms of the Standard Chart of Accounts is being attended to and will continuously be reviewed and updated where necessary.

h. A departure was obtained from the Office of the Accountant-General, which allowed DOD to only disclose Immoveable Assets – Defence Endowment Property, Specialised Military Assets and Transport Assets.

i. Internal controls were implemented to address the shortcomings as identified by the Auditor-General in his report of 2010/11 financial period.

9.4.1.2 **Immoveable Capital Assets – Defence Endowment Property (DEP)**

The Defence Endowment Property Register was finalised in the current financial period. Disclosure for both Land and Buildings is being achieved for the current financial period. These have been valued at fair value which is the depreciated replacement value.

9.4.2 **Long Term Repositioning Plan**

9.4.2.1 A draft Supply Chain Management and Life Cycle Management Framework has been developed.

9.4.2.2 The User Requirement Specification for an integrated Defence Logistic Information System is in the process of being developed.

9.4.2.3 An implementation charter was signed with the IFMS project team of the National Treasury, whereby it was agreed that the DOD will implement the Asset and Procurement modules of the IFMS. National Treasury (IFMS Section) will assist the DOD in acquiring approval for the lifting of the moratorium on procurement and implementation of a unique Single Defence Logistic Integrated Information Management System.

9.5 Valuations

As highlighted above, all the assets were carried at the latest purchase price on the current logistical systems. As part of the short term intervention plan, all serial controlled and items are in a process of being revalued at fair value or in cases where sufficient evidence was available it was recorded at cost price.

9.6 Disclosure

In order to illustrate the progress that has been made during Phase 1 of the short term intervention plan the DOD agreed to disclose assets information in the Annual Financial Statements. The DOD recognizes that the asset information disclosed is not complete and has therefore included additional notes to explain what has been disclosed in order to ensure a fair presentation of the financial statements. The work largely completed in Phase 1 of the project dealt with the verification and data clean-up on the complete systems of the major categories of Transport Assets and Specialised Military Equipment. The balance will be carried out together with the other categories of assets under Phase 2 of the project which will entail the bar coding of these assets as well.

9.7 Intangible Assets

The DOD established a task team to compile an asset register for all intangible assets. A proper project plan has been compiled and it is envisaged that a proper intangible asset register will be completed by the end of the 2012/13 financial year. In the meantime all the additions as per the SCOA definitions for the 2011/12 financial year have been disclosed in the notes to the Statement of Financial Performance.

10. Inventories

Phase 2 of the asset management plan will address the split between current and non current assets in terms of reporting, and the valuation of inventory.

11. Plan for 2012/2013 financial year

a. Phase 2 of the asset management plan, which is categories of assets not included in phase 1, data to be cleaned up in the 2012/13 financial period.

b. Development of policies and procedures on asset management to be carried out in the 2012/13 financial period.

c. Phase out of legacy systems to continue.

d. Research and development of the strategy for the DOD to have a Single Logistic System.

e. Bar coding standard and policy for DOD to be finalised from the pilot project, and commencement of process for roll out to the rest of the DOD.

12. Special Defence Account

12.1 Prior year's Annual Financial Statements. As reported in the previous year, the financial statements of the Special Defence Account for the year ended 31 March 2011 were not included as part of the Annual Report of that year. This was as a result of a change in the basis of accounting from Entity Specific to Generally Recognised Accounting Practices for Public Entities. As a result of that requirement the financial statements had to be reproduced and the numbers restated for the two financial years ended 31 March 2010 and 2011 respectively. These financial statements have, in order to enhance the proper presentation and relevance of the financial state of affairs of the SDA, been included in the Annual Report of the Vote 22 and will be presented as part of the Vote.

12.2 Compliance Programme.

Risk of non-compliance with the agreement. The expenditure of the fund has been rather slow. The USA government is continuously updated on this status through the diplomatic channels. The DOD is not aware of any concerns that have been raised by the USA government on this matter. The Secretary for Defence is putting in place appropriate processes and structures necessary including ensuring that meetings will take place in future and plans of spending the funds are in accordance with programme objectives and mandate.

Possible Litigation. Since this matter is dealt with at a diplomatic level, the department does not foresee any litigation arising out of this Fund.

12.3 **Exemption**

A letter dated 3 May 2012 from National Treasury, granting approval for the SDA to prepare it's financial statements based on all effective GRAP standards for the 2011/12 financial year and approved the request to apply GRAP 104 for 2010/11 and 2011/12 financial years was received.

The Minister of Finance gazetted this matter in the Government Gazette number 35533 dated 23 July 2012.

13. Events after reporting date

The DOD identified four non-adjusting events subsequent to the date of the financial statements.

a. The DOD entered into discussions with Boeing Company to acquire an aircraft that would be used to fulfil its VVIP requirements. As Boeing company offered to engage with the DOD based on DOD's confirmed interest, it required that a refundable deposit of USD 10 000 000.00 on the 7 June 2012 be placed with them in terms of Treasury Regulations paragraph 15.10.1.2 (c) and this would be refunded if no firm acquisition agreement is entered. The DOD responded on the matter after a decision was taken that the interest shown was no longer there. The amount deposited was then refunded to the DOD on the 6 July 2012.

b. It is reported that on 12 June 2012 the President announced the appointment of Minister N.N. Mapisa-Nqakula as the Minister of Defence and Military Veterans.

c. Shamroch NCO's mess in Army Support Base Potchefstroom caught fire on 1 June 2012. The value of the building is estimated at R199,678.

d. G-Club Mess at Bloemfontein Army Support Base caught fire on 27 July 2012. The top floor and the roof got destroyed and the bottom two floors were flooded with water. Department of Public Works estimated the cost of repairing the damage to be R8,529,311.02.

14. Information on Pre-determined objectives

14.1 An interim Department of Defence Instruction (IDODI) pertaining *"reporting of Performance Information Against Plan"*, was developed and approved on 29 February 2012, thereby ensuring the directing, management and reporting of departmental performance information and associated activities related thereto.

14.2 In addition, a formal User Requirement (UR) was developed to initiate engagements with the SITA to develop an integrated DOD Integrated Strategic Management Enabler (DOD ISME) for the department to improve the seamless strategic planning, budgeting and reporting processes as well as the reliability of performance information.

14.3 **Balanced Score Card (BSC) Project.** The development of the BSC within the DOD has reached a level of maturity which has enabled a focus adjustment from that of BSC as a performance tool, to that of performance information management as a basis for reporting and effective decision making. The BSC, through the development of the DOD Level 0 and 1 Strategy Maps, has ensured alignment of between the corporate Level 0 and 1 performance information as prescribed within the DOD SPF. The translation of the respective strategy maps into departmental planning instruments continues to enable performance information reporting through an electronic software enabler in conjunction with SITA. The ongoing refinement and enhancing of automated reporting system will continue over the short and medium term.

15. SCOPA Resolutions

15.1 The DOD is still awaiting a date from SCOPA for the hearing on the DOD's 2010/11 Annual Report.

15.2 The DOD has appeared before SCOPA on 1 March 2011 on its 2009/10 Annual Report and the SCOPA Resolutions were adopted on 28 June 2011 by Parliament. The DOD submitted the action plans on the 2009/10 SCOPA Resolutions to Parliament (SCOPA) on 11 November 2011. The detailed feedback in the columns below reflects progress made with the implementation of these action plans:

2009/10 AG ANNUAL REPORT REFERENCE	*RECOMMENDATIONS MADE IN SCOPA RESOLUTIONS DATED 28 JUNE 2011*	*DOD PROGRESS ON ACTION PLANS*
Page 176 -Tangible and intangible assets	The Committee recommends that the Accounting Officer ensures that:	

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Vote 22

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2009/10 AG ANNUAL REPORT REFERENCE	*RECOMMENDATIONS MADE IN SCOPA RESOLUTIONS DATED 28 JUNE 2011*	*DOD PROGRESS ON ACTION PLANS*
	a. Management implements a bar-coding system that will ensure that all tangible assets are identifiable.	Bar-coding. The pilot project to determine the standard for bar-coding in the DOD commenced during June 2011. The aim of the exercise is to define the standards for electronic labeling, mechanisms to uniquely number and identify assets, as well as to provide a capability to automate asset verification. This one year project has been divided in 3 phases: a. Phase 1. Focus on a barcode management system that includes: • Bar-coding Standards; • Electronic Asset Verification module, including the interfaces to ER, OSIS and CALMIS; and • Verified Asset Verification process. • This process started from 01 July 2011 and was finalised on 10 November 2011. b. Phase 2. Phase 2 will focus on implementing the above solution and marking of the Assets and Locations (bins) at three selected pilot sites. Phase 2 commenced on 11 November 2011 and was finalised on 11 January 2012. c. Phase 3. Phase 3 will focus on training material and the training of DOD members to utilise the bar coding technologies and processes at the selected pilot sites.
	b. A verifiable asset register, which contains asset descriptions, dates on which they were acquired, as well as serial numbers, is created and updated on a monthly basis.	Verifiable asset register • Moveable Assets. The current logistic Information Systems (CALMIS and OSIS) have been updated to carry the information required as reflected in the National Treasury Asset Management Framework in order to adhere to the minimum requirements of an asset register. Although these are two separate registers - a single view on assets has been created within the DOD Corporate Warehouse. • Immoveable Assets. The verification and valuation of the Defence Endowment Property are being done in conjunction with the CSIR and was completed by end of March 2012.
	c. A dedicated asset management component is established within the department to manage assets according to the National Treasury guidelines.	Dedicated asset management component. Posts for the Director Asset Management, Deputy Director Leases Management, Deputy Director Inventory Management and the Senior Staff Officer Central Control Register were created and approved. All of these appointments have already been made.
	d. All assets are classified according to the Standard Chart of Accounts (SCOA).	Classification according to SCOA. The Item Identification System (IID) has been updated to allow for the indication of SCOA Asset Classifications. Each NSN can be marked as an Asset or an Inventory Item based on the SCOA and managed accordingly. Approval was received from National Treasury (IFMS) for the procurement of NATO compliant codification software that will facilitate accurate matching to SCOA classification.

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2009/10 AG ANNUAL REPORT REFERENCE	*RECOMMENDATIONS MADE IN SCOPA RESOLUTIONS DATED 28 JUNE 2011*	*DOD PROGRESS ON ACTION PLANS*
	e. There is improvement to the current system, or implementation of a new system, to ensure that asset values are in line with the accounting policy.	Improvement to the current system. All assets were carried at the latest purchase price on the current logistical systems. As part of the short term intervention plan, all serial controlled end items are in a process of being revalued at fair value or in cases where sufficient evidence is available, it is recorded at cost price. The systems were updated to: • To continuously update and verify data as well as to support fair value updates. (Asset verification). • To support the management of assets. (includes capitalization, depreciation, improvements, impairments and disposal).
	f. All assets are valued as prescribed by the National Treasury.	Assets are valued as prescribed by the NT. The DOD values its assets in accordance with the National prescribed framework. The accounting policies applicable for assets are outlined in the appropriate paragraph of the statement of Accounting Policies and Related Matters of the DOD's Annual Report.
	g. A proper system of record-keeping is implemented to ensure that documentation is readily available.	A proper system of record-keeping is implemented. All records of the Logistic Information System are available centrally and at all self-accounting units. Records are checked regularly by means of spot checks and inspections.
	h. Monthly reconciliations between the Financial Management System (FMS) and logistical system relating to additions and disposals of assets are performed.	Monthly reconciliations between the FMS and logistical system. The Logistics Division in cooperation with the Financial Management Division is in the process of development of system integrated validation process between the FMS and the Logistical Systems in order to enable monthly reconciliation between the two functionalities wrt additions and accruals.
	i. Policies and procedures relating to assets are amended to ensure that assets are counted annually before the end of each financial year.	Policies and procedures relating to assets are amended. The Alternative Service Delivery Board (ASDB) approved the sourcing and appointment of an external service provider to deliver external staff support for external provisioning of logistic governance compliance of the SANDF. The Terms of Reference (TOR) will be submitted for approval on the Procurement Board where after the tender process will commence.

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Vote 22

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2009/10 AG ANNUAL REPORT REFERENCE	*RECOMMENDATIONS MADE IN SCOPA RESOLUTIONS DATED 28 JUNE 2011*	*DOD PROGRESS ON ACTION PLANS*
Page 177 - Restatement of corresponding figures	The Committee recommends that the Accounting Officer ensures that the financial statements and other information included in the annual report are checked and reviewed for completeness and accuracy prior to audit. All amendments to financial statements and information should be done before the annual audit commences.	Introduction and root causes. The DOD's restatement of corresponding figures was limited to the disclosure notes, where the Financial Management Division (FMD) is reliant on its feeder systems (Logistics Division, HR Division, Legal Services Division and Service Chiefs) to provide accurate figures. The underlying documentation regarding this information is most often located in various parts of the Department scattered throughout South Africa, most of which is processed manually. The Financial Management Division is currently not capacitated with sufficient resources to verify the accuracy and completeness of these figures before submission to the AGSA for audit purposes. Only a limited review of the numbers was conducted largely based on ensuring completeness of returns from all Services and Divisions, including a limited comparison of figures between the years. The internal audit function currently also does not have the capacity to timely and continuously test the validity and reliability of these figures to ensure its completeness and accuracy. Some of the causes for a need to adjust financials lies at other external sources such as the National Department of Public Works for fixed asset leases where contracts in the past were not visible to the DOD and later upon scrutiny of some of them it is discovered that information was not correct in prior years as well as reclassifications determined by the National Treasury. Below are the corrective measures to deal with the weaknesses outlined above. Policy & business processes. The DOD has compiled an accounting manual during the 2010/11 financial year providing detailed guidelines and instructions regarding the compilation and submission of financial statement figures. This is meant to cover both the preparation of the quarterly and annual financial statements. Structure, capacity and resources. The FMD is in the process of restructuring to ensure the placement of financial managers at all Services and Divisions who will in future be responsible for all aspects related to financial management and administration, including but not limited to the verification of the accuracy and completeness of financial statement figures before submission thereof for audit purposes. In addition the Office of the CFO is also busy realigning its organizational structure which will include capacity to ensure compliance regarding information provided in respect of financial statements and related disclosure notes as required by the regulatory framework. The DOD is also busy appointing a Head of Internal Audit. Once this internal audit function is fully staffed and capacitated, it will perform audits on the feeder systems, thereby providing additional assurance and quality control to the CFO and the Accounting Officer to ensure completeness and accuracy of figures submitted to AGSA for audit purposes. Systems. The DOD has a combination of manual and computerized systems in some instances whilst there are none in other environments, making it very difficult to provide accurate figures for financial statement purposes. In this regard the DOD actively participates in the development and roll-out of the IFMS system in cooperation with NT.

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2009/10 AG ANNUAL REPORT REFERENCE	*RECOMMENDATIONS MADE IN SCOPA RESOLUTIONS DATED 28 JUNE 2011*	*DOD PROGRESS ON ACTION PLANS*
Page 177 - Irregular expenditure	The Committee recommends that the Accounting Officer ensures that:	
	a. Appropriate disciplinary measures are taken against employees who were responsible for incurring irregular expenditure in terms of section 38(1)(h)(iii) of the Public Finance Management Act (No.1 of 1999) (PFMA).	The DOD acknowledges that non-compliance to prescripts seriously undermines sound financial management, weakens the spirit and ethos of the PFMA, TRs as well as the NT practice notes and ultimately erodes scarce resources that are intended to improve service delivery. A situational analysis was conducted and various root causes were identified. In order to address these root causes, the DOD has developed a Financial Misconduct Strategy which was presented to the Accountability Management Committee (AMC) and approved by the Accounting Officer (AO) in March 2011. The main objective of the strategy is aimed at preventing, detecting, recording, reporting, investigating, taking appropriate action and implementing corrective measures to discourage future reoccurrence of unauthorised, irregular and fruitless & wasteful expenditure.
	b. The Department implements effective, efficient and transparent financial and risk management processes.	
	c. The Department strengthens its internal control systems in order to avoid incurring further irregular expenditure.	
Page 178 - Predetermined objectives – Reliability of reported information	The Committee recommends that the Accounting Officer ensures that:	
	a. The planned and reported performance targets are specific, measurable and time-bound.	Planned and Reported Performance Targets. The Department presently convenes a Level 1 Indicator Workgroup fortnightly, in order to refine and finalise performance information that will be reflected in the FY2012 annual performance plans that is in line with the SMART principles.
	b. The accomplishment of predetermined objectives and targets is monitored on a continuous basis.	Accomplishment of Predetermined Objectives and Targets. The accomplishment of predetermined objectives and targets are monitored on a monthly and quarterly basis through Monthly Progress Reports and Departmental Quarterly Reports, which forms the basis of the Departmental Defence Secretariat (Def Sec) and South African National Defence Force (SANDF) Annual Reports at the end of each financial year. The Departmental Quarterly and Annual Reports are mandatory and prepared in accordance with prescripts from National Treasury.
	c. In future, relevant supporting evidence is made available.	Availability of Reporting Evidence. All Services and Divisions have been instructed to ensure that their relevant source documentation and/or sufficient evidence of planned objectives and achieved targets in the form of memo's, letters, minutes, certificates, registers, reports, system data, photo's etc are easily available, correctly referenced and properly filed for auditing purposes. In addition, the Internal Auditing of performance information will be conducted at least after each quarter by Inspector General (IG) to ensure compliance with legislation and prescripts.

Department of Defence and Military Veterans
Vote 22

REPORT OF THE ACCOUNTING OFFICER - for the year ended 31 March 2012

2009/10 AG ANNUAL REPORT REFERENCE	*RECOMMENDATIONS MADE IN SCOPA RESOLUTIONS DATED 28 JUNE 2011*	*DOD PROGRESS ON ACTION PLANS*
Page 178 - Non-compliance with laws and regulations Internal controls - Leadership	The Committee recommends that the Accounting Officer ensures that:	
	a. The Department adheres to the applicable laws and regulations: including the PFMA, Treasury Regulations, Defence Act, Public Service Act, and appropriate disciplinary measures are taken against officials who do not comply with laws and regulations.	Compliance with Laws and Regulations. All the DOD members involved were again sensitised regarding the requirements and prescripts for the implementation of salary dispensation and housing allowance for military members and performance awards for all DOD officials. The salary dispensation and payment of housing allowance for military members have since been regularised by the Committee of Ministers (Mandating Committee) whilst the performance awards were regularised by the Accounting Officer.
	b. The Department has an effective audit committee that promotes independence, accountability and effective risk assessment.	An Effective Audit Committee. Three external audit committee members were appointed on 26 May 2011. Since the appointment of the audit committee members six audit committee meetings were held and discussions included the financial statements, Accounting Officer's report, Audit report and final management report from the AGSA. Further discussions included presentations on asset management rectification plans, AGSA performance audit process and feedback on financial issues such as suspense accounts, revenue and certificates of compliance. The chairperson met twice with the Accounting Officer to discuss management issues and the chairperson was involved with the final interviews of the candidates for the appointment of the Chief Audit Executive. The Audit Committee is however reliant on a fully functional internal audit function. In this regard it can be reported that the internal audit structure was developed and approved and that the Internal Audit Executive assumes duty on 2 Apr 2012.
	c. The Department has a risk management strategy, which must include a fraud prevention plan.	Risk Management Strategy and Fraud Prevention Plan. The Department's formal risk management function was already established in January 2009. This led to the development of the DOD Enterprise Risk Management Framework which is fully aligned to the Public Sector Risk Management Framework and other relevant prescripts. The Department's Consolidated Strategic Risk Register has also been developed. The revised draft DOD Risk Management Strategy, accompanied by the DOD Fraud Prevention Plan, as well as the revised draft DOD Risk Management Policy have been completed and is currently in the process of being distributed for comments and inputs.

REPORT OF THE ACCOUNTING OFFICER - for the year ended 31 March 2012

0910 AG ANNUAL REPORT REFERENCE	*RECOMMENDATIONS MADE IN SCOPA RESOLUTIONS DATED 28 JUNE 11*	*DOD PROGRESS ON ACTIONS PLANS*
Page 179- Internal controls - Financial and performance management	The Committee recommends that the Accounting Officer ensures that:	
	a. There is oversight responsibility over financial reporting and internal control, and appropriate disciplinary measures are taken against individuals who fail to exercise this responsibility.	Oversight Responsibility. Monitoring is done by delegating responsibilities to the lowest levels and inspections by the Defence Inspectorate Division as well as Functional Control Specialists. Periodic compliance meetings are held at all levels within the DOD.
	b. The Department has the necessary key controls in place to manage performance effectively, against predetermined objectives.	Key Controls. Cognisance was taken of the weaknesses that were found regarding the accuracy and completeness of the information reported in the Annual Report during the year under review. Further improvements in controls have been implemented through the development of an Interim Policy on the Reporting of Performance Information against Plan. This Policy comprehensively outlines the processes, roles, responsibilities and control activities regarding performance information to ensure that all the information received from the respective Services and Divisions are reviewed for completeness, accuracy, and validity, as well as being correctly consolidated for reporting to the Executive Authority, National Treasury and Parliament. In addition, the matters raised in the FY2009/10 Audit Report were investigated and addressed in preparation for the next audit cycle. As a result no material findings in respect of performance information were found in the DOD Annual Report for FY2010/11.
	c. There is ongoing monitoring of compliance with laws, regulations and policies.	Monitoring of Compliance. The DOD has initiated the following control measures to ensure compliance with laws, regulations and policies. Following the findings of the AG with regards to non-compliance with laws, regulations and policies, the Department embarked on a project referred to as "Operation Clean Audit". The project focused on the following critical areas: • Recruiting and training certain staff members aimed at the internal establishment of a compliance unit. • The establishment of an appropriate compliance unit. • The establishment of regulatory universe for the DOD. • The establishment of compliance training material and transfer of skills to the line manager and the compliance function. The Minister of Defence and Military Veterans has with effect from 1 March 2011 appointed a Head of Compliance within the Ministry to coordinate the development and implementation of a Compliance Risk Management System (CRMS) within the DOD.

REPORT OF THE ACCOUNTING OFFICER - for the year ended 31 March 2012

2009/10 AG ANNUAL REPORT REFERENCE	*RECOMMENDATIONS MADE IN SCOPA RESOLUTIONS DATED 28 JUNE 2011*	*DOD PROGRESS ON ACTION PLANS*
Page 179 - Internal controls - Governance	The Committee recommends that the Accounting Officer ensures that:	
	a. The Department has a fraud prevention plan that is reviewed on a continuous basis, and appropriate disciplinary measures are taken against individuals who do not adhere to it.	Fraud Prevention Plan. The status of the Corruption and Fraud prevention Plan is as follows: • The plan was reviewed and approved by the Secretary for Defence and the Chief SANDF in 2011. • The instruction for implementation of the plan was presented to the Plenary Defence Staff Council for approval on 30 September 2011. • The plan is closely linked to the Anti Criminality Strategy that was also approved by the Plenary Defence Staff Council on 30 September 2011. The Anti-Corruption and Anti-Fraud Nodal Point uses the plan as departure point and it is presented and discussed during the DOD's management meetings.
	b. The internal audit function is fully operational throughout the year and assists in maintaining efficient and effective controls. The internal audit function should evaluate the controls on a continuous basis, and develop recommendations for improvement.	Internal Audit function. The internal audit structure was developed and approved. The Internal Audit Executive assumed her duties on 2 Apr 2012 and will now manage the process of staffing this new structure.
	c. The Department appoints the Head of Internal Audit as a matter of urgency.	Appointment of the Internal Audit Executive. The Internal Audit Executive assumed duty on 2 Apr 2012.

REPORT OF THE ACCOUNTING OFFICER - for the year ended 31 March 2012

16. Prior modification to audit reports

MATTERS REPORTED ON BY THE AGSA IN THE 2010/11 FINANCIAL YEAR

2010/11 AGSA Audit Report Reference	*FY first reported*	*Progress made in clearing/resolving the matter*
Movable and Immovable Tangible Capital Assets Qualification - Page 179. These assets are now stated at R 76.9 billion (no disclosure in prior years) in disclosure notes 32, 33 and 34 to the financial statements. Although the department has commenced addressing some of the prior year qualification matters, the process is unfinished, in that the department could not provide sufficient appropriate audit evidence to support the amount disclosed, and the records did not permit the application of alternative procedures.	06/07	Tangible Movable Capital Assets. The following initiatives are underway to accomplish NT asset management requirements: • Implementation of a DOD Asset and Inventory Verification Program. • Busy procuring a two-dimensional bar-coding, tagging and scanning capability to enhance item identification and tracking. • Continuous monitoring of National Stock Numbers (NSNs) to SCOA which enables the DOD to report in the required categories. • Completed functional specifications for a single, integrated asset and inventory management system (inclusive of cataloguing and codification). • Busy engaging the IFMS team to consider the uniqueness of the DOD supply chain requirements and to grant a deviation from the moratorium for the procurement of a single logistics information system. Progress made is as follows: • Extensive work has been carried out in ensuring that the information contained on the transactional systems is accurate. Counts of physical assets have been carried out per Service/Division, and the systems have been compared to the results of the physical count and where necessary updated have been performed. • Services/Divisions have taken ownership of the information contained in the asset register of each. • Information between the different disparate systems has been agreed to ensure accurate reporting for financial statement purposes. • National Treasury has approved a request for departure from complete disclosure of the assets in the financial statements. The departure allows the DOD to disclose only the Specialised Military Assets, Immoveable Assets and Transport Assets. It was approved subject to specific conditions. • The rest of the categories of assets are to be disclosed as annexures to the financial statements. • The Accountant General has deployed five officials to assist in the conceptualisation of the defence unique accounting policy dispensation that is expected to be in place to ensure compliance while matching the needs of the Defence environment. • An agreement is being crafted in terms of which the Accountant General will further allocate Trainee Accountants (serving articles of clerkship) in the various areas requiring assistance.

		• Phasing out of UIMS and DIMS is being prioritised. • A system integrated validation process between the FMS and the Logistical Systems is being developed to enable monthly reconciliation between the two systems with regard to additions and accruals. • Classification of assets was attended to at a work session with the Services/Divisions, and is also being confirmed physically where an inspection of the items is being carried out ensuring that the assets are properly classified. Tangible Immovable Assets. The following initiatives are underway to accomplish NT asset management requirements: • A policy framework for the management of assets within the DOD was developed and signed off by the proper authorities within DOD. • Valuation guidelines, which were included in the framework above provided guidance to Services/Divisions on the valuation of assets. • The Defence Endowment Property portfolio register has been finalised.
Restatement of corresponding figures Emphasis of Matter - Page 179. As disclosed in note 25 to the financial statements, the corresponding figures for operating leases for 31 March 2010 have been restated as a result of an error discovered during 2010-11 financial year.	10/11	The DOD has compiled an accounting manual during the 2010/11 financial year providing detailed guidelines and instructions regarding the compilation and submission of financial statement figures. The FMD is busy restructuring to place financial managers at all Services and Divisions who will in future be responsible for the verification of the accuracy and completeness of financial statement figures. The DOD also appointed an Internal Audit Executive to ensure that audits are conducted on the feeder systems, thereby providing additional assurance and quality control to the CFO and the Accounting Officer regarding completeness and accuracy of figures submitted to AGSA for audit purposes.
Irregular expenditure Emphasis of Matter- Page 179. As disclosed in note 27 to the financial statements, irregular expenditure to the amount of R 799,349 million, mainly comprising procurement not in terms of Treasury Regulations, was incurred by the department.	08/09	The DOD has developed a Financial Misconduct Strategy which was approved by the Accounting Officer in March 2011. The main objective of the strategy is aimed at preventing, detecting, recording, reporting, investigating, taking appropriate action and implementing corrective measures to discourage future reoccurrence of unauthorised, irregular and fruitless & wasteful expenditure. The DOD is currently in the process of rolling out this strategy throughout the department.
Non-compliance with the Public Finance Management Act and Treasury regulations Internal Audit - Page 180. The accounting officer did not ensure that an internal audit function was in place as per requirements of Treasury Regulation (TR) 3.2.2. However, the Inspector General did perform certain compliance and other procedures which were reported to the audit committee.	09/10	The internal audit structure was developed and approved. An Internal Audit Executive was appointed and assumed duty on 2 April 2012.

REPORT OF THE ACCOUNTING OFFICER - for the year ended 31 March 2012

Non-compliance with the Public Finance Management Act and Treasury regulations Financial Misconduct - Page 180. Sufficient appropriate audit evidence was not available in all instances, to determine if the accounting officer ensured that investigations were conducted into all allegations of financial misconduct made against officials within 30 days from the date of discovery of the allegation as required in terms of TR4.1.2.	10/11	Services and Divisions are on a monthly basis sensitized in the Prosecution and Recovery Committee regarding the requirement that investigations are to be conducted into all allegations of financial misconduct made against officials within 30 days from the date of discovery. An instruction to raise awareness and ensure compliance with Financial Misconduct cases has been developed and distributed. The DOD is also busy with a corporate communication strategy to reach all levels within the DOD regarding the prevention of financial misconduct in the Department.
Non-compliance with the Public Service Regulations Human resource management and compensation - Page 180. Some senior managers did not enter into a performance agreement for the current year as per the requirements of PSR 4/III/B.1 and Department of Defence Instruction: POL and PLAN No. 00065/2002 (Edition 2) dated 1 January 2005.	10/11	The DOD issued an instruction to SMS members informing them of the due date for the submission of performance agreements by 31 January of each year. A SMS communication process was also introduced to notify SMS members of outstanding performance agreements.

REPORT OF THE ACCOUNTING OFFICER - for the year ended 31 March 2012

Non-compliance with the Public Finance Management Act and Treasury regulations Procurement and contract management - Page 181. In some instances goods and services with a transaction value of more than R500 000 were not procured by means of a competitive bidding process as per the requirements of TR 16A6.1, TR 16A6.4 and National Treasury Practice Note 6 and 8 of 2007/08. Awards were made to suppliers who did not declare their employment by the state or their connection with a person employed by the state or their relationship with persons involved in the evaluation and/or adjudication of the bids as per the requirements of Practice Note 7 of 2009/10. Contrary to SCM requirements this is not a requirement in terms of departmental policies. Instances were identified where senior managers did not disclose their business interest in a supplier to the department and to the executive authority as per the requirements of chapter 3(C1) of the Public Service Regulations. In some instances the Supply Chain Management (SCM) officials and/ or other SCM role players and those whose close family members and/ or partners and/or associates had a private or business interest in contracts awarded by the department failed to disclose their interest and in some cases participated in the process relating to the awarding of the contract contrary to the requirements of TR 16A8.4(a) and (b). Some employees performed remunerative work outside their employment in the department without written permission from the relevant authority as per the requirements of section 30 of the Public Service Act and Department of Defence Instruction: PERS NO 4/99 dated 22 December 1999.	10/11	A comprehensive review of the Supply Chain Management Policy Regime is currently in process. The review will include the DODI on procurement, all relevant procurement regulations and procurement delegations. Vetting of SLA's, contracts, etc will be done by legal services prior to signing of procurement contracts. Bidders' details will be published on the DOD website for all requirements above R500k within 10 days after closure of the bid. ID numbers of bidders will be verified against the DOD's post establishment table. Bidders will be required to use the revised SBD 4 "Declaration of Interest" document and this must be done for price quotations and bids. A Procurement Road-show is planned to interface with procurement officials. Services and Divisions will be requested to instruct their level 3 and 4 officers commanding to ensure that appropriate audit evidence are kept on file where approval was granted to their employees to perform remunerative work outside their employment. The policy on remunerative work was also revised.

REPORT OF THE ACCOUNTING OFFICER - for the year ended 31 March 2012

Non-compliance with the Public Finance Management Act and Treasury regulations Expenditure management - Page 181. The accounting officer did not, in all instances, immediately upon the discovery reported irregular expenditure to the National Treasury as per the requirements of section 38(1)(g) of the PFMA.	10/11	Although the PFMA requires of National Departments to report cases of irregular expenditure to the National Treasury immediately upon discovery thereof, National Treasury only requires a monthly report and has to this effect supplied the DOD with a formal template, which the DOD complies with.
Internal Control - Leadership - Page 181. The department did not exercise sufficient oversight responsibility regarding financial reporting over capital assets, compliance and related internal controls. This is evident as the department did not have sufficient monitoring controls to ensure the proper implementation of the overall process of reporting, and regular reviewing of information to ensure the accuracy, and completeness of the information reported. Management does not, in all instances, have approved updated policies and procedures, including the reporting process to guide management at the lowest level to ensure compliance with National Treasury disclosure requirements.	09/10	Lack of Oversight and Monitoring Controls. All the newly created Asset Management posts have been filled. It is foreseen that these appointed managers will enhance internal controls and oversight in the asset management environment and ensure accurate asset figures for financial reporting purposes. Lack of Policies. Draft policy frameworks for Assets, Leases, Gifts, Donations and Sponsorships (GDS) as well as Heritage Assets were completed. The Alternative Service Delivery Board (ASDB) approved the sourcing and appointment of an external service provider to assist with the policy writing process.

REPORT OF THE ACCOUNTING OFFICER - for the year ended 31 March 2012

Internal Control - Financial and Performance Management - Page 181. Existing manual and automated controls are not designed to ensure adequate record keeping and accurate and complete financial reporting in a timely manner which is accessible and available and to ensure that the transactions are complete and accurately recorded without delay as required by the National Treasury. The assets are currently managed on various logistical subsystems. These systems are not integrated nor are they integrated with the financial system or reconciled. Inventory and capital assets are also not separated on these subsystems. Due to a moratorium on the acquisition of a new assets system the above shortcomings could not be addressed. Records of some units/depots are still manual and are not integrated for reporting purposes. Adequate controls were not implemented over daily and monthly processing and recording of transactions to ensure the accuracy, and completeness of the information reported. Adequate processes were not in place to ensure complete and timely reporting to relevant authorities as required by laws and regulations.	09/10	National Treasury's moratorium on the major enhancement of systems including logistics is a major barrier in the ability of DOD to submit the required information in the format required by AG. The current logistics systems are designed to support operations and maintenance of military capabilities and not the reporting requirements as required by the AG. A task team commenced negotiations with the IFMS Team from NT on the lifting of the moratorium on unique modules of logistics in the DOD. The DOD is currently the lead site for the implementation of the IFMS module on asset management. The full rollout of the asset management module and integration to the different logistics systems will enable the DOD to report accordingly. In the mean time, the DOD will be acquiring a single logistics system for the department.
Internal Control - Governance - Page 182. The department is still in the process of capacitating the internal audit component.	09/10	The newly appointed Internal Audit Executive assumed duty on 2 April 2012. The filling of the approved internal audit structure will be her first priority.

SPECIAL DEFENCE ACCOUNT		
2010/11 AGSA Audit Report Reference	***FY first reported***	***Progress made in clearing/resolving the matter***
Emphasis of the matter – Significant uncertainties. As disclosed in note 20 to the financial statements, the SDA through the Department of Defence and its service provider is a defendant in certain lawsuits. The outcome of these lawsuits cannot be determined at present and no provision has been made for any liabilities that may result.	10/11	The matter was considered in Lisbon and the Court found in favour of Armscor. The Lisbon Court ruled that it has no jurisdiction to hear the matter. The plaintiffs have filed an appeal. Armscor filed a counter argument during February 2012 requesting the dismissal of the appeal. The date for the hearing of the appeal has not yet been set down.
Emphasis of matters – Fruitless and Wasteful Expenditure. As disclosed in note 22 to the financial statements, fruitless and wasteful expenditure of R110 414 000 was incurred after the reinstatement of a contract that had previously been cancelled.	10/11	The matter referred to in this case was discussed at the relevant parliamentary committee dealing with Intelligence matters and is receiving attention.

17. Exemptions and deviation received from the National Treasury

17.1 Exemptions

17.1.1 The DOD prepares two sets of financial statements, namely the General Vote in terms of modified cash and that of the Special Defence Account on a accrual basis of accounting using the Standards of Generally Recognised Accounting Practice (GRAP).

17.1.2 Due to the sensitive nature of matters included in the Special Defence Account, the DOD requested exemption from applying GRAP 6 and asked to apply GRAP 104 instead as the latter requires less disclosure.

17.1.3 The National Treasury granted approval for the Special Defence Account to continue to prepare its financial statements based on all effective GRAP standards for the 2011/2012 financial year and approved the request to apply GRAP 104 for 2010/2011 and 2011/12 financial years.

17.2 Departure

17.2.1 The DOD has requested departure from reporting assets in the annual financial statements in terms of the Departmental Financial Reporting Framework Guide (DFRFG) issued by the National Treasury. The DOD is currently operating on more than one Logistical system and these systems are not integrated.

17.2.2 The DOD has been having bi-weekly meetings where they discuss the progress on their asset management plans and challenges thereof. Due to the fact that the DOD does not have the necessary skilled personnel to be able to report on the other categories of assets, the Office of the Accountant General (OAG), committed itself to assist the DOD with capacity.

REPORT OF THE ACCOUNTING OFFICER - for the year ended 31 March 2012

17.2.3 National Treasury approved the departure from reporting all other categories of assets, (which exclude Specialised Military Assets, Transport Assets and Immovable Assets), in the Annual Financial Statements for the year ending 2011/2012, with the following conditions:

a. The DOD will be subject to a full audit on all applicable assertions on the Specialised Military Assets, Transport Assets and Immovable Assets;

b. The DOD should have a consistent, well documented policy on how the assets disclosed in the financial statements have been valued, including the determination of fair value. This should also be included in the accounting policies in the financial statements;

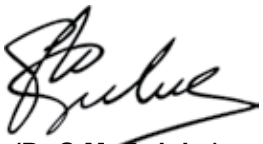
c. The other categories of assets will be disclosed in an annexure which the auditors will not express an opinion on.

18. 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 and Military Veterans 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 Defence Secretariat Board have provided wise council 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.

19. Approval

The Annual Financial Statements set out in pages 205 to 287 have been approved by the Accounting Officer.



(Dr S.M. Gulube)
Secretary for Defence: Director General

Pretoria
31 August 2012

Department of Military Veterans
(Included in Vote 22)

REPORT OF THE ACCOUNTING OFFICER - for the year ended 31 March 2012

1. Introduction

The Department of Military Veterans was established through a Proclamation by the President of the Republic of South Africa in a Government Notice number 32844 dated 28 December 2009. The aim of the Department is to formulate policies and standards aimed at providing a comprehensive delivery system to military veterans and their dependents in recognition of their role in the democratisation of South Africa.

The mandate of the Department of Military Veterans is derived from Section 7 of the Bill of Rights, Constitution of the Republic of South Africa, 1996 and Military Veterans Act, 2011 (Act No. 18 of 2011) which prescribes benefits that must be provided to the deserving military veterans.

The Department of Military Veterans was operating in the Sub-Programme Military Veterans Management within the main Administration Programme under Vote 22 of the Department of Defence and Military Veterans in the 2011/12 financial year. The decision was then taken for the Department of Military Veterans to operate independently.

2. General review of the state of financial affairs

2.1 Important policy decisions facing the Department

2.1.1 The Department of Military Veterans is responsible to provide Section 5 benefits in terms of the Military Veterans Act, 2011 (Act No. 18 of 2011) to the deserving military veterans and their dependents such as education, health, housing, transport, burials, pensions, tombstones for deletion, honouring of military veterans and other related benefits.

Funds which are meant to provide these benefits are to be made available to the Department of Military Veterans in order for the Department to fully execute its mandate. The overall co-ordination and collaboration with other government departments and the private sector providing service delivery on socio-economic support services to military veterans eligible for such support.

2.1.2 The Department is also faced with major financial constraints to fund the posts which are to be filled for it to function effectively. Various meetings were held with National Treasury to request additional allocation of funds in order to finance the operation of the Department nationally.

2.1.3 The Department developed regulations which are to be approved by the Parliament in terms of the Military Veterans Act, 2011 (Act No. 18 of 2011) to regularise the rolling out of benefits to the deserving military veterans.

2.1.4 The supporting structures and institutions (Ministerial Military Veterans Advisory Council and also the Military Veterans Appeal Board) in delivering the military veterans mandate as required in terms of the Military Veterans Act, 2011 (Act No. 18 of 2011) will be operationalised in the 2012/13 financial year.

2.2. Significant events which have taken place during the year

2.2.1 The Military Veterans Act, 2011 (Act No. 18 of 2011) was passed in the Parliament for implementation as from 01 April 2012 with financial implications for the provision of Section 5 benefits in terms of this Act.

Department of Military Veterans
(Included in Vote 22)

REPORT OF THE ACCOUNTING OFFICER - for the year ended 31 March 2012

2.3. Major projects undertaken or completed during the year

2.3.1 The budget programme structure of the Department of Military Veterans was approved during September 2011 and the Estimates of National Expenditure was tabled in the 2011/12 financial year.

2.3.2 The first phase of a process to update personal information in the National Military Veterans' Database was initiated and completed in 2011. Information captured indicated preliminarily, that 10 000 military veterans are eligible for urgent socio-economic support services. The database is central to provision of services to military veterans and it is critical for the tracking of legislated service delivery in this sector. An estimated amount of at least Rm 1,2 was spent from the operational budget in the first database clean-up exercise with no additional funds allocated by National Treasury. The purchase of uniforms has also been done from the operational budget with no additional funds allocated.

2.4. Spending trends

2.4.1 It should be noted that the Department of Military Veterans was operating in the Sub-Programme Military Veterans Management within the main Administration Programme under Vote 22 of the Department of Defence and Military Veterans in the 2011/12 financial year. The Department of Military Veterans was allocated an original budget of Rm 45,4 during the 2011/12 financial year which was adjusted down by Rm 8,9 to Rm 36,5. The amount of Rm 28,9 (79 %) was spent against the allocated budget during the 2011/12 financial year. The under-spending of Rm 7,6 was mainly due to the posts which were not filled during the 2011/12 financial year and the related unspent operational budget for unfilled posts.

2.4.2 The decision was taken for the Department of Military Veterans to operate independently as transfer payments under the Department of Defence as from 01 April 2012. The budget programme structure consisting of Administration, Socio-Economic Support Services and Empowerment & Stakeholder Management Programmes and their related Sub-Programmes was approved by National Treasury in the 2011/12 financial year. The Department has already filled senior management critical posts in order to meet financial and general management requirements in terms of the Public Service Act, 1994 (Proclamation 103 of 1994), and the planning, budgeting, liability, expenditure, revenue and asset management and reporting requirements in terms of the Public Finance Management Act, 1999 (Act No. 1 of 1999).

2.4.3 Further action will be taken to fill other remaining critical posts in the 2012/13 financial year to enable the Department to function effectively. Programmes and Responsibility Managers have been appointed in writing to assist with financial management in their respective Programmes and Responsibilities to ensure that material under-spending is avoided in the 2012/13 financial year. The Department has initiated the process to implement BAS and Persal Systems in order to ensure proper management and reporting of financial management information and this will have a major positive impact on the prevention of material under-spending of the budget in the 2012/13 financial year.

2.5. Virements

2.5.1 The virements were accounted for in the 2011/12 Annual Financial Statements of the DOD and were approved by its Accounting Officer. It should be noted that the Department of Military Veterans was operating in the Sub-Programme Military Veterans Management within the main Administration Programme under Vote 22 of the Department of Defence and Military Veterans during the 2011/12 financial year.

Department of Military Veterans
(Included in Vote 22)

REPORT OF THE ACCOUNTING OFFICER - for the year ended 31 March 2012

3. Services rendered by the Department

There were no chargeable services rendered by the Department of Military Veterans during the 2011/12 financial year.

3.1 Tariffs

The tariffs unique to the Department of Defence and Military Veterans, determined by the tarif owner and where the tarif structure is approved by the National Treasury and applied where applicable. All tariffs charged for the services rendered were accounted for in the 2011/12 Annual Financial Statements for the Department of Defence and Military Veterans.

3.2 Free Services

No free services were rendered to the officials during the 2011/12 financial year.

4. Capacity constraints

The Department of Military Veterans still has capacity constraints to operate. Only 18 posts have been filled so far out of 169 posts as at 31 March 2012. Further action will be taken to staff the remaining critical posts in the 2012/13 financial year to enable the Department to function effectively. The offices are not adequate to accommodate the recruited personnel and a request was sent to the Department of Public Works to procure sufficient accommodation for the Department.

The budget allocated to the Department of Military Veterans is not sufficient to fund the filling of all critical posts, critical operational requirements and Section 5 benefits to be provided to the deserving military veterans. The capacity constraints are negatively impacting a lot on the Department's ability to meet its service delivery mandate to the deserving military veterans.

5. Utilisation of Donor Funds

There was no inflow or outflow of donor funds in the Department of Military Veterans during the 2011/12 financial year.

6. Trading and Public Entities

There was no registered trading or public entity operating under the control of the Department of Military Veterans. There were also no losses suffered as no transfer of funds took place to any trading or public entity.

7. Organisations to whom transfer payments have been made

There were no transfers of funds made to any organisations.

8. Public Private Partnership (PPP)

The Department of Military Veterans did not enter into Public Private Partnership agreements during the 2011/12 financial year.

Department of Military Veterans
(Included in Vote 22)

REPORT OF THE ACCOUNTING OFFICER - for the year ended 31 March 2012

9. Corporate governance arrangements

The Department is implementing a Public Service Risk Management Framework. The risk assessment has been completed and a risk register has been developed. Internal control and other risk mitigation strategies are in progress for implementation.

The major risk identified relates to an insufficient allocated budget to fund the filling of all critical posts, critical operational developments and Section 5 benefits to be provided to the deserving military veterans in terms of the Military Veterans Act, 2011 (Act No. 18 of 2011). The full requirement motivations supported by costing were submitted to National Treasury for additional funds.

The accommodation which is insufficient to accommodate all recruited staff members is a major risk identified. A request was sent to the Department of Public Works to procure adequate accommodation for the Department of Military Veterans and follow-up meetings are being held.

The reliability, accuracy and completeness of the beneficiary database information regarding the deserving military veterans is also a major risk identified. The second phase of the project for the database clean-up to refine the information in the military veterans beneficiary database will be implemented from 28 May to 13 July 2012. The second phase of the database clean-up project is estimated to cost Rm 10.1 to be spent against the operational budget as no additional funds were made available by National Treasury.

The Department is complying with the Fraud Prevention policy for the DOD. The Internal Audit Director was appointed in November 2011 and the Department of Military Veterans is currently sharing audit committee services with the DOD. The audit committee meets at least four times a year. Action will be taken to fill the vacant occupational health and safety posts in the 2012/13 financial year to deal with occupational health and safety issues in the work place. There were no cases of injury on duty reported in the 2011/12 financial year.

All Senior Management Personnel are expected to get approval from the Executing Authority before they engage in the remunerated work outside the public service and are also required to disclose their outside business interest on a yearly basis before the end of April. The disclosure information is coordinated by the Human Resources Management Directorate and ultimately forwarded to the Public Service Commission.

10. Discontinued activities / activities to be discontinued

There were no activities which were discontinued or to be discontinued by the Department during the 2011/12 financial year.

11. New / proposed activities

The Military Veterans Act, 2011 (Act No. 18 of 2011) requires the provision of the Section 5 benefits to the deserving military veterans for which funds have not been received from National Treasury in order to fully execute the mandate of the Department.

12. Asset Management

All assets were procured through the procurement system of the DOD and included in the DOD Asset Register in terms of the Defence Asset Management Policy. The assets were disclosed in the 2011/12 Annual Financial Statements for the Department of Defence and Military Veterans. The project for the separation of the assets between

Department of Military Veterans
(Included in Vote 22)

REPORT OF THE ACCOUNTING OFFICER - for the year ended 31 March 2012

the Departments of Defence and Military Veterans is to be done in the second quarter of the 2012/13 financial year in line with the requirements of the Public Finance Management Act, 1999 (Act No. 1 of 1999). Handing over certificates between the two accounting officers are planned to be signed off by the beginning of the third quarter of the 2012/13 financial year.

13. Inventories

Inventories were procured through the procurement system of the DOD and included in the DOD Inventory Register. The project for the separation of the inventories between the Departments of Defence and Military Veterans is to be done in the second quarter of the 2012/13 financial year in line with requirements of the Public Finance Management Act, 1999 (Act No. 1 of 1999). Handing over certificates between the two accounting officers are planned to be signed off by the beginning of the third quarter of the 2012/13 financial year.

14. Events after the reporting date

There were no significant events which occurred after the reporting date of 31 March 2012 that could impact the financial position and operation of the Department of Military Veterans for the 2011/12 financial year.

15. Information on predetermined objectives

The budget programme structure for the department was approved on 30 September 2011 and the Annual Performance Plan for the Department was only approved on 28 February 2012 for implementation from 01 April 2012. The Department will start to report on the quarterly performance information per programme in the 2012/13 financial year and will regularly hold review meetings in order to evaluate and monitor progress made against the achievements of planned targets and objectives. Action plans will be developed to address the deviations in order to ensure that planned targets and objectives are fully realised annually and over the medium term period. The management of performance information in Military Veterans will be guided by the National Treasury's Framework for Management of Performance Information and Performance Monitoring and Evaluation Framework which will be developed in the 2012/13 financial year.

16. SCOPA resolutions

There are no outstanding SCOPA resolutions for the Department of Military Veterans.

17. Prior modification of audit reports

There was no audit performed on the Department of Military Veterans by the Auditor-General South Africa during the 2011/12 and previous years.

18. Exemptions and deviations received from National Treasury

The Department of Military Veterans was operating in the Sub-Programme Military Veterans Management with-

Department of Military Veterans
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REPORT OF THE ACCOUNTING OFFICER - for the year ended 31 March 2012

in the main Administration Programme under Vote 22 of the Department of Defence and Military Veterans in the 2011/12 financial year. National Treasury exempted the Department of Military Veterans from the preparation of separate Annual Financial Statements in the 2011/12 financial year on account of the above-mentioned information.

19. Performance bonuses payments

The Department of Military Veterans did not pay any performance bonuses to employees in the 2011/12 financial year.

(T.E. Motumi)
Accounting Officer

Department of Defence and Military Veterans
Vote 22

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON VOTE NO. 22: DEPARTMENT OF DEFENCE AND MILITARY VETERANS

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Department of Defence and Military Veterans set out on pages 205 to 259, which comprise the appropriation statement, the statement of financial position as at 31 March 2012, the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation of these financial statements in accordance with the basis of accounting described in note 1 to the financial statements in accordance with the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. 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 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements have been prepared, in all material respects, to reflect the financial position of the Department of Defence and Military Veterans as at 31 March 2012, and its financial performance and

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON VOTE NO. 22: DEPARTMENT OF DEFENCE AND MILITARY VETERANS

cash flows for the year then ended in accordance with the basis of accounting as set out in note 1 to the financial statements and the requirements of the PFMA.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Financial reporting framework

8. As disclosed in note 33 to the financial statements, the National Treasury has granted the department a departure from the Departmental Financial Reporting Framework. In terms of this departure, the department only has to disclose information for the categories of specialised military, transport and immovable assets and not the other categories of assets as required by the Departmental Financial Reporting Framework as set out in the accounting policy note.

Restatement of corresponding figures

9. As disclosed in disclosure note 33.3 to the financial statements the corresponding figures for movable tangible capital assets were adjusted in disclosure note 33, current year adjustments to prior year balances.

Additional matter

10. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

11. The supplementary information set out on pages 261 to 287 does not form part of the financial statements and is presented as additional information. I have not audited these annexures and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

PAA REQUIREMENTS

12. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

13. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 29 to 96 of the annual report.

14. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indica-

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON VOTE NO. 22: DEPARTMENT OF DEFENCE AND MILITARY VETERANS

tors and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

The reliability of the information in respect of the selected programmes is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

15. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

Additional matters

16. Although no material findings concerning the usefulness and reliability of the performance information was identified in the annual performance report, I draw attention to the following matters below.

Achievement of planned targets

17. Of the total number of planned targets, only 119 were achieved during the year under review. This represents 43% of total planned targets that were not achieved during the year under review.

This is mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process.

Material adjustments to the annual performance report

18. Material audit adjustments in the annual performance report were identified during the audit, all of which were corrected by management.

Compliance with laws and regulations

19. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Strategic planning and performance management

20. The accounting officer did not provide Parliament with the strategic plan and annual performance plan relating to the SANDF programmes at least 10 days prior to the discussion of the department's budget vote as required by Treasury Regulation (TR) 5.2.2. The plan was subsequently tabled in Parliament on 30 March 2012.

Human resource management and compensation

21. Not all senior managers entered into a performance agreement for the current year as per the requirements of the Public Service Regulations (PSR) 4/III/B.1 and Department of Defence Instruction: POL and PLAN No. 00065/2002 (Edition 2) dated 1 January 2005.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON VOTE NO. 22: DEPARTMENT OF DEFENCE AND MILITARY VETERANS

22. Some employees received overtime compensation in excess of 30% of their monthly salaries, in contravention of PSR 1/V/D.2(d) and Department of Defence Instruction: POL and PLAN No. 00018/2004 (Edition 1) dated 1 November 2005.

23. Some employees were appointed without following a proper process to verify the claims made in their applications in contravention of PSR 1/VII/D.8.

Internal Audit

24. The accounting officer did not ensure that a fully operational internal audit function was in place as per the requirements of the TR. The Inspector General did perform certain compliance and other procedures which were reported to the audit committee. The Head of Internal Audit was appointed subsequent to year-end.

Annual financial statements, performance and annual report

25. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 40(1)(a) of the PFMA. Material misstatements of capital assets identified by the auditors were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

26. In some instances goods and services of a transaction value above R500 000 were procured without inviting competitive bids as required by TR 16A6.1 and TR 16A6.4.

27. In some instances employees of the department performed or engaged themselves to perform remunerative work outside their employment in the department without written permission from the relevant authority as per the requirements of section 30(b) of the Public Service Act and section 52.5 (a) of the Defence Act 42 of 2002.

Internal control

28. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the material findings on the annual performance report that were subsequently corrected by management and the findings on compliance with laws and regulations included in this report.

Leadership

29. The department did not exercise sufficient oversight responsibility regarding financial reporting over capital assets, performance information, compliance and related internal controls. The department did not have sufficient monitoring controls for the overall process of reporting, and regular reviewing of information to ensure the accuracy and completeness of financial and performance information.

30. Management did not always have approved updated policies and procedures, to guide management at the lowest

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON VOTE NO. 22: DEPARTMENT OF DEFENCE AND MILITARY VETERANS

level to ensure compliance with National Treasury disclosure requirements, and the Framework for Managing Programme Performance Information.

Financial and performance management

31. Existing manual and automated controls were not designed to ensure adequate record keeping to support accurate and complete financial and performance reporting which is accessible and available as required by National Treasury.

Governance

32. The department is still in the process of capacitating the internal audit component.

Auditor - General
Pretoria
31 August 2012

AUDITOR-GENERAL
SOUTH AFRICA
Auditing to build public confidence

Department of Defence and Military Veterans
Vote 22

ACCOUNTING POLICIES
for the year ended 31 March 2012

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, 1999 (Act No. 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 funds comprises of departmental allocations as well as direct charges against revenue fund (i.e. statutory appropriation).

Appropriated funds are recognised in the financial records on the date the appropriation becomes effective. Adjustments made in terms of the adjustments budget process are recognised in the financial records on the date the adjustments become effective.

Unexpended appropriated funds are surrendered to the National Revenue Fund. Any amounts owing to the National Revenue Fund at the end of the financial year are recognised as payable in the statement of financial position.

Any amount due from the National Revenue Fund at the end of the financial year is recognised as a receivable in the statement of financial position.

2.2 Departmental revenue

All departmental revenue is recognised in the statement of financial performance when received and is subsequently paid into the National Revenue Fund, unless stated otherwise.

Any amount owing to the National Revenue Fund is recognised as a payable in the statement of financial position.

No accrual is made for the amount receivable from the last receipt date to the end of the reporting period. These amounts are however disclosed in the disclosure note to the annual financial statements.

2.3 Aid assistance

Aid assistance is recognised as revenue when received.

All in-kind aid assistance is disclosed at fair value on the date of receipt in the annexures to the Annual Financial Statements.

The cash payments made during the year relating to aid assistance projects are recognised as expenditure in the statement of financial performance when final authorisation for payments is effected on the system (by no later than 31 March of each year).

The value of the assistance expensed prior to the receipt of funds is recognised as a receivable in the statement of financial position.

Inappropriately expensed amounts using aid assistance and any unutilised amounts are recognised as payables in the statement of financial position.

All CARA funds received must be recorded as revenue when funds are received. The cash payments made during the year relating to CARA earmarked projects are recognised as expenditure in the statement of financial performance when final authorisation for payments effected on the system (by no later than 31 March of each year).

Inappropriately expensed amounts using CARA funds are recognised as payables in the statement of financial position. Any unutilised amounts are transferred to retained funds as they are not surrendered to the revenue fund.

ACCOUNTING POLICIES
for the year ended 31 March 2012

3. Expenditure

3.1 Compensation of employees

3.1.2 Salaries and wages

Salaries and wages are expensed in the statement of financial performance when authorisation for payment is effected on the system (by no later than 31 March each year).

Other employee benefits that give rise to a present legal or constructive obligation are disclosed in the disclosure notes to the financial statements at its face value and are not recognised in the statement of financial performance or position.

Employee cost are not capitalised to the cost of a capital project when an employee spends more than 50% of his/her time in the project. These payments do not form part of expenditure for capital assets in the statement of financial performance.

3.1.2 Social contributions

Employer contributions to post employment benefit plans in respect of current employees are expensed in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March 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 Revenue Fund and not in the financial statements of the employer department.

Employer contributions made by the department for certain of its ex-employees (such as medical benefits) are classified as transfers to households in the statement of financial performance.

3.2 Goods and services

Payments made during the year 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/or services were acquired for a capital project or if the total purchase price exceeds the capitalisation threshold (currently R5,000). All other expenditures are classified as current.

Rental paid for the use of buildings or other fixed structures is classified as *goods and services* and not as *rent on land*.

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.

ACCOUNTING POLICIES
for the year ended 31 March 2012

3.4 Payments for financial assets

Debts are written off when identified as irrecoverable. Debts written-off are limited to the amount of savings and/or underspending of appropriated funds. The write off occurs at year-end or when funds are available. No provision is made for irrecoverable amounts but an estimate is included in the disclosure notes to the financial statements amounts.

All other losses are recognised when authorisation has been granted for the recognition thereof.

3.5 Transfers and subsidies

Transfers and subsidies are recognised as an expense when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

3.6 Unauthorised expenditure

When confirmed 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 derecognised from the statement of financial position when the unauthorised expenditure is approved and the related funds are received.

Where the amount is approved without funding it is recognised as expenditure in the statement of financial performance on the date of approval.

3.7 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is recognised as expenditure in the statement of financial performance according to the nature of the payment and not as a separate line item on the face of the statement. If the expenditure is recoverable it is treated as an asset until it is recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

3.8 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

4. Assets

4.1 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost.

Bank overdrafts are shown separately on the face of the statement of financial position.

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.

ACCOUNTING POLICIES
for the year ended 31 March 2012

4.2 Other financial assets

Other financial assets are carried in the statement of financial position at cost.

4.3 Prepayments and advances

Amounts prepaid or advanced are recognised in the statement of financial position when the payments are made and are derecognised as and when the goods/services are received or the funds are utilised.

Prepayments and advances outstanding at the end of the year are carried in the statement of financial position at cost.

4.4 Receivables

Receivables included in the statement of financial position arise from cash payments made that are recoverable from another party (including departmental employees) and are derecognised upon recovery or write-off.

Receivables outstanding at year-end are carried in the statement of financial position at cost plus any accrued interest. Amounts that are potentially irrecoverable are included in the disclosure notes.

4.5 Investments

Capitalised investments are shown at cost in the statement of financial position.

Investments are tested for an impairment loss whenever events or changes in circumstances indicate that the investment may be impaired. Any impairment loss is included in the disclosure notes.

4.6 Loans

Loans are recognised in the statement of financial position when the cash is paid to the beneficiary. Loans that are outstanding at year-end are carried in the statement of financial position at cost plus accrued interest.

Amounts that are potentially irrecoverable are included in the disclosure notes.

4.7 Inventory

Inventories that qualify for recognition must be initially reflected at cost. Where inventories are acquired at no cost, or for nominal consideration, their cost shall be their fair value at the date of acquisition.

All inventory items at year-end are reflected using the FIFO cost formula.

4.8 Capital assets

Departure approved by National Treasury
National Treasury approved a departure from reporting all other categories of assets, (which exclude Specialised Military Assets, Transport Assets and Immovable Assets), in the Annual Financial Statements for the year ending 2011/2012. Details are disclosed in note number 33 of the Annual Financial Statements. For further detail refer to the Report of the Accounting Officer on asset management.

ACCOUNTING POLICIES
for the year ended 31 March 2012

4.8.1 Movable assets

Initial recognition
A capital asset is recorded in the asset register 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 movable capital asset is stated at fair value. All assets acquired before 1 April 2002 are included in the register at R1.

Subsequent recognition
Subsequent expenditure of a capital nature is recorded in the statement of financial performance as ”expenditure for capital assets” and is capitalised in the asset register of the department on completion of the project.

Repairs and maintenance are expensed as current ”goods and services” in the statement of financial performance.

4.8.2 Immovable assets

Initial recognition
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 immovable capital asset is stated at R1 unless fair value has been reliably estimated.

Subsequent recognition
Work in progress of a capital nature is recorded in the statement of financial performance as ”expenditure for capital assets”. On completion, the total cost of the project is included in the asset register of the department.

Repairs and maintenance are expensed as current ”goods and services” in the statement of financial performance.

Defence Endowment Property as disclosed in the current financial statements is valued at fair value, determined using the depreciated replacement cost. In terms of the GIAMA, these are revalued every 5 years, therefore the next revaluation cycle to be for the year ending 31 March 2018.

5. Liabilities

5.1 Payables

Recognised payables mainly comprise of amounts owing to other governmental entities. These payables are carried at cost in the statement of financial position.

5.2 Contingent liabilities

Contingent liabilities are included in the disclosure notes to the financial statements when it is possible that economic benefits will flow from the department, or when an outflow of economic benefits or service potential is probable but cannot be measured reliably.

5.3 Contingent assets

Contingent assets are included in the disclosure notes to the financial statements when it is possible that an inflow of economic benefits will flow to the entity.

Department of Defence and Military Veterans
Vote 22

ACCOUNTING POLICIES
for the year ended 31 March 2012

5.4 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.

5.5 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.

5.6 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.

5.7 Lease commitments

Finance lease
Finance leases are not recognised as assets and liabilities in the statement of financial position. Finance lease payments are recognised as an expense in the statement of financial performance and are apportioned between the capital and interest portions. The finance lease liability is disclosed in the disclosure notes to the financial statements.

Operating lease
Operating lease payments are recognised as an expense in the statement of financial performance. The operating lease commitments are disclosed in the disclosure notes to the financial statements.

5.8 Impairment and other provisions

The department tests for impairment where there is an indication that a receivable, loan or investment may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. An estimate is made for doubtful loans and receivables based on a review of all outstanding amounts at year-end. Impairments on investments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows / service potential flowing from the instrument.

Provisions are disclosed when there is a present legal or constructive obligation to forfeit economic benefits as a result of events in the past and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

6. Receivables for departmental revenue

Receivables for departmental revenue are disclosed in the disclosure notes to the annual financial statements.

Department of Defence and Military Veterans
Vote 22

ACCOUNTING POLICIES
for the year ended 31 March 2012

7. Net Assets

7.1 Capitalisation reserve

The capitalisation reserve comprises of financial assets and/or liabilities originating in a prior reporting period but which are recognised in the statement of financial position for the first time in the current reporting period. Amounts are recognised in the capitalisation reserves when identified in the current period and are transferred to the National Revenue Fund when the underlining asset is disposed and the related funds are received.

7.2 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. Amounts are either transferred to the National Revenue Fund when recovered or are transferred to the statement of financial performance when written-off.

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 included in the disclosure notes.

Department of Defence and Military Veterans
Vote 22

VOTE 22
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2012

APPROPRIATION STATEMENT
for the year ended 31 March 2012

Appropriation per Programme										
		2011/12							2010/11	
	Programme	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.	**Administration**									
	Current payment	3 672 851	-	(3 498)	3 669 353	3 652 874	16 479	99.6%	3 307 355	3 307 355
	Transfers and subsidies	32 148	-	1 864	34 012	32 841	1 171	96.6%	32 368	32 368
	Payment for capital assets	13 429	-	20 588	34 017	34 017	-	100.0%	29 091	29 091
	Payment for financial assets	-	-	27 386	27 386	27 386	-	100.0%	18 961	18 961
		3 718 428	-	46 340	3 764 768	3 747 118	17 650		3 387 775	3 387 775
2.	**Force Employment**									
	Current payment	2 054 479	-	(17 245)	2 037 234	2 037 234	-	100.0%	2 011 507	2 011 507
	Transfers and subsidies	208 268	-	(5 481)	202 787	202 787	-	100.0%	139 151	139 151
	Payment for capital assets	69 265	-	49 219	118 484	118 484	-	100.0%	114 654	114 654
	Payment for financial assets	-	-	10	10	10	-	100.0%	145	145
		2 332 012	-	26 503	2 358 515	2 358 515	-		2 265 457	2 265 457
3.	**Landward Defence**						-			
	Current payment	9 465 951	-	(598 757)	8 867 194	8 867 194	-	100.0%	8 568 056	8 568 056
	Transfers and subsidies	1 808 001	-	(12 056)	1 795 945	1 795 945	-	100.0%	496 613	496 613
	Payment for capital assets	54 656	-	240 407	295 063	295 063	-	100.0%	226 583	226 583
	Payment for financial assets	-	-	3 991	3 991	3 991		100.0%	4 316	4 316
		11 328 608	-	(366 415)	10 962 193	10 962 193	-		9 295 568	9 295 568
4.	**Air Defence**									
	Current payment	4 460 749	-	138 514	4 599 263	4 599 263	-	100.0%	4 040 974	4 040 974
	Transfers and subsidies	1 880 274	-	(10 634)	1 869 640	1 869 640	-	100.0%	1 400 474	1 400 474
	Payment for capital assets	14 753	-	43 661	58 414	58 414	-	100.0%	42 066	42 066
	Payment for financial assets	-	-	425	425	425	-	100.0%	5 422	5 422
		6 355 776	-	171 966	6 527 742	6 527 742	-		5 488 936	5 488 936
5.	**Maritime Defence**									
	Current payment	2 109 238	-	(13 606)	2 095 632	2 095 632	-	100.0%	1 912 053	1 912 053
	Transfers and subsidies	421 781	-	21 809	443 590	443 590	-	100.0%	378 061	378 061
	Payment for capital assets	33 658	-	1 582	35 240	35 240	-	100.0%	58 957	58 957
	Payment for financial assets	-	-	252	252	252	-	100.0%	845	845
		2 564 677	-	10 037	2 574 714	2 574 714	-		2 349 916	2 349 916

APPROPRIATION STATEMENT (continued)
for the year ended 31 March 2012

Appropriation per Programme										
		2011/12							2010/11	
	Programme	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
6.	**Military Health Support**									
	Current payment	3 168 160	-	124 776	3 292 936	3 292 936	-	100.0%	3 026 415	3 026 415
	Transfers and subsidies	42 522	-	(26 196)	16 326	16 326	-	100.0%	38 551	38 331
	Payment for capital assets	33 581	-	55 697	89 278	89 278	-	100.0%	82 673	82 673
	Payment for financial assets	-	-	1 556	1 556	1 556	-	100.0%	2 695	2 695
		3 244 263	-	155 833	3 400 096	3 400 096	-		3 150 334	3 150 114
7.	**Defence Intelligence**									
	Current payment	249 761	-	(9 814)	239 947	239 947	-	100.0%	222 359	222 359
	Transfers and subsidies	409 449	-	(104)	409 345	409 345	-	100.0%	404 627	404 627
	Payment for capital assets	2 426	-	1 293	3 719	3 719	-	100.0%	6 862	6 862
	Payment for financial assets	-	-	102	102	102	-	100.0%	5	5
		661 636	-	(8 523)	653 113	653 113	-		633 853	633 853
8.	**General Support**									
	Current payment	2 909 521	-	(457 155)	2 452 366	2 452 366	-	100.0%	2 458 243	2 458 243
	Transfers and subsidies	1 104 838	-	2 530	1 107 368	1 107 368	-	100.0%	998 392	998 392
	Payment for capital assets	129 328	-	213 948	343 276	343 276	-	100.0%	279 507	279 507
	Payment for financial assets	-	-	204 936	204 936	204 936	-	100.0%	134 610	134 610
		4 143 687	-	(35 741)	4 107 946	4 107 946	-		3 870 752	3 870 752
Total		**34 349 087**	**-**	**-**	**34 349 087**	**34 331 437**	**17 650**	**99.9%**	**30 442 591**	**30 442 371**
Reconciliation with Statement of Financial Performance										
Add: Departmental receipts					4 269 010				689 688	
Actual amounts per Statement of Financial Performance (Total Revenue)					**38 618 097**				**31 132 279**	
Actual amounts per Statement of Financial Performance Expenditure						**34 331 437**				**30 442 371**

APPROPRIATION STATEMENT (continued)
for the year ended 31 March 2012

Appropriation per Economic Classification									
	2011/12							2010/11	
	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
Current payments									
Compensation of employees	17 555 296	-	22 070	17 577 366	17 568 980	8 386	100.0%	16 597 098	16 597 098
Goods and services	10 535 414	-	(858 855)	9 676 559	9 668 466	8 093	99.9%	8 949 864	8 949 864
Interest and rent on land	-	-	-	-	-	-	0.0%	-	-
Transfers and subsidies									
Provinces & municipalities	-	-	-	-	-	-	0.0%	-	-
Departmental agencies & accounts	4 878 265	-	844	4 879 109	4 877 938	1 171	100.0%	3 024 728	3 024 728
Universities & technikons	-	-	-	-	-	-	0.0%	-	-
Foreign governments & international organisations	-	-	-	-	-	-	0.0%	-	-
Public corporations & private enterprises	867 257	-	23 492	890 749	890 749	-	100.0%	737 510	737 510
Non-profit institutions	6 317	-	-	6 317	6 317	-	100.0%	5 407	5 187
Households	155 442	-	(52 604)	102 838	102 838	-	100.0%	120 592	120 592
Gifts and donations	-	-	-	-	-	-	0.0%	-	-
Payments for capital assets									
Buildings & other fixed structures	126 475	-	153 210	279 685	279 685	-	100.0%	251 203	251 203
Machinery & equipment	203 497	-	493 611	697 108	697 108	-	100.0%	581 388	581 388
Heritage assets	-	-	-	-	-	-	0.0%	-	-
Specialised military assets	20 652	-	(20 652)	-	-	-	0.0%	7 599	7 599
Biological assets	-	-	622	622	622	-	100.0%	71	71
Land & subsoil assets	-	-	-	-	-	-	0.0%	-	-
Software & other intangible assets	472	-	(396)	76	76	-	100.0%	132	132
Payment for financial assets	**-**	**-**	**238 658**	**238 658**	**238 658**	**-**	**100.0%**	**166 999**	**166 999**
Total	**34 349 087**	**-**	**-**	**34 349 087**	**34 331 437**	**17 650**	**99.9%**	**30 442 591**	**30 442 371**

DETAIL PER PROGRAMME 1 - ADMINISTRATION
for the year ended 31 March 2012

Details per Sub-Programme	2011/12							2010/11	
	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 Ministry									
Current payment	55 565	-	66 242	121 807	121 807	-	100.0%	93 428	93 428
Transfers and subsidies	42	-	(42)	-	-	-	0.0%	393	393
Payment for capital assets	711	-	(196)	515	515	-	100.0%	1 775	1 775
Payment for financial assets	-	-	1 904	1 904	1 904	-	100.0%	1 738	1 738
1.2 Departmental Direction									
Current payment	38 912	-	668	39 580	39 580	-	100.0%	26 050	26 050
Transfers and subsidies	-	-	44	44	44	-	100.0%	601	601
Payment for capital assets	222	-	221	443	443	-	100.0%	530	530
Payment for financial assets	-	-	-	-	-	-	0.0%	-	-
1.3 Policy and Planning									
Current payment	87 230	-	(13 931)	73 299	73 299	-	100.0%	64 599	64 599
Transfers and subsidies	7 804	-	132	7 936	7 936	-	100.0%	6 320	6 320
Payment for capital assets	466	-	(143)	323	323	-	100.0%	1 600	1 600
Payment for financial assets	-	-	50	50	50	-	100.0%	6	6
1.4 Financial Services									
Current payment	277 297	-	(15 059)	262 238	262 238	-	100.0%	233 353	233 353
Transfers and subsidies	1 616	-	(1 461)	155	155	-	100.0%	3 671	3 671
Payment for capital assets	-	-	1 445	1 445	1 445	-	100.0%	2 784	2 784
Payment for financial assets	-	-	420	420	420	-	100.0%	995	995
1.5 Human Resources Support Services									
Current payment	570 507	-	(36 665)	533 842	533 842	-	100.0%	504 287	504 287
Transfers and subsidies	21 101	-	2 384	23 485	22 314	1 171	95.0%	18 579	18 579
Payment for capital assets	4 294	-	7 008	11 302	11 302	-	100.0%	6 289	6 289
Payment for financial assets	-	-	10 612	10 612	10 612	-	100.0%	1 595	1 595

DETAIL PER PROGRAMME 1 - ADMINISTRATION (continued) for the year ended 31 March 2012

Details per Sub-Programme	2011/12							2010/11	
	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
1.6 Legal Services									
Current payment	160 864	-	(5 739)	155 125	155 125	-	100.0%	142 122	142 122
Transfers and subsidies	118	-	779	897	897	-	100.0%	608	608
Payment for capital assets	1 598	-	483	2 081	2 081	-	100.0%	1 870	1 870
Payment for financial assets	-	-	10 544	10 544	10 544	-	100.0%	14 422	14 422
1.7 Inspection Services									
Current payment	68 651	-	(1 885)	66 766	66 766	-	100.0%	60 603	60 603
Transfers and subsidies	382	-	350	732	732	-	100.0%	178	178
Payment for capital assets	1 410	-	(382)	1 028	1 028	-	100.0%	1 252	1 252
Payment for financial assets	-	-	-	-	-	-	0.0%	-	-
1.8 Acquisition Services									
Current payment	52 536	-	(9 799)	42 737	42 737	-	100.0%	50 335	50 335
Transfers and subsidies	173	-	192	365	365	-	100.0%	1	1
Payment for capital assets	886	-	228	1 114	1 114	-	100.0%	2 095	2 095
Payment for financial assets	-	-	3 688	3 688	3 688	-	100.0%	204	204
1.9 Communication Services									
Current payment	31 204	-	(2 343)	28 861	28 861	-	100.0%	27 535	27 535
Transfers and subsidies	100	-	(97)	3	3	-	100.0%	725	725
Payment for capital assets	666	-	397	1 063	1 063	-	100.0%	854	854
Payment for financial assets	-	-	-	-	-	-	0.0%	-	-
1.10 South African National Defence Force Command And Control									
Current payment	110 073	-	(7 360)	102 713	102 713	-	100.0%	92 013	92 013
Transfers and subsidies	87	-	80	167	167	-	100.0%	497	497
Payment for capital assets	724	-	4 126	4 850	4 850	-	100.0%	3 899	3 899
Payment for financial assets	-	-	50	50	50	-	100.0%	-	-

DETAIL PER PROGRAMME 1 - ADMINISTRATION
for the year ended 31 March 2012

Details per Sub-Programme	2011/12							2010/11	
	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
1.11 Religious Services									
Current payment	9 732	-	(239)	9 493	9 493	-	100.0%	8 706	8 706
Transfers and subsidies	1	-	64	65	65	-	100.0%	-	-
Payment for capital assets	19	-	94	113	113	-	100.0%	-	-
Payment for financial assets	-	-	-	-	-	-	0.0%	-	-
1.12 Defence Reserve Direction									
Current payment	17 281	-	(1 153)	16 128	16 128	-	100.0%	13 688	13 688
Transfers and subsidies	-	-	-	-	-	-	0.0%	42	42
Payment for capital assets	816	-	(48)	768	768	-	100.0%	1 218	1 218
Payment for financial assets	-	-	4	4	4	-	100.0%	1	1
1.13 Defence Foreign Relations									
Current payment	185 679	-	(32 709)	152 970	152 970	-	100.0%	136 311	136 311
Transfers and subsidies	724	-	(561)	163	163	-	100.0%	753	753
Payment for capital assets	1 617	-	4 881	6 498	6 498	-	100.0%	3 228	3 228
Payment for financial assets	-	-	114	114	114	-	100.0%	-	-
1.14 Office Accomodation									
Current payment	1 961 950	-	58 950	2 020 900	2 020 900	-	100.0%	1 842 226	1 842 226
Transfers and subsidies	-	-	-	-	-	-	0.0%	-	-
Payment for capital assets	-	-	-	-	-	-	0.0%	-	-
Payment for financial assets	-	-	-	-	-	-	0.0%	-	-
1.15 Military Veterans Management									
Current payment	45 370	-	(2 476)	42 894	26 415	16 479	61.6%	12 099	12 099
Transfers and subsidies	-	-	-	-	-	-	0.0%	-	-
Payment for capital assets	-	-	2 474	2 474	2 474	-	100.0%	1 697	1 697
Payment for financial assets	-	-	-	-	-	-	0.0%	-	-
Total	**3 718 428**	**-**	**46 340**	**3 764 768**	**3 747 118**	**17 650**	**99.5%**	**3 387 775**	**3 387 775**

DETAIL PER PROGRAMME 1 - ADMINISTRATION (continued) for the year ended 31 March 2012

Appropriation per Economic Classification									
	2011/12							2010/11	
Programme 1 Per Economic classification	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
Current payments									
Compensation of employees	1 256 319	-	(68 977)	1 187 342	1 178 956	8 386	99.3%	1 074 348	1 074 348
Goods and services	2 416 532	-	65 479	2 482 011	2 473 918	8 093	99.7%	2 233 007	2 233 007
Interest and rent on land	-	-	-	-	-	-	0.0%	-	-
Transfers and subsidies									
Provinces & municipalities	-	-	-	-	-	-	0.0%	-	-
Departmental agencies & accounts	15 608	-	844	16 452	15 281	1 171	92.9%	14 408	14 408
Universities & technikons	-	-	-	-	-	-	0.0%	-	-
Foreign governments & international organisations	-	-	-	-	-	-	0.0%	-	-
Public corporations & private enterprises	-	-	-	-	-	-	0.0%	-	-
Non-profit institutions	5 917	-	-	5 917	5 917	-	100.0%	4 827	4 827
Households	10 623	-	1 020	11 643	11 643	-	100.0%	13 133	13 133
Gifts and donations	-	-	-	-	-	-	0.0%	-	-
Payment for capital assets									
Buildings & other fixed structures	-	-	22	22	22	-	100.0%	30	30
Machinery & equipment	13 429	-	20 566	33 995	33 995	-	100.0%	29 011	29 011
Heritage assets	-	-	-	-	-	-	0.0%	-	-
Specialised military assets	-	-	-	-	-	-	0.0%	30	30
Biological assets	-	-	-	-	-	-	0.0%	-	-
Land & subsoil assets	-	-	-	-	-	-	0.0%	-	-
Software & other intangible assets	-	-	-	-	-	-	0.0%	20	20
Payment for financial assets	-	-	27 386	27 386	27 386	-	100.0%	18 961	18 961
Total	**3 718 428**	**-**	**46 340**	**3 764 768**	**3 747 118**	**17 650**	**99.5%**	**3 387 775**	**3 387 775**

DETAIL PER PROGRAMME 2 - FORCE EMPLOYMENT
for the year ended 31 March 2012

Details per Sub-Programme	2011/12							2010/11	
	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
2.1 Strategic Direction									
Current payment	102 493	-	(14 490)	88 003	88 003	-	100.0%	73 623	73 623
Transfers and subsidies	4 842	-	(4 743)	99	99	-	100.0%	2 631	2 631
Payment for capital assets	2 245	-	2 199	4 444	4 444	-	100.0%	2 156	2 156
Payment for financial assets	-	-	-	-	-	-	0.0%	-	-
2.2 Operational Direction									
Current payment	248 198	-	(24 558)	223 640	223 640	-	100.0%	222 534	222 534
Transfers and subsidies	3 398	-	(1 301)	2 097	2 097	-	100.0%	1 182	1 182
Payment for capital assets	12 423	-	(1 691)	10 732	10 732	-	100.0%	4 340	4 340
Payment for financial assets	-	-	6	6	6	-	100.0%	20	20
2.3 Special Operations									
Current payment	378 481	-	17 085	395 566	395 566	-	100.0%	357 252	357 252
Transfers and subsidies	156 355	-	563	156 918	156 918	-	100.0%	98 228	98 228
Payment for capital assets	18 962	-	4 610	23 572	23 572	-	100.0%	24 743	24 743
Payment for financial assets	-	-	4	4	4	-	100.0%	117	117
2.4 Regional Security									
Current payment	961 634	-	22 971	984 605	984 605	-	100.0%	892 613	892 613
Transfers and subsidies	32 000	-	-	32 000	32 000	-	100.0%	33 135	33 135
Payment for capital assets	34 416	-	(17 252)	17 164	17 164	-	100.0%	33 851	33 851
Payment for financial assets	-	-	-	-	-	-	0.0%	-	-
2.5 Support to the People									
Current payment	344 631	-	(5 315)	339 316	339 316	-	100.0%	455 139	455 139
Transfers and subsidies	-	-	-	-	-	-	0.0%	-	-
Payment for capital assets	-	-	59 856	59 856	59 856	-	100.0%	47 245	47 245
Payment for financial assets	-	-	-	-	-	-	0.0%	8	8

DETAIL PER PROGRAMME 2 - FORCE EMPLOYMENT (continued)
for the year ended 31 March 2012

Details per Sub-Programme	2011/12							2010/11	
	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
2.6 Defence Capability Management									
Current payment	19 042	-	(12 938)	6 104	6 104	-	100.0%	10 346	10 346
Transfers and subsidies	11 673	-	-	11 673	11 673	-	100.0%	3 975	3 975
Payment for capital assets	1 219	-	1 497	2 716	2 716	-	100.0%	2 319	2 319
Payment for financial assets	-	-	-	-	-	-	0.0%	-	-
Total	**2 332 012**	**-**	**26 503**	**2 358 515**	**2 358 515**	**-**	**100.0%**	**2 265 457**	**2 265 457**

DETAIL PER PROGRAMME 2 - FORCE EMPLOYMENT (continued)
for the year ended 31 March 2012

2011/12								2010/11	
Programme 2 Per Economic classification	*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*
Current payments									
Compensation of employees	1 126 656	-	57 352	1 184 008	1 184 008	-	100.0%	1 184 609	1 184 609
Goods and services	927 823	-	(74 597)	853 226	853 226	-	100.0%	826 898	826 898
Interest and rent on land	-	-	-	-	-	-	0.0%	-	-
Transfers and subsidies									
Provinces & municipalities	-	-	-	-	-	-	0.0%	-	-
Departmental agencies & accounts	186 867	-	-	186 867	186 867	-	100.0%	129 354	129 354
Universities & technikons	-	-	-	-	-	-	0.0%	-	-
Foreign governments & international organisations	-	-	-	-	-	-	0.0%	-	-
Public corporations & private enterprises	11 673	-	-	11 673	11 673	-	100.0%	3 975	3 975
Non-profit institutions	-	-	-	-	-	-	0.0%	-	-
Households	9 728	-	(5 481)	4 247	4 247	-	100.0%	5 822	5 822
Gifts and donations	-	-	-	-	-	-	0.0%	-	-
Payment for capital assets									
Buildings & other fixed structures	9 421	-	(6 264)	3 157	3 157	-	100.0%	5 565	5 565
Machinery & equipment	57 424	-	57 903	115 327	115 327	-	100.0%	105 577	105 577
Heritage assets	-	-	-	-	-	-	0.0%	-	-
Specialised military assets	2 420	-	(2 420)	-	-	-	0.0%	3 512	3 512
Biological assets	-	-	-	-	-	-	0.0%	-	-
Land & subsoil assets	-	-	-	-	-	-	0.0%	-	-
Software & other intangible assets	-	-	-	-	-	-	0.0%	-	-
Payment for financial assets	-	-	10	10	10	-	100.0%	145	145
Total	**2 332 012**	**-**	**26 503**	**2 358 515**	**2 358 515**	**-**	**100.0%**	**2 265 457**	**2 265 457**

DETAIL PER PROGRAMME 3 - LANDWARD DEFENCE
for the year ended 31 March 2012

Details per Sub-Programme	2011/12							2010/11	
	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	520 382	-	(205 129)	315 253	315 253	-	100.0%	389 307	389 307
Transfers and subsidies	2 231	-	4 544	6 775	6 775	-	100.0%	4 372	4 372
Payment for capital assets	33 462	-	(4 070)	29 392	29 392	-	100.0%	132 387	132 387
Payment for financial assets	-	-	18	18	18	-	100.0%	14	14
3.2 Infantry Capability									
Current payment	3 082 506	-	(230)	3 082 276	3 082 276	-	100.0%	3 047 453	3 047 453
Transfers and subsidies	277 438	-	(6 471)	270 967	270 967	-	100.0%	337 432	337 432
Payment for capital assets	1 741	-	3 569	5 310	5 310	-	100.0%	5 492	5 492
Payment for financial assets	-	-	2 269	2 269	2 269	-	100.0%	1 949	1 949
3.3 Armour Capability									
Current payment	290 397	-	12 039	302 436	302 436	-	100.0%	293 047	293 047
Transfers and subsidies	4 636	-	(1 512)	3 124	3 124	-	100.0%	2 952	2 952
Payment for capital assets	237	-	(67)	170	170	-	100.0%	626	626
Payment for financial assets	-	-	66	66	66	-	100.0%	218	218
3.4 Artillery Capability									
Current payment	307 439	-	(3 871)	303 568	303 568	-	100.0%	303 647	303 647
Transfers and subsidies	74 174	-	(3 352)	70 822	70 822	-	100.0%	13 094	13 094
Payment for capital assets	109	-	182	291	291	-	100.0%	165	165
Payment for financial assets	-	-	212	212	212	-	100.0%	696	696
3.5 Air Defence Artillery Capability									
Current payment	224 469	-	(10 553)	213 916	213 916	-	100.0%	210 305	210 305
Transfers and subsidies	163 924	-	(503)	163 421	163 421	-	100.0%	1 354	1 354
Payment for capital assets	615	-	10	625	625	-	100.0%	396	396
Payment for financial assets	-	-	47	47	47	-	100.0%	54	54

DETAIL PER PROGRAMME 3 - LANDWARD DEFENCE (continued)
for the year ended 31 March 2012

Details per Sub-Programme	2011/12							2010/11	
	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
3.6 Engineering Capability									
Current payment	495 341	-	10 684	506 025	506 025	-	100.0%	486 241	486 241
Transfers and subsidies	2 030	-	22	2 052	2 052	-	100.0%	1 882	1 882
Payment for capital assets	937	-	(75)	862	862	-	100.0%	1 180	1 180
Payment for financial assets	-	-	15	15	15	-	100.0%	97	97
3.7 Operational Intelligence									
Current payment	162 482	-	(7 724)	154 758	154 758	-	100.0%	154 829	154 829
Transfers and subsidies	23 102	-	685	23 787	23 787	-	100.0%	74 576	74 576
Payment for capital assets	25	-	80	105	105	-	100.0%	174	174
Payment for financial assets	-	-	4	4	4	-	100.0%	11	11
3.8 Command And Control Capability									
Current payment	125 146	-	15 204	140 350	140 350	-	100.0%	127 948	127 948
Transfers and subsidies	710	-	(623)	87	87	-	100.0%	2 566	2 566
Payment for capital assets	140	-	235	375	375	-	100.0%	298	298
Payment for financial assets	-	-	149	149	149	-	100.0%	1	1
3.9 Support Capability									
Current payment	3 098 042	-	(419 543)	2 678 499	2 678 499	-	100.0%	2 400 899	2 400 899
Transfers and subsidies	1 253 396	-	(2 215)	1 251 181	1 251 181	-	100.0%	53 659	53 659
Payment for capital assets	10 318	-	235 761	246 079	246 079	-	100.0%	77 435	77 435
Payment for financial assets	-	-	952	952	952	-	100.0%	948	948
3.10 General Training Capability									
Current payment	315 236	-	2 757	317 993	317 993	-	100.0%	349 611	349 611
Transfers and subsidies	1 876	-	(869)	1 007	1 007	-	100.0%	1 397	1 397
Payment for capital assets	3 247	-	835	4 082	4 082	-	100.0%	3 903	3 903
Payment for financial assets	-	-	172	172	172	-	100.0%	293	293

DETAIL PER PROGRAMME 3 - LANDWARD DEFENCE (continued)
for the year ended 31 March 2012

Details per Sub-Programme	2011/12							2010/11	
	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
3.11 Signal Capability									
Current payment	844 511	-	7 609	852 120	852 120	-	100.0%	804 769	804 769
Transfers and subsidies	4 484	-	(1 762)	2 722	2 722	-	100.0%	3 329	3 329
Payment for capital assets	3 825	-	3 947	7 772	7 772	-	100.0%	4 527	4 527
Payment for financial assets	-	-	87	87	87	-	100.0%	35	35
Total	**11 328 608**	**-**	**(366 415)**	**10 962 193**	**10 962 193**	**-**	**100.0%**	**9 295 568**	**9 295 568**

DETAIL PER PROGRAMME 3 - LANDWARD DEFENCE (continued)
for the year ended 31 March 2012

Programme 3 Per Economic classification	2011/12							2010/11	
	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
Current payments									
Compensation of employees	7 631 429	-	(93 400)	7 538 029	7 538 029	-	100.0%	7 291 038	7 291 038
Goods and services	1 834 522	-	(505 357)	1 329 165	1 329 165	-	100.0%	1 277 018	1 277 018
Interest and rent on land	-	-	-	-	-	-	0.0%	-	-
Transfers and subsidies									
Provinces & municipalities	-	-	-	-	-	-	0.0%	-	-
Departmental agencies & accounts	1 710 674	-	-	1 710 674	1 710 674	-	100.0%	414 362	414 362
Universities & technikons	-	-	-	-	-	-	0.0%	-	-
Foreign governments & international organisations	-	-	-	-	-	-	0.0%	-	-
Public corporations & private enterprises	51 296	-	(1)	51 295	51 295	-	100.0%	39 000	39 000
Non-profit institutions	-	-	-	-	-	-	0.0%	-	-
Households	46 031	-	(12 055)	33 976	33 976	-	100.0%	43 251	43 251
Gifts and donations	-	-	-	-	-	-	0.0%	-	-
Payment for capital assets									
Buildings & other fixed structures	110	-	1 720	1 830	1 830	-	100.0%	158	158
Machinery & equipment	54 546	-	238 106	292 652	292 652	-	100.0%	225 630	225 630
Heritage assets	-	-	-	-	-	-	0.0%	-	-
Specialised military assets	-	-	-	-	-	-	0.0%	795	795
Biological assets	-	-	581	581	581	-	100.0%	-	-
Land & subsoil assets	-	-	-	-	-	-	0.0%	-	-
Software & other intangible assets	-	-	-	-	-	-	0.0%	-	-
Payment for financial assets	-	-	3 991	3 991	3 991	-	100.0%	4 316	4 316
Total	**11 328 608**	**-**	**(366 415)**	**10 962 193**	**10 962 193**	**-**	**100.0%**	**9 295 568**	**9 295 568**

DETAIL PER PROGRAMME 4 - AIR DEFENCE
for the year ended 31 March 2012

Details per Sub-Programme	2011/12							2010/11	
	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
4.1 Strategic Direction									
Current payment	14 678	-	(812)	13 866	13 866	-	100.0%	16 327	16 327
Transfers and subsidies	-	-	-	-	-	-	0.0%	207	207
Payment for capital assets	13	-	368	381	381	-	100.0%	143	143
Payment for financial assets	-	-	-	-	-	-	0.0%	960	960
4.2 Operational Direction									
Current payment	126 789	-	79 583	206 372	206 372	-	100.0%	129 185	129 185
Transfers and subsidies	2 929	-	-	2 929	2 929	-	100.0%	2 090	2 090
Payment for capital assets	178	-	244	422	422	-	100.0%	74	74
Payment for financial assets	-	-	-	-	-	-	0.0%	150	150
4.3 Helicopter Capability									
Current payment	538 335	-	149 586	687 921	687 921	-	100.0%	530 149	530 149
Transfers and subsidies	207 999	-	(1 239)	206 760	206 760	-	100.0%	249 152	249 152
Payment for capital assets	1 174	-	(121)	1 053	1 053	-	100.0%	1 062	1 062
Payment for financial assets	-	-	4	4	4	-	100.0%	20	20
4.4 Transport And Maritime Capability									
Current payment	660 486	-	(153 713)	506 773	506 773	-	100.0%	361 128	361 128
Transfers and subsidies	47 976	-	(1 474)	46 502	46 502	-	100.0%	260 280	260 280
Payment for capital assets	2 800	-	(785)	2 015	2 015	-	100.0%	2 716	2 716
Payment for financial assets	-	-	-	-	-	-	0.0%	-	-
4.5 Air Combat Capability									
Current payment	247 588	-	22 540	270 128	270 128	-	100.0%	239 602	239 602
Transfers and subsidies	1 080 811	-	(185)	1 080 626	1 080 626	-	100.0%	520 431	520 431
Payment for capital assets	6 676	-	(5 210)	1 466	1 466	-	100.0%	2 960	2 960
Payment for financial assets	-	-	-	-	-	-	0.0%	17	17
4.6 Operational Support And Intelligence Capability									
Current payment	188 674	-	31 966	220 640	220 640	-	100.0%	202 611	202 611
Transfers and subsidies	98 387	-	(840)	97 547	97 547	-	100.0%	53 067	53 067
Payment for capital assets	40	-	2 209	2 249	2 249	-	100.0%	2 698	2 698
Payment for financial assets	-	-	10	10	10	-	100.0%	13	13

DETAIL PER PROGRAMME 4 - AIR DEFENCE (continued)
for the year ended 31 March 2012

Details per Sub-Programme	2011/12							2010/11	
	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
4.7 Command And Control Capability									
Current payment	216 347	-	22 300	238 647	238 647	-	100.0%	219 409	219 409
Transfers and subsidies	126 751	-	(695)	126 056	126 056	-	100.0%	77 623	77 623
Payment for capital assets	337	-	10 818	11 155	11 155	-	100.0%	8 537	8 537
Payment for financial assets	-	-	12	12	12	-	100.0%	118	118
4.8 Base Support Capability									
Current payment	1 374 916	-	78 946	1 453 862	1 453 862	-	100.0%	1 343 141	1 343 141
Transfers and subsidies	25 519	-	(2 472)	23 047	23 047	-	100.0%	10 750	10 750
Payment for capital assets	1 684	-	16 044	17 728	17 728	-	100.0%	15 805	15 805
Payment for financial assets	-	-	236	236	236	-	100.0%	270	270
4.9 Command Post									
Current payment	49 125	-	(33 353)	15 772	15 772	-	100.0%	49 316	49 316
Transfers and subsidies	286	-	(115)	171	171	-	100.0%	682	682
Payment for capital assets	405	-	63	468	468	-	100.0%	64	64
Payment for financial assets	-	-	-	-	-	-	0.0%	-	-
4.10 Training Capability									
Current payment	402 833	-	(238 582)	164 251	164 251	-	100.0%	354 242	354 242
Transfers and subsidies	285 096	-	(1 783)	283 313	283 313	-	100.0%	224 242	224 242
Payment for capital assets	403	-	2 581	2 984	2 984	-	100.0%	1 526	1 526
Payment for financial assets	-	-	112	112	112	-	100.0%	3 447	3 447
4.11 Technical Support Services									
Current payment	640 978	-	180 053	821 031	821 031	-	100.0%	595 864	595 864
Transfers and subsidies	4 520	-	(1 831)	2 689	2 689	-	100.0%	1 950	1 950
Payment for capital assets	1 043	-	17 450	18 493	18 493	-	100.0%	6 481	6 481
Payment for financial assets	-	-	51	51	51	-	100.0%	427	427
Total	**6 355 776**	**-**	**171 966**	**6 527 742**	**6 527 742**	**-**	**100.0%**	**5 488 936**	**5 488 936**

DETAIL PER PROGRAMME 4 - AIR DEFENCE (continued)
for the year ended 31 March 2012

	2011/12							2010/11	
Programme 4 Per Economic classification	*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*
Current payments									
Compensation of employees	2 514 548	-	(17 401)	2 497 147	2 497 147	-	100.0%	2 350 093	2 350 093
Goods and services	1 946 201	-	155 915	2 102 116	2 102 116	-	100.0%	1 690 881	1 690 881
Interest and rent on land	-	-	-	-	-	-	0.0%	-	-
Transfers and subsidies									
Provinces & municipalities	-	-	-	-	-	-	0.0%	-	-
Departmental agencies & accounts	1 852 556	-	-	1 852 556	1 852 556	-	100.0%	1 384 003	1 384 003
Universities & technikons	-	-	-	-	-	-	0.0%	-	-
Foreign governments & international organisations	-	-	-	-	-	-	0.0%	-	-
Public corporations & private enterprises	2 929	-	-	2 929	2 929	-	100.0%	2 090	2 090
Non-profit institutions	-	-	-	-	-	-	0.0%	-	-
Households	24 789	-	(10 634)	14 155	14 155	-	100.0%	14 381	14 381
Gifts and donations	-	-	-	-	-	-	0.0%	-	-
Payment for capital assets									
Buildings & other fixed structures	18	-	127	145	145	-	100.0%	37	37
Machinery & equipment	8 174	-	50 095	58 269	58 269	-	100.0%	39 316	39 316
Heritage assets	-	-	-	-	-	-	0.0%	-	-
Specialised military assets	6 561	-	(6 561)	-	-	-	0.0%	2 613	2 613
Biological assets	-	-	-	-	-	-	0.0%	-	-
Land & subsoil assets	-	-	-	-	-	-	0.0%	-	-
Software & other intangible assets	-	-	-	-	-	-	0.0%	100	100
Payment for financial assets	-	-	425	425	425	-	100.0%	5 422	5 422
Total	**6 355 776**	**-**	**171 966**	**6 527 742**	**6 527 742**	**-**	**100.0%**	**5 488 936**	**5 488 936**

DETAIL PER PROGRAMME 5 - MARITIME DEFENCE
for the year ended 31 March 2012

Details per Sub-Programme	2011/12							2010/11	
	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
5.1 Maritime Direction									
Current payment	477 258	-	(51 667)	425 591	425 591	-	100.0%	374 590	374 590
Transfers and subsidies	10 742	-	(2 965)	7 777	7 777	-	100.0%	3 303	3 303
Payment for capital assets	1 368	-	10 655	12 023	12 023	-	100.0%	12 970	12 970
Payment for financial assets	-	-	61	61	61	-	100.0%	440	440
5.2 Maritime Combat Capability									
Current payment	352 451	-	(5 259)	347 192	347 192	-	100.0%	344 720	344 720
Transfers and subsidies	214 539	-	(2 256)	212 283	212 283	-	100.0%	186 968	186 968
Payment for capital assets	107	-	238	345	345	-	100.0%	1 866	1 866
Payment for financial assets	-	-	22	22	22	-	100.0%	19	19
5.3 Maritime Logistic Support Capability									
Current payment	561 906	-	(24 880)	537 026	537 026	-	100.0%	390 056	390 056
Transfers and subsidies	190 905	-	25 347	216 252	216 252	-	100.0%	184 693	184 693
Payment for capital assets	3 172	-	5 612	8 784	8 784	-	100.0%	10 933	10 933
Payment for financial assets	-	-	75	75	75	-	100.0%	13	13
5.4 Maritime HR and Training Capability									
Current payment	242 088	-	59 745	301 833	301 833	-	100.0%	311 145	311 145
Transfers and subsidies	2 499	-	(920)	1 579	1 579	-	100.0%	438	438
Payment for capital assets	446	-	243	689	689	-	100.0%	1 115	1 115
Payment for financial assets	-	-	11	11	11	-	100.0%	119	119
5.5 Base Support Capability									
Current payment	475 535	-	8 455	483 990	483 990	-	100.0%	491 542	491 542
Transfers and subsidies	3 096	-	2 603	5 699	5 699	-	100.0%	2 659	2 659
Payment for capital assets	28 565	-	(15 166)	13 399	13 399	-	100.0%	32 073	32 073
Payment for financial assets	-	-	83	83	83	-	100.0%	254	254
Total	**2 564 677**	**-**	**10 037**	**2 574 714**	**2 574 714**	**-**	**100.0%**	**2 349 916**	**2 349 916**

DETAIL PER PROGRAMME 5 - MARITIME DEFENCE (continued)
for the year ended 31 March 2012

	2011/12							2010/11	
Programme 5 Per Economic classification	*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*
Current payments									
Compensation of employees	1 469 926	-	47 372	1 517 298	1 517 298	-	100.0%	1 378 280	1 378 280
Goods and services	639 312	-	(60 978)	578 334	578 334	-	100.0%	533 773	533 773
Interest and rent on land	-	-	-	-	-	-	0.0%	-	-
Transfers and subsidies									
Provinces & municipalities	-	-	-	-	-	-	0.0%	-	-
Departmental agencies & accounts	231 153	-	-	231 153	231 153	-	100.0%	222 834	222 834
Universities & technikons	-	-	-	-	-	-	0.0%	-	-
Foreign governments & international organisations	-	-	-	-	-	-	0.0%	-	-
Public corporations & private enterprises	170 555	-	23 493	194 048	194 048	-	100.0%	148 377	148 377
Non-profit institutions	-	-	-	-	-	-	0.0%	-	-
Households	20 073	-	(1 684)	18 389	18 389	-	100.0%	6 850	6 850
Gifts and donations	-	-	-	-	-	-	0.0%	-	-
Payment for capital assets									
Buildings & other fixed structures	22 104	-	(13 238)	8 866	8 866	-	100.0%	15 462	15 462
Machinery & equipment	10 182	-	16 173	26 355	26 355	-	100.0%	43 032	43 032
Heritage assets	-	-	-	-	-	-	0.0%	-	-
Specialised military assets	900	-	(900)	-	-	-	0.0%	463	463
Biological assets	-	-	-	-	-	-	0.0%	-	-
Land & subsoil assets	-	-	-	-	-	-	0.0%	-	-
Software & other intangible assets	472	-	(453)	19	19	-	100.0%	-	-
Payment for financial assets	-	-	252	252	252	-	100.0%	845	845
Total	**2 564 677**	**-**	**10 037**	**2 574 714**	**2 574 714**	**-**	**100.0%**	**2 349 916**	**2 349 916**

DETAIL PER PROGRAMME 6 - MILITARY HEALTH SUPPORT
for the year ended 31 March 2012

Details per Sub-Programme	2011/12 Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	2010/11 Final Appropriation	2010/11 Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
6.1 Strategic Direction									
Current payment	221 560	-	(8 015)	213 545	213 545	-	100.0%	191 015	191 015
Transfers and subsidies	9 231	-	(5 780)	3 451	3 451	-	100.0%	3 988	3 768
Payment for capital assets	1 363	-	7 328	8 691	8 691	-	100.0%	1 576	1 576
Payment for financial assets	-	-	-	-	-	-	0.0%	271	271
6.2 Mobile Military Health Support									
Current payment	114 727	-	(22 364)	92 363	92 363	-	100.0%	87 369	87 369
Transfers and subsidies	5 537	-	(467)	5 070	5 070	-	100.0%	23 419	23 419
Payment for capital assets	2 649	-	(2 535)	114	114	-	100.0%	747	747
Payment for financial assets	-	-	-	-	-	-	0.0%	1 242	1 242
6.3 Area Military Health Service									
Current payment	1 033 061	-	(11 611)	1 021 450	1 021 450	-	100.0%	943 149	943 149
Transfers and subsidies	9 107	-	(4 590)	4 517	4 517	-	100.0%	4 193	4 193
Payment for capital assets	12 703	-	884	13 587	13 587	-	100.0%	17 393	17 393
Payment for financial assets	-	-	99	99	99	-	100.0%	122	122
6.4 Specialist/Tertiary Health Service									
Current payment	1 006 138	-	99 409	1 105 547	1 105 547	-	100.0%	975 422	975 422
Transfers and subsidies	11 393	-	(9 426)	1 967	1 967	-	100.0%	4 275	4 275
Payment for capital assets	-	-	25 805	25 805	25 805	-	100.0%	57 543	57 543
Payment for financial assets	-	-	1 397	1 397	1 397	-	100.0%	986	986
6.5 Miltary Health Product Support Capability									
Current payment	183 322	-	70 667	253 989	253 989	-	100.0%	166 838	166 838
Transfers and subsidies	1 229	-	(1 229)	-	-	-	0.0%	662	662
Payment for capital assets	2 738	-	(629)	2 109	2 109	-	100.0%	374	374
Payment for financial assets	-	-	5	5	5	-	100.0%	-	-

DETAIL PER PROGRAMME 6 - MILITARY HEALTH SUPPORT (continued) for the year ended 31 March 2012

Details per Sub-Programme	2011/12							2010/11	
	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
6.6 Military Health Maintenance Capability									
Current payment	236 425	-	(3 266)	233 159	233 159	-	100.0%	220 348	220 348
Transfers and subsidies	1 255	-	(594)	661	661	-	100.0%	1 262	1 262
Payment for capital assets	5 073	-	30 763	35 836	35 836	-	100.0%	287	287
Payment for financial assets	-	-	40	40	40	-	100.0%	70	70
6.7 Military Health Training Capability									
Current payment	372 927	-	(44)	372 883	372 883	-	100.0%	442 274	442 274
Transfers and subsidies	4 770	-	(4 110)	660	660	-	100.0%	752	752
Payment for capital assets	9 055	-	(5 919)	3 136	3 136	-	100.0%	4 753	4 753
Payment for financial assets	-	-	15	15	15	-	100.0%	4	4
Total	**3 244 263**	**-**	**155 833**	**3 400 096**	**3 400 096**	**-**	**100.0%**	**3 150 334**	**3 150 114**

DETAIL PER PROGRAMME 6 - MILITARY HEALTH SUPPORT (continued)
for the year ended 31 March 2012

	2011/12							2010/11	
Programme 6 Per Economic classification	*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*
Current payments									
Compensation of employees	2 266 820	-	57 953	2 324 773	2 324 773	-	100.0%	2 079 625	2 079 625
Goods and services	901 340	-	66 823	968 163	968 163	-	100.0%	946 790	946 790
Interest and rent on land	-	-	-	-	-	-	0.0%	-	-
Transfers and subsidies									
Provinces & municipalities	-	-	-	-	-	-	0.0%	-	-
Departmental agencies & accounts	7 135	-	-	7 135	7 135	-	100.0%	24 700	24 700
Universities & technikons	-	-	-	-	-	-	0.0%	-	-
Foreign governments & international organisations	-	-	-	-	-	-	0.0%	-	-
Public corporations & private enterprises	-	-	-	-	-	-	0.0%	-	-
Non-profit institutions	400	-	-	400	400	-	100.0%	580	360
Households	34 987	-	(26 196)	8 791	8 791	-	100.0%	13 271	13 271
Gifts and donations	-	-	-	-	-	-	0.0%	-	-
Payment for capital assets									
Buildings & other fixed structures	90	-	(90)	-	-	-	0.0%	926	926
Machinery & equipment	33 491	-	55 746	89 237	89 237	-	100.0%	81 676	81 676
Heritage assets	-	-	-	-	-	-	0.0%	-	-
Specialised military assets	-	-	-	-	-	-	0.0%	-	-
Biological assets	-	-	41	41	41	-	100.0%	71	71
Land & subsoil assets	-	-	-	-	-	-	0.0%	-	-
Software & other intangible assets	-	-	-	-	-	-	0.0%	-	-
Payment for financial assets	-	-	1 556	1 556	1 556	-	100.0%	2 695	2 695
Total	**3 244 263**	**-**	**155 833**	**3 400 096**	**3 400 096**	**-**	**100.0%**	**3 150 334**	**3 150 114**

DETAIL PER PROGRAMME 7 - DEFENCE INTELLIGENCE
for the year ended 31 March 2012

Details per Sub-Programme	2011/12							2010/11	
	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
7.1 Strategic Direction									
Current payment	1 368	-	(1 339)	29	29	-	100.0%	156	156
Transfers and subsidies	-	-	-	-	-	-	0.0%	-	-
Payment for capital assets	-	-	-	-	-	-	0.0%	-	-
Payment for financial assets	-	-	81	81	81	-	100.0%	-	-
7.2 Operations									
Current payment	1 274	-	(601)	673	673	-	100.0%	482	482
Transfers and subsidies	406 696	-	-	406 696	406 696	-	100.0%	396 779	396 779
Payment for capital assets	50	-	(2)	48	48	-	100.0%	301	301
Payment for financial assets	-	-	-	-	-	-	0.0%	-	-
7.3 Defence Intelligence Support Services									
Current payment	247 119	-	(7 874)	239 245	239 245	-	100.0%	221 721	221 721
Transfers and subsidies	2 753	-	(104)	2 649	2 649	-	100.0%	7 848	7 848
Payment for capital assets	2 376	-	1 295	3 671	3 671	-	100.0%	6 561	6 561
Payment for financial assets	-	-	21	21	21	-	100.0%	5	5
Total	**661 636**	**-**	**(8 523)**	**653 113**	**653 113**	**-**	**100.0%**	**633 853**	**633 853**

DETAIL PER PROGRAMME 7 - DEFENCE INTELLIGENCE (continued)
for the year ended 31 March 2012

2011/12								2010/11	
Programme 7 Per Economic classification	*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*
Current payments									
Compensation of employees	230 270	-	(5 547)	224 723	224 723	-	100.0%	205 302	205 302
Goods and services	19 491	-	(4 267)	15 224	15 224	-	100.0%	17 057	17 057
Interest and rent on land	-	-	-	-	-	-	0.0%	-	-
Transfers and subsidies									
Provinces & municipalities	-	-	-	-	-	-	0.0%	-	-
Departmental agencies & accounts	406 696	-	-	406 696	406 696	-	100.0%	396 779	396 779
Universities & technikons	-	-	-	-	-	-	0.0%	-	-
Foreign governments & international organisations	-	-	-	-	-	-	0.0%	-	-
Public corporations & private enterprises	-	-	-	-	-	-	0.0%	-	-
Non-profit institutions	-	-	-	-	-	-	0.0%	-	-
Households	2 753	-	(104)	2 649	2 649	-	100.0%	7 848	7 848
Gifts and donations	-	-	-	-	-	-	0.0%	-	-
Payment for capital assets									
Buildings & other fixed structures	-	-	-	-	-	-	0.0%	-	-
Machinery & equipment	2 426	-	1 293	3 719	3 719	-	100.0%	6 862	6 862
Heritage assets	-	-	-	-	-	-	0.0%	-	-
Specialised military assets	-	-	-	-	-	-	0.0%	-	-
Biological assets	-	-	-	-	-	-	0.0%	-	-
Land & subsoil assets	-	-	-	-	-	-	0.0%	-	-
Software & other intangible assets	-	-	-	-	-	-	0.0%	-	-
Payment for financial assets	-	-	102	102	102	-	100.0%	5	5
Total	**661 636**	**-**	**(8 523)**	**653 113**	**653 113**	**-**	**100.0%**	**633 853**	**633 853**

DETAIL PER PROGRAMME 8 - GENERAL SUPPORT
for the year ended 31 March 2012

Details per Sub-Programme	2011/12							2010/11	
	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
8.1 Joint Logistic Services									
Current payment	1 581 799	-	(306 895)	1 274 904	1 274 904	-	100.0%	1 275 634	1 275 634
Transfers and subsidies	4 862	-	2 603	7 465	7 465	-	100.0%	12 309	12 309
Payment for capital assets	112 895	-	181 524	294 419	294 419	-	100.0%	255 290	255 290
Payment for financial assets	-	-	173	173	173	-	100.0%	280	280
8.2 Command And Management Information Systems									
Current payment	819 425	-	(135 681)	683 744	683 744	-	100.0%	684 956	684 956
Transfers and subsidies	130 253	-	85	130 338	130 338	-	100.0%	82 292	82 292
Payment for capital assets	10 740	-	10 803	21 543	21 543	-	100.0%	15 412	15 412
Payment for financial assets	-	-	-	-	-	-	0.0%	4	4
8.3 Military Police									
Current payment	424 577	-	(10 750)	413 827	413 827	-	100.0%	401 218	401 218
Transfers and subsidies	2 201	-	(158)	2 043	2 043	-	100.0%	1 971	1 971
Payment for capital assets	5 693	-	20 695	26 388	26 388	-	100.0%	8 805	8 805
Payment for financial assets	-	-	128	128	128	-	100.0%	16	16
8.4 Technology Development									
Current payment	16	-	1	17	17	-	100.0%	4	4
Transfers and subsidies	339 848	-	-	339 848	339 848	-	100.0%	357 752	357 752
Payment for capital assets	-	-	-	-	-	-	0.0%	-	-
Payment for financial assets	-	-	-	-	-	-	0.0%	-	-
8.5 Departmental Support									
Current payment	83 704	-	(3 830)	79 874	79 874	-	100.0%	96 431	96 431
Transfers and subsidies	627 674	-	-	627 674	627 674	-	100.0%	544 068	544 068
Payment for capital assets	-	-	926	926	926	-	100.0%	-	-
Payment for financial assets	-	-	204 635	204 635	204 635	-	100.0%	134 310	134 310
Total	**4 143 687**	**-**	**(35 741)**	**4 107 946**	**4 107 946**	**-**	**100.0%**	**3 870 752**	**3 870 752**

DETAIL PER PROGRAMME 8 - GENERAL SUPPORT (continued)
for the year ended 31 March 2012

	2011/12							2010/11	
Programme 8 Per Economic classification	*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*
Current payments									
Compensation of employees	1 059 328	-	44 718	1 104 046	1 104 046	-	100.0%	1 033 803	1 033 803
Goods and services	1 850 193	-	(501 873)	1 348 320	1 348 320	-	100.0%	1 424 440	1 424 440
Interest and rent on land	-	-	-	-	-	-	0.0%	-	-
Transfers and subsidies									
Provinces & municipalities	-	-	-	-	-	-	0.0%	-	-
Departmental agencies & accounts	467 576	-	-	467 576	467 576	-	100.0%	438 288	438 288
Universities & technikons	-	-	-	-	-	-	0.0%	-	-
Foreign governments & international organisations	-	-	-	-	-	-	0.0%	-	-
Public corporations & private enterprises	630 804	-	-	630 804	630 804	-	100.0%	544 068	544 068
Non-profit institutions	-	-	-	-	-	-	0.0%	-	-
Households	6 458	-	2 530	8 988	8 988	-	100.0%	16 036	16 036
Gifts and donations	-	-	-	-	-	-	0.0%	-	-
Payment for capital assets									
Buildings & other fixed structures	94 732	-	170 933	265 665	265 665	-	100.0%	229 025	229 025
Machinery & equipment	23 825	-	53 729	77 554	77 554	-	100.0%	50 284	50 284
Heritage assets	-	-	-	-	-	-	0.0%	-	-
Specialised military assets	10 771	-	(10 771)	-	-	-	0.0%	186	186
Biological assets	-	-	-	-	-	-	0.0%	-	-
Land & subsoil assets	-	-	-	-	-	-	0.0%	-	-
Software & other intangible assets	-	-	57	57	57	-	100.0%	12	12
Payment for financial assets	-	-	204 936	204 936	204 936	-	100.0%	134 610	134 610
Total	**4 143 687**	**-**	**(35 741)**	**4 107 946**	**4 107 946**	**-**	**100.0%**	**3 870 752**	**3 870 752**

Department of Defence and Military Veterans
Vote 22

NOTES TO THE APPROPRIATION STATEMENT for the year ended 31 March 2012

1. Detail of transfers and subsidies as per Appropriation Act (after Virement):
Detail of these transactions can be viewed in note 6 to Transfers and subsidies and Annexure 1 (A-D) to the Anual 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 payments for financial assets
Detail of these transactions per programme can be viewed in note 5 to Payments for financial assets to the Annual Financial Statements.

4. Explanations of material variances from Amounts Voted (after virement):

4.1 Per programme:

Per Programme	*Final Appropriation*	*Actual Expenditure*	*Variance*	*Variance as a % of Final Approp.*
	R'000	*R'000*	*R'000*	*%*
Administration	3 764 768	3 747 118	17 650	0.4%

The under spending RM17,650 in 2011/12 consists of RM16,479 within the Military Veterans enviroment and RM1,171 within the DOD due to the actual liability that was less than the projection with regards to payments made to SASSETA in terms of the final payroll amount.

4.2 Per economic classification:

Per economic classification	*Final Appropriation*	*Actual Expenditure*	*Variance*	*Variance as a % of Final Approp.*
	R'000	*R'000*	*R'000*	*%*
Current expenditure				
Compensation of employees	1 187 342	1 178 956	8 386	0.7%
Goods and services	2 482 011	2 473 918	8 093	0.3%
Transfers and subsidies				
Departmental Agencies and Accounts	16 452	15 281	1 171	7.1%

Department of Defence and Military Veterans
Vote 22

STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 31 March 2012

	Note	2011/12 R'000	2010/11 R'000
REVENUE			
Annual appropriation	1	34 349 087	30 442 591
Departmental revenue	2	4 269 010	689 688
TOTAL REVENUE		**38 618 097**	**31 132 279**
EXPENDITURE			
Current expenditure			
Compensation of employees	3	17 568 980	16 597 098
Goods and services	4	9 668 466	8 949 864
Total current expenditure		**27 237 446**	**25 546 962**
Transfers and subsidies	6	**5 877 842**	**3 888 017**
Expenditure for capital assets			
Tangible capital assets	7	977 415	840 261
Software and other intangible assets	7	76	132
Total expenditure for capital assets		**977 491**	**840 393**
Payments for financial assets	5	**238 658**	**166 999**
TOTAL EXPENDITURE		**34 331 437**	**30 442 371**
NET SURPLUS FOR THE YEAR		**4 286 660**	**689 908**
Reconciliation of Net Surplus for the year			
Voted Funds	15	17 650	220
Departmental revenue	16	4 269 010	689 688
NET SURPLUS FOR THE YEAR		**4 286 660**	**689 908**

Department of Defence and Military Veterans
Vote 22

STATEMENT OF FINANCIAL POSITION
as at 31 March 2012

	Note	2011/12 R'000	2010/11 R'000
ASSETS			
Current assets		**669 026**	**741 344**
Unauthorised expenditure	8	60 918	60 918
Fruitless and wasteful expenditure	9	20	29
Cash and cash equivalents	10	64 557	61 932
Prepayments and advances	11	131 620	75 293
Receivables	12	399 549	530 810
Loans	14	12 362	12 362
Non-current assets		**75 000**	**75 000**
Investments	13	75 000	75 000
TOTAL ASSETS		**744 026**	**816 344**
LIABILITIES			
Current liabilities		**492 376**	**599 428**
Voted funds to be surrendered to the Revenue Fund	15	17 650	220
Departmental revenue to be surrendered to the Revenue Fund	16	2 639	4 139
Bank overdraft	17	403 800	538 000
Payables	18	68 287	57 069
TOTAL LIABILITIES		**492 376**	**599 428**
NET ASSETS		**251 650**	**216 916**
Represented by:			
Capitalisation Reserves		75 000	75 000
Recoverable revenue		176 650	141 916
TOTAL		**251 650**	**216 916**

Department of Defence and Military Veterans
Vote 22

STATEMENT OF CHANGES IN NET ASSETS
for the year ended 31 March 2012

	Note	2011/12 R'000	2010/11 R'000
Capitalisation Reserves			
Opening balance		75 000	75 000
Other movements		-	-
Closing Balance		**75 000**	**75 000**
Recoverable revenue			
Opening balance		**141 916**	**131 404**
Transfers		**34 734**	**10 512**
Irrecoverable amounts written off		(2 329)	(3 326)
Debts revised		(7 207)	(5 975)
Debts recovered (included in departmental receipts)		(106 249)	(27 135)
Debts raised		150 519	46 948
Closing balance		**176 650**	**141 916**
TOTAL		**251 650**	**216 916**

Department of Defence and Military Veterans
Vote 22

CASH FLOW STATEMENT
for the year ended 31 March 2012

	Note	2011/12 R'000	2010/11 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		**38 539 178**	**31 109 211**
Annual appropriated funds received	1	34 349 087	30 442 591
Departmental revenue received	2	4 190 091	666 620
Net decrease/(increase) in working capital		86 161	175 860
Surrendered to Revenue Fund		(4 270 730)	(688 929)
Current payments		(27 237 446)	(25 546 962)
Payments for financial assets		(238 658)	(166 999)
Transfers and subsidies paid		(5 877 842)	(3 888 017)
Net cash flows available from operating activities	19	**1 000 663**	**994 164**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for capital assets	7	(977 491)	(840 393)
Proceeds from sale of capital assets	2.4	78 919	23 068
Net cash flows from investing activities		**(898 572)**	**(817 325)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in net assets		34 734	13 837
Net cash flows from financing activities		**34 734**	**13 837**
Net increase/(decrease) in cash and cash equivalents		136 825	190 676
Cash and cash equivalents at beginning of period		(476 068)	(666 744)
Cash and cash equivalents at end of period	20	**(339 243)**	**(476 068)**

Department of Defence and Military Veterans
Vote 22

Notes to the Annual Financial Statements for the year ended 31 March 2012

1. Annual Appropriation

1.1 Annual Appropriation

Programmes	Final Appropriation	Actual Funds Received	Funds not requested/ not received	Appropriation Received 2010/11
	R'000	R'000	R'000	R'000
Administration	3 764 768	3 764 768	-	3 387 775
Force Employment	2 358 515	2 358 515	-	2 265 457
Landward Defence	10 962 193	10 962 193	-	9 295 568
Air Defence	6 527 742	6 527 742	-	5 488 936
Maritime Defence	2 574 714	2 574 714	-	2 349 916
Military Health Support	3 400 096	3 400 096	-	3 150 334
Defence Intelligence	653 113	653 113	-	633 853
General Support	4 107 946	4 107 946	-	3 870 752
Total	**34 349 087**	**34 349 087**	**-**	**30 442 591**

2. Departmental Revenue

	Note	2011/12 R'000	2010/11 R'000
Sales of goods and services other than capital assets	2.1	292 210	263 989
Fines, penalties and forfeits	2.2	894	4 459
Interest, dividends and rent on land	2.3	162 779	2 628
Sales of capital assets	2.4	78 919	23 068
Transactions in financial assets and liabilities	2.5	3 374 002	144 777
Transfer received	2.6	360 206	250 767
Departmental revenue collected		**4 269 010**	**689 688**

2.1 Sales of goods and services other than capital assets

Sales of goods and services produced by the department	**286 108**	**255 338**
Administrative fees	21	15
Other sales	286 087	255 323
Sales of scrap, waste and other used current goods	6 102	8 651
Total	**292 210**	**263 989**

2.2 Fines, penalties and forfeits

Fines	**894**	**4 459**

2.3 Interest, dividends and rent on land

Interest	**162 779**	**2 628**

2.4 Sales of capital assets

Tangible assets	**78 919**	**23 068**
Machinery and equipment	53 536	140
Specialised military assets	25 383	22 928

2.5 Transactions in financial assets and liabilities

Loans and advances	4 110	5 313
Forex gain	487 535	64 198
Other Receipts including Recoverable Revenue	2 882 357	75 266
Total	**3 374 002**	**144 777**

Notes to the Annual Financial Statements for the year ended 31 March 2012

		Note	2011/12 R'000	2010/11 R'000
2.6	**Transfers received**			
	Foreign governments		360 206	250 767
	Total		**360 206**	**250 767**

In the 2010/11 financial year, transactions in financial assets and liabilities have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year.

3. Compensation of employees

3.1 Salaries and wages

Basic salary	11 220 960	10 483 192
Performance award	215	111 480
Service Based	50 464	48 598
Compensative/circumstantial	1 716 919	1 825 212
Other non-pensionable allowances	2 704 915	2 371 257
Total	**15 693 473**	**14 839 739**

3.2 Social contributions

3.2.1 Employer contributions		
Pension	1 773 449	1 669 043
Medical	101 379	87 650
Bargaining council	679	666
Total	**1 875 507**	**1 757 359**
Total compensation of employees	**17 568 980**	**16 597 098**
Average number of employees	**78 824**	**77 125**

4. Goods and services

Administrative fees		6 243	10 318
Advertising		6 874	5 553
Assets less than R5,000	4.1	130 850	108 647
Catering		35 936	38 016
Communication		94 130	88 873
Computer services	4.2	861 234	856 280
Consultants, contractors and agency/outsourced services	4.3	4 220 838	3 999 364
Entertainment		10 620	9 170
Audit cost – external	4.4	56 432	49 972
Inventory	4.5	1 929 175	1 787 881
Operating leases		248 777	259 120
Property payments	4.6	761 584	580 930
Travel and subsistence	4.7	733 171	728 501
Venues and facilities		19 515	9 972
Training and staff development		127 520	118 977
Other operating expenditure	4.8	425 567	298 290
Total		**9 668 466**	**8 949 864**

Notes to the Annual Financial Statements for the year ended 31 March 2012

		Note	2011/12 R'000	2010/11 R'000
4.1	**Assets less than R5,000**	4		
	Tangible assets		**130 834**	**108 647**
	Biological assets		35	-
	Machinery and equipment		124 097	101 033
	Transport assets		94	82
	Specialised military assets		6 608	7 532
	Intangible assets		16	-
	Total		**130 850**	**108 647**
4.2	**Computer services**	4		
	SITA computer services		837 657	832 677
	External computer service providers		23 577	23 603
	Total		**861 234**	**856 280**
4.3	**Consultants, contractors and agency/outsourced services**	4		
	Business and advisory services		219 675	288 098
	Infrastructure and planning		6 796	2 231
	Laboratory services		21 697	20 436
	Legal costs		1 029	1 568
	Contractors		3 619 466	3 322 192
	Agency and support/outsourced services		352 175	364 839
	Total		**4 220 838**	**3 999 364**

The prior year figure of contractors were restated with an amount of Rm 59 161 which was previously classified within Specialised Military Assets expenditure.

4.4	**Audit cost – external**	4		
	Regularity audits		51 228	41 968
	Performance audits		236	1 958
	Investigations		-	-
	Computer audits		4 968	6 046
	Total		**56 432**	**49 972**

Included in the Regularity Audits is an amount of R7 474 774.73 of the Special Defence Account and R533 303.29 for National Conventional Arms Control Committee. Included in the Computer Audits is an amount of R161 179.27 of the Special Defence Account. An amount of RM 6 for SDA audits disclosed as other audits in the 2010/2011 financial year was restated back to regularity audits to conform with the reclassifications of this note by National Treasury.

4.5	**Inventory**	4		
	Food and food supplies		697 656	708 875
	Fuel, oil and gas		461 763	405 662
	Other consumable materials		182 053	166 715
	Materials and supplies		162 540	122 365
	Stationery and printing		77 349	68 762
	Medical supplies		78 517	99 388
	Medicine		159 245	152 825
	Military stores		110 052	63 289
	Total		**1 929 175**	**1 787 881**

Notes to the Annual Financial Statements for the year ended 31 March 2012

		Note	2011/12 R'000	2010/11 R'000
4.6	**Property payments**	*4*		
	Municipal services		726 152	544 560
	Other		35 432	36 370
	Total		**761 584**	**580 930**
4.7	**Travel and subsistence**	*4*		
	Local		518 169	516 724
	Foreign		215 002	211 777
	Total		**733 171**	**728 501**
4.8	**Other operating expenditure**	*4*		
	Professional bodies, membership and subscription fees		19 848	1 525
	Resettlement costs		34 907	42 190
	Other		370 812	254 575
	Total		**425 567**	**298 290**
5.	**Payments for financial assets**			
	Other material losses written off	*5.1*	235 572	158 873
	Debts written off	*5.2*	2 585	2 199
	Forex losses	*5.3*	501	5 927
	Total		**238 658**	**166 999**
5.1	**Other material losses written off**			
	Nature of losses			
	Settlement		1 575	4 811
	Miscellaneous		2	-
	Motor vehicle losses		1 569	1 714
	Other claims against the state		358	442
	Legal opinions		2 462	4 068
	Legal fees		25 471	18 540
	Interest claims		-	29
	Fruitless and wasteful expenditure		1	880
	Spectacle losses		-	3
	Unauthorised expenditure written off		204 134	128 386
	Total		**235 572**	**158 873**
5.2	**Debts written off**			
	Nature of debts written off			
	Debt transfer		17	6
	Salary related		2 037	1 375
	Medical		7	2
	State guarantees		40	71
	Estates		100	78
	Treatment of private patients		1	1
	Loss of State Funds		383	666
	Total		**2 585**	**2 199**

Notes to the Annual Financial Statements for the year ended 31 March 2012

		Note	2011/12 R'000	2010/11 R'000
5.3	Forex losses			
	Nature of losses			
	Foreign exchange losses on operations		**501**	**5 927**
6.	**Transfers and subsidies**			
	Departmental agencies and accounts	Annex 1A	4 877 938	3 024 728
	Public corporations and private enterprises	Annex 1B	890 749	737 510
	Non-profit institutions	Annex 1C	6 317	5 187
	Households	Annex 1D	102 838	120 592
	Total		**5 877 842**	**3 888 017**
7.	**Expenditure for capital assets**			
	Tangible assets	7.1	**977 415**	**840 261**
	Buildings and other fixed structures	7.1	279 685	251 203
	Machinery and equipment		697 108	581 388
	Specialised military assets	7.1	-	7 599
	Biological Assets		622	71
	Software and other intangible assets	7.1	**76**	**132**
	Computer software		76	132
	Total		**977 491**	**840 393**

The prior year figures of Specialised Military Assets were decreased with an amount of Rm 59 161 to reflect the correct classification of contractors in Note 4.3.

7.1 Analysis of funds utilised to acquire capital assets - 2011/12

	Voted Funds R'000	Aid assistance R'000	TOTAL R'000
Tangible assets	**977 415**	**-**	**977 415**
Buildings and other fixed structures	279 685	-	279 685
Machinery and equipment	697 108	-	697 108
Specialised military assets	-	-	-
Biological Assets	622	-	622
Software and other intangible assets	**76**	**-**	**76**
Computer software	76	-	76
Total	**977 491**	**-**	**977 491**

7.2 Analysis of funds utilised to acquire capital assets - 2010/11

Tangible assets	**840 261**	**-**	**840 261**
Buildings and other fixed structures	251 203	-	251 203
Machinery and equipment	581 388	-	581 388
Specialised military assets	7 599	-	7 599
Biological Assets	71	-	71
Software and other intangible assets	**132**	**-**	**132**
Computer software	132	-	132
Total	**840 393**	**-**	**840 393**

Notes to the Annual Financial Statements for the year ended 31 March 2012

		Note	2011/12 R'000	2010/11 R'000
8.	**Unauthorised expenditure**			
8.1	**Reconciliation of unauthorised expenditure**			
	Opening balance		60 918	60 918
	Amounts approved by Parliament		-	-
	Transfer to receivables for recovery (not approved)		-	-
	Unauthorised expenditure awaiting authorisation/written off		**60 918**	**60 918**
8.2	**Analysis of unauthorised expenditure awaiting authorisation per economic classification**			
	Current		60 918	60 918
	Total		**60 918**	**60 918**
8.3	**Analysis of unauthorised expenditure awaiting authorisation per type**			
	Unauthorised expenditure incurred not in accordance with the purpose of the vote or main division		60 918	60 918
	Total		**60 918**	**60 918**

A total amount R60 917 772 of unauthorised expenditure incurred between 1994/95 and 2001/02 financial years, was approved with funding by Parliament on 27 March 2012. Approved funds have not been received on 31 March 2012. The Department operates on a modified cash basis of accounting. Accordingly, no accounting entries are permissible when the department is still waiting for the approved funding from the National Revenue Fund (NRF).

9.	**Fruitless and wasteful expenditure**			
9.1	**Reconciliation of fruitless and wasteful expenditure**			
	Opening balance		29	927
	Less: Amounts condoned		(9)	(897)
	Current		(9)	(897)
	Capital		-	-
	Transfers and subsidies		-	-
	Less: Amounts transferred to receivables for recovery		-	(1)
	Fruitless and wasteful expenditure awaiting condonement		**20**	**29**
9.2	**Analysis of awaiting condonement per economic classification**			
	Current		20	29
	Total		**20**	**29**

10.	**Cash and cash equivalents**			
	Cash on hand		42 566	42 836
	Investments (Domestic)		21 991	19 096
	Total		**64 557**	**61 932**

Investments (Domestic) was previously classified as cash with commercial banks.
For 2010/11 financial year, cash on hand was restated from RM39 511 to RM42 836.

Notes to the Annual Financial Statements for the year ended 31 March 2012

		2011/12 R'000	2010/11 R'000
11.	**Prepayments and advances**		
	Staff advances	33 381	329
	Travel and subsistence	98 239	74 964
	Total	**131 620**	**75 293**

		Note	Less than one year R'000	One to three years R'000	Older than three years R'000	2011/12 Total R'000	2010/11 Total R'000
12.	**Receivables**						
	Claims recoverable	12.1 & Annex 4	53 897	2 102	2 240	58 239	7 031
	Staff debt	12.2	61 895	8 295	12 280	82 470	67 152
	Other debtors	12.3	63 837	23 012	171 991	258 840	456 627
	Total		**179 629**	**33 409**	**186 511**	**399 549**	**530 810**

		Note		
12.1	**Claims recoverable**	12		
	National departments		35 905	6 995
	Provincial departments		22 333	36
	Total		**58 238**	**7 031**

In the 2010/11 financial year, claims recoverable have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year

12.2	**Staff debtors**	12		
	Description			
	Salary related		51 416	45 027
	Students		17 657	10 167
	Motor vehicle accidents		4 010	4 582
	Deposits		6 690	5 035
	State guarantees		1 337	1 356
	Loss of State money		1 090	763
	Damage to State property		159	85
	Private patients		103	137
	Miscellaneous		9	-
	Total		**82 471**	**67 152**

Notes to the Annual Financial Statements for the year ended 31 March 2012

		Note	2011/12 R'000	2010/11 R'000
12.3	**Other debtors**			
	Unauthorised expenditure not approved by Parliament and to be written off	12	94 891	299 029
	Operations		64 289	58 821
	Contractual liabilities		52 849	60 221
	Aviation services		1 690	4 591
	Suppliers		2 753	1 517
	Motor vehicle accidents		4 130	4 437
	Estates		1 122	829
	State guarantees		313	395
	Medical Claims		3 980	1 980
	Private Patients		156	229
	Market Support		3 993	636
	Institutions		19	16
	Damage to State Property		32	28
	Miscellaneous		4 118	15
	Loss of State Money		13 801	13 828
	Fruitless and Wasteful Expenditure		124	128
	State Departments		15	-
	Salary Overpayments		10 565	9 927
	Total		**258 840**	**456 627**

For 2010/11 Other debtors - Operations has been restated from RM 61 631 to RM 58 821.

13.	**Investments**			
	Non-Current			
	Shares and other equity			
	Armscor		75 000	75 000
	Total		**75 000**	**75 000**
	Analysis of non current investments			
	Opening balance		75 000	75 000
	Closing balance		**75 000**	**75 000**
14.	**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**

This represents a loan to the South African Forces Institute (SAFI) for the purpose of bridging finance. This loan is unsecured. The interest rate is fixed at 0% per annum and was payable by March 2007. Refer to Note 31 for the details on impairment of the SAFI loan.

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Notes to the Annual Financial Statements for the year ended 31 March 2012

		Note	2011/12 R'000	2010/11 R'000
15.	**Voted funds to be surrendered to the Revenue Fund**			
	Opening balance		220	1 009
	Transfer from Statement of Financial Performance		17 650	220
	Add: Unauthorised expenditure for current year	*8*	-	-
	Voted funds not requested/not received	*1.1*	-	-
	Paid during the year		(220)	(1 009)
	Closing balance		**17 650**	**220**
16.	**Departmental revenue to be surrendered to the Revenue Fund**			
	Opening balance		4 139	2 371
	Transfer from Statement of Financial Performance		4 269 010	689 688
	Paid during the year		(4 270 510)	(687 920)
	Closing balance		**2 639**	**4 139**
17.	**Bank overdraft**			
	Consolidated Paymaster General Account		403 800	538 000
	Total		**403 800**	**538 000**
18.	**Payables - current**			
	Amounts owing to other entities	*Annexure 5*	4	20
	Advances received	*18.1*	8 740	13 800
	Clearing accounts	*18.2*	1 516	1 059
	Other payables	*18.3*	58 027	42 190
	Total		**68 287**	**57 069**
18.1	**Advances received**			
	National Rural Youth Service Corps Programme		5 607	13 800
	Higher Education and Training		3 133	-
	Total		**8 740**	**13 800**
18.2	**Clearing accounts**			
	Subsistence and Travel Cash Voucher Receipt		1 322	1 059
	Other		194	-
	Total		**1 516**	**1 059**
18.3	**Other payables**			
	Unclaimed salaries		8 307	9 953
	Debtors in credit		3 273	4 200
	Other payables		12 467	17 418
	State guarantees		4 423	4 660
	Suppliers		29 557	5 959
	Total		**58 027**	**42 190**

For 2010/11 Other payables - other payables has been restated from RM16 903 to RM17 418.

Notes to the Annual Financial Statements for the year ended 31 March 2012

	Note	2011/12 R'000	2010/11 R'000
19. Net cash flow available from operating activities			
Net surplus/(deficit) as per Statement of Financial Performance		**4 286 660**	**689 908**
Add back non cash/cash movements not deemed operating activities		**(3 285 997)**	**304 256**
(Increase)/decrease in receivables – current		131 261	144 205
(Increase)/decrease in prepayments and advances		(56 327)	17 273
(Increase)/decrease in other current assets		9	898
Increase/(decrease) in payables – current		11 218	13 484
Proceeds from sale of capital assets		(78 919)	(23 068)
Expenditure on capital assets		977 491	840 393
Surrenders to Revenue Fund		(4 270 730)	(688 929)
Voted funds not requested/not received		-	-
Other non-cash items		-	-
Net cash flow generated by operating activities		**1 000 663**	**994 164**
20. Reconciliation of cash and cash equivalents for cash flow purposes			
Consolidated Paymaster General account		(403 800)	(538 000)
Cash on hand		42 566	42 836
Cash with commercial banks (Local)		21 991	19 096
Total		**(339 243)**	**(476 068)**

Department of Defence and Military Veterans
Vote 22

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2012

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, 1999 (Act No. 1 of 1999)

21. Contingent liabilities

Liable to	Nature	Note	2011/12 R'000	2010/11 R'000
Housing loan guarantees	Employees	Annexure 3A	9 588	15 773
Claims against the department		Annexure 3B	952 982	858 272
Other departments (interdepartmental unconfirmed balances)		Annexure 5	7 052	7 077
Environmental rehabilitation liability		Annexure 3B	961 586	129 372
Total			**1 931 208**	**1 010 494**

22. Commitments

Current expenditure		
Approved and contracted	1 675 842	1 762 195
Approved but not yet contracted	1 823 096	1 640 487
	3 498 938	**3 402 682**
Capital expenditure (including transfers)		
Approved and contracted	121 309	74 783
Approved but not yet contracted	163 770	119 924
	285 079	**194 707**
Total Commitments	**3 784 017**	**3 597 389**

Commitments longer than 1 year

Current Expenditure	
Approved and contracted	116 396
Approved but not yet contracted	79 299
Total	**195 695**
Capital expenditure	
Approved and contracted	-
Approved but not yet contracted	-
	-

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2012

23. Accruals

Listed by economic classification	30 Days R'000	30+ Days R'000	2011/12 Total R'000	2010/11 Total R'000
Goods and services	91 754	184 830	276 584	343 855
Interest and rent on land	-	-	-	-
Transfers and subsidies	10 922	-	10 922	8 237
Captial assets	805	5 326	6 131	3 870
Other	-	1 099	1 099	-
Total	**103 481**	**191 255**	**294 736**	**355 962**

Listed by programme level	2011/12	2010/11
Administration	98 072	64 566
Landward Defence	24 905	22 094
Air Defence	31 768	88 514
Maritime Defence	10 159	12 303
Military Health Support	49 494	105 278
Defence Intelligence	184	57
Joint Support	47 097	26 046
Force Employment	33 057	37 104
Total	**294 736**	**355 962**

	Note	2011/12	2010/11
Confirmed balances with departments	Annex 5	3 702	65 905
Confirmed balances with other government entities		-	-
Total		**3 702**	**65 905**

24. Employee benefits

	2011/12	2010/11
Leave entitlement	434 735	359 566
Service bonus (Thirteenth cheque)	517 506	464 437
Performance awards	130 884	-
Capped leave commitments	983 011	987 560
Other	170 510	182 894
Total	**2 236 646**	**1 994 457**

Leave entitlement with negative balances amounting to R54 109 840.91 for the 2011/12 financial year and R31 194 860 for the 2010/11 financial year were included in the figures above.

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2012

25. Lease Commitments

25.1 Operating leases expenditure

2011/12	Specialised military assets R'000	Land R'000	Buildings and other fixed structures R'000	Machinery and equipment R'000	Total R'000
Not later than 1 year	-	5 109	243 728	-	**248 837**
Later than 1 year and not later than 5 years	-	2 557	452 687	-	**455 244**
Later than five years	-	1 496	73 202	-	**74 698**
Total lease commitments	**-**	**9 162**	**769 617**	**-**	**778 779**

2010/11	Specialised military assets R'000	Land R'000	Buildings and other fixed structures R'000	Machinery and equipment R'000	Total R'000
Not later than 1 year	-	12 600	180 755	-	**193 355**
Later than 1 year and not later than 5 years	-	3 857	428 478	-	**432 335**
Later than five years	-	227	340 780	-	**341 007**
Total lease commitments	**-**	**16 684**	**950 013**	**-**	**966 697**

The Department has open-ended contracts on land and properties and are mainly used as shooting ranges and communication sites.

25.2 Finance leases expenditure

2011/12	Specialised military assets R'000	Land R'000	Buildings and other fixed structures R'000	Machinery and equipment R'000	Total R'000
Not later than 1 year	-	-	-	25 148	**25 148**
Later than 1 year and not later than 5 years	-	-	-	20 006	**20 006**
Later than five years	-	-	-	-	**-**
Total lease commitments	**-**	**-**	**-**	**45 154**	**45 154**
LESS: finance costs	-	-	-	(1 502)	**(1 502)**
Total present value of lease liabilities	**-**	**-**	**-**	**43 652**	**43 652**

2010/11	Specialised military assets R'000	Land R'000	Buildings and other fixed structures R'000	Machinery and equipment R'000	Total R'000
Not later than 1 year	-	-	-	13 320	**13 320**
Later than 1 year and not later than 5 years	-	-	-	6 467	**6 467**
Later than five years	-	-	-	-	**-**
Total lease commitments	**-**	**-**	**-**	**19 787**	**19 787**
LESS: finance costs	-	-	-	(550)	**(550)**
Total present value of lease liabilities	**-**	**-**	**-**	**19 237**	**19 237**

Assumptions:
1. Discounting rate: Repo rate at 5.5% in 2012 and 5.5% in 2011.

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2012

26. Receivables for departmental revenue	Note	2011/12 R'000	2010/11 R'000
Sales of goods and services other than capital assets		2 162	344
Fines, penalties and forfeits		30 576	-
Interest, dividends and rent on land		33 293	-
Sale of capital assets		59 880	25 383
Transactions in financial assets and liabilities		16 190	56 501
Transfers received (incl. conditional grants to be repaid by prov. depts)		121 624	172 770
Total		**263 725**	**254 998**

26.1 Analysis of receivables for departmental revenue		
Opening balance	254 998	310 462
Less: Amounts received	442 435	400 625
Add: Amounts recognised	451 162	345 161
Closing balance	**263 725**	**254 998**

27. Irregular expenditure

27.1 Reconciliation of irregular expenditure

	Note		
Opening balance		876 029	1 765 277
Add: Irregular expenditure - relating to prior year		64 313	139
Add: Irregular expenditure - relating to current year	27.2	350 364	688 575
Less: Amounts condoned	27.3	(571 890)	(1 522 522)
Less: Amounts recoverable (not condoned)	27.4	(10)	(55 440)
Less: Amounts not recoverable (not condoned)		-	-
Irregular expenditure awaiting condonement		**718 806**	**876 029**
Analysis of awaiting condonement per age classification			
Current year		340 518	584 114
Prior years		378 288	291 915
Total		**718 806**	**876 029**

For 2010/11 financial year, irregular expenditure awaiting condonement were restated from R986 803 to R876 029 to correct a misstatement in that year.

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2012

			2011/12 R'000
27.2	**Details of Irregular expenditure - Current Year**		
	Incident	**Disciplinary steps taken/criminal proceedings**	
	Procurement without Financial Authority and Government Order	Under investigation to determine responsible official.	12 411
	Contract irregularities	Under investigation to determine responsible official.	4 106
	Other matters	The member was released from his cashier duties while under going corrective training.	3
	Exceeding delegated powers	Under investigation to determine responsible official.	39
	Deviation from the bidding process	Submission for condonement in process to NT.	271 262
	No declaration of interest by prospective suppliers	Under investigation to determine responsible officials.	9 391
	Sub-division of requirements	Under investigation to determine responsible officials.	1 056
	No declaration of interest by SCM officials	Under investigation to determine responsible officials.	61
	Sourcing of aircraft	No disciplinary action required. Submission submitted to NT.	52 036
	Total		**350 364**
27.3	**Details of irregular expenditure condoned**		
	Incident	**Condoned by (condoning authority)**	
	Procurement without Financial Authority and Government Order	Central Commercial Procurement Sub-Committee and CFO.	126 848
	A400M Airbus: Day to day operational costs	Prosecution and Recovery committee.	38 027
	Other matters	Prosecution and Recovery committee and CFO.	821
	Performance incentives	Accounting Officer (AO).	112 003
	Contract irregularities	Prosecution and Recovery committee and CFO.	8 001
	Exceeding delegated power	Prosecution and Recovery committee.	6 335
	Deviation from bidding process	Prosecution and Recovery committee, CFO and AO.	190 443
	Deviation from payment process	Prosecution and Recovery committee, CFO and AO.	88 736
	Sub division of requirements	Prosecution and Recovery committee.	676
	Total		**571 890**
27.4	**Details of irregular expenditure recoverable (not condoned)**		
	Incident	**Condoned by (condoning authority)**	
	Procurement without Financial Authority	Military Court and Prosecution and Recovery committee.	*10*
	Total		**10**

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2012

			Note	2011/12 R'000
27.5	**Details of irregular expenditure under investigation**			
	Incident			
	Procurement without Financial Authority and Government Order			20 813
	Contract irregularities.			174
	Payment bmo payment schedule without authority.			4 225
	Deviation from bidding process.			547 508
	Deviation from payment process.			25 382
	Exceeding delegation limit.			39
	Subdivision of requirements.	Under investigation to determine		1 206
	No declaration of interest by prospective suppliers.	responsible official. No disciplinary action required.		9 452
	Sourcing of aircraft.	Submission submitted to NT.		109 509
	Other matters.			498
	Total			**718 806**

				2011/12 R'000	2010/11 R'000
28.	**Fruitless and wasteful expenditure**				
28.1	**Reconciliation of fruitless and wasteful expenditure**				
	Opening Balance			10 589	10 537
	Fruitless and wasteful expenditure – relating to prior year			13	-
	Fruitless and wasteful expenditure – relating to current year		*28.3*	788	491
	Less: Amounts condoned			(1 727)	(15)
	Less: Amounts transferred to receivables for recovery			(30)	(424)
	Fruitless and wasteful expenditure awaiting condonement			**9 633**	**10 589**
28.2	**Analysis of awaiting condonement per economic classification**				
	Current			5 517	6 386
	Capital			4 116	4 203
	Total			**9 633**	**10 589**

28.3	**Analysis of current year's fruitless and wasteful expenditure**		
	Incident	**Disciplinary steps taken/criminal proceedings**	
	Cancelled work session	No disciplinary action was taken as the member left the DOD.	731
	Contract irregularity	No disciplinary action was taken as the member acted within good faith.	25
	Plane tickets not used	Matter still under investigation. Matter still under investigation.	20
	Cancelled events	Matter still under investigation.	10
	Fees for late payment of account		2
	Total		**788**

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2012

		2011/12 R'000	2010/11 R'000
29.	**Related party transactions**		
	Loans to/from related parties		
	Non-interest bearing loans to/(from)	12 362	12 362
	Interest bearing loans to/(from)	-	-
	Total	**12 362**	**12 362**

Identification and nature of related party relationship

As at 31 March 2012 the DOD had the following related parties, namely the:
- President of the RSA;
- Deputy President of the RSA;
- Cabinet of the Government of the RSA, including the Ministers of all National Departments;
- National Departments;
- Public Entities resorting under the National Departments;
- Public Entities resorting under the portfolio of the Minister of Defence and Military Veterans, these being the:

  - Armaments Corporation of South Africa Limited (Armscor) including subsidiaries, joint ventures or units under its control;
  - Castle Control Board (CCB);
  - South African National Defence Force Fund (SANDF Fund); and
  - Reserve Force Council

- Key management personnel of the DOD (members of the Plenary Defence Staff Council); and
- All entities under the control, joint control or significant influence of a key management personnel member of the DOD.

As per clarification letter from the National Treasury dated 31 March 2009, Department of Defence funds (messes, clubs, regimental funds, etc.) are not regarded as related parties.

Related party transactions

The Department is not aware of any related party transactions (i.e. transactions not at arms length) that occurred during the period between the Department and the President of the RSA; the Deputy President of the RSA; the Cabinet of the Government of the RSA, including the Ministers of all National Departments; National Departments and public entities falling under these departments.

Armscor and the Department are not aware of any related party transactions that occurred during the period between the related parties other than, the use of six South African Military (SAMIL) vehicles. Four SAMIL 50's and two SAMIL 100 vehicles, owned by the Department were allocated to Gerotek (Pty) Ltd, a subsidiary of Armscor, several years ago. Gerotek (Pty) Ltd uses these vehicles in its operations at no consideration to the Department. These vehicles are primarily for Defence purposes. Gerotek (Pty) Ltd carries the responsibility of the maintenance and insurance of the above mentioned vehicles. The age of the vehicles is in excess of 20 years.

During the period the following related party transactions occurred between the Department and the Castle Control Board (CCB);

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2012

- The CCB is mandated in terms of the Castle Management Act, 1993 (Act No. 207 of 1993), to govern and manage the Castle of Good Hope on behalf of the Minister of Defence and Military Veterans. The CCB is housed and located in the Castle of Good Hope, Cape Town.

- The following entities and activities occupy or utilise parts of the Castle of Good Hope, at no consideration to the Department however in some instances consideration is paid to the CCB:

  - Die Goewerneur restaurant;
  - Waterblommetjie restaurant;
  - Castle Forge;
  - Carriage rides;
  - Castle Military Museum;
  - Souvenir shop;
  - Iziko Museum of Cape Town;
  - The Western Cape Army Support Base (forming part of the Department) supplied guards to the CCB to guard the Castle of Good Hope and to perform ceremonial duties at no charge.
  - Defence Reserves Provincial Office Western Cape.
  - SA Heritage Resources Agency (SAHRA).
  - Good Hope Art Studio.
  - 5X Reserve Force Regiments.

- The Department provides management and advisory services to the CCB at no consideration. The cost to the Department for the time and subsistence for these services for the period was R2 601 204 (2010/11: R2 373 734).

The Deparment provides management and administrative support to the SANDF Fund at no consideration. The cost to the Department for the time spent in providing this support for the period was R23 445 (2010/11: R25 690).

The Department is not aware of any related party transactions that might have occurred during the period between the Department and the Reserve Force Council.

The Department did not identify any related party transaction during the period between the Department and its key management personnel, and the entities under the control, joint control or significant influence of key management personnel of the Department, except for the following:

- Major-General R.C. Andersen, a member of key management personnel (PDSC) of the Department is the chairperson of Murray & Roberts, which provides training services to the Works Regiment of the SANDF.

30. Key management personnel

Description	No. of Individuals	2011/12 R'000	2010/11 R'000
Political Office Bearers	2	3 244	3 499
Officials			
Level 15 to 16	17	18 195	19 166
Level 14	13	9 964	13 484
Family members of key management personnel	10	3 182	3 960
Total		**34 585**	**40 109**

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2012

31. Impairment and other provisions

	2011/12 R'000	2010/11 R'000
Potential irrecoverable debts		
Impairment		
Loans	12 362	12 362
Total	**12 362**	**12 362**
Other provisions		
Staff Debtors	2 456	1 584
Other Debtors	110 311	352 942
Claims Recoverable	2 240	2 238
Total	**115 007**	**356 764**
Total	**127 369**	**369 126**

32. Non-adjusting events after reporting date

	2011/12 R'000
Include an estimate of the financial effect of the subsequent non-adjusting events or a statement that such an estimate cannot be made.	
Fire destroyed Shamroch Non Commissioned Officers Mess in Army Support Base Potchefstroom	200
Advance payments for the acquisition of VVIP Aircraft	82 975
Refund received for the cancellation of the VVIP Aircraft acquisition	(81 700)
Appointment of Minister N.N. Mapisa-Nqakula (No financial effect)	-
Fire destroyed Bloemfontein Army Support Base G-Club mess	8 529
Total	**10 004**

33. Movable Tangible Capital Assets

MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Opening balance	Current year adjustments to prior year balances	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT					
Transport assets	7 759 132	(6 398 096)	391 629	47	**1 752 618**
	7 759 132	(6 398 096)	391 629	47	1 752 618
SPECIALISED MILITARY ASSETS					
Specialised military assets	37 709 720	(19 641 342)	2 041	-	**18 070 419**
	37 709 720	(19 641 342)	2 041	-	18 070 419
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	45 468 852	(26 039 438)	393 670	47	**19 823 037**

National Treasury approved the departure from reporting all other categories of assets, (which excludes Specialised Military Assets, Transport Assets and Immovable Assets), in the Annual Financial Statements for the year ending 2011/2012. The departure as approved was to enable the DOD to achieve the plans as were presented to both National Treasury and SCOPA. The disclosure for the current period does not include other machinery and equipment; computer equipment; furniture and office equipment, biological and intangible assets. These are disclosed as annexures to the financial statements only for the period. The reasons for the departure includes the fact that the other categories of assets are managed manually or on one of five logistical systems. Furthermore, these assets are also not uniquely identifiable by a serial number or barcode. For further detail refer to the Accounting Officer's report on asset management.

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2012

33.1 Additions

ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Cash	*Non-cash*	*(Capital work-in-progress current costs and finance lease payments)*	*Received current, not paid (Paid current year, received prior year)*	*Total*
	R'000	*R'000*	*R'000*	*R'000*	*R'000*
MACHINERY AND EQUIPMENT	391 629	-	-	-	**391 629**
Transport assets	391 629	-	-	-	391 629
SPECIALISED MILITARY ASSETS	-	2 041	-	-	**2 041**
Specialised military assets	-	2 041	-	-	2 041
TOTAL ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS	**391 629**	**2 041**	**-**	**-**	**393 670**

33.2 Disposals

DISPOSALS OF MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Sold for cash	*Transfer out or destroyed or scrapped*	*Total disposals*	*Cash received Actual*
	R'000	*R'000*	*R'000*	*R'000*
MACHINERY AND EQUIPMENT	47	-	47	**53 536**
Transport assets	47	-	47	53 536
SPECIALISED MILITARY ASSETS	-	-	-	**25 383**
Specialised military assets	-	-	-	25 383
TOTAL DISPOSAL OF MOVABLE TANGIBLE CAPITAL ASSETS	**47**	**-**	**47**	**78 919**

Specialised military assets disposed of in the current period were valued at R209. This is due to the valuation policy of DOD where all assets acquired before 2002 are valued at R1 each. This policy is in terms of the National Treasury prescript which allows all Government Departments to value assets acquired before 1 April 2002 at R1.

The quantity of transport assets disposed of in the current financial period is 1988, of these 522 have been declared disposals in the asset register. The rest of the assets not yet declared disposals are in the process of being disposed, i.e. the administrative actions are still being carried out. The majority of these are valued at R1 in terms of the above ruling.

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2012

33.3 Movement for 2010/11

MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2011

	Opening balance R'000	*Additions R'000*	*Disposals R'000*	*Closing balance R'000*
MACHINERY AND EQUIPMENT	7 758 680	218 859	218 407	**7 759 132**
Transport assets	7 758 680	218 859	218 407	7 759 132
SPECIALISED MILITARY ASSETS	37 758 672	31 567	80 519	**37 709 720**
Specialised military assets	37 758 672	31 567	80 519	37 709 720
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	**45 517 352**	**250 426**	**298 926**	**45 468 852**

Adjustments to prior year closing balance

The comparative balances for the 2010/11 financial year were adjusted during the current financial year in note 33, adjustments to prior year balances, to an amount of R26 billion. This adjustment comprises of:

- Assets acquired prior to 1 April 2002 disclosed at various values instead of R1.
- Inventory incorrectly classified as capital assets.
- Removal of duplicated assets.
- Incorrect classification.
- Removal of assets disposed of.
- Elimination of values relating to assets disclosed at weighted average price.

34 Immovable Tangible Capital Assets

MOVEMENT IN IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Opening balance R'000	*Current year adjustments to prior year balances R'000*	*Additions R'000*	*Disposals R'000*	*Closing balance R'000*
BUILDINGS AND OTHER FIXED STRUCTURES	-	15 421 191	-	-	**15 421 191**
Dwellings	-	-	-	-	-
Non-residential buildings	-	15 421 191	-	-	15 421 191
Other fixed structures	-	-	-	-	-
HERITAGE ASSETS	-	-	-	-	-
Heritage assets	-	-	-	-	-
LAND AND SUBSOIL ASSETS	-	13 789 620	-	-	**13 789 620**
Land	-	13 789 620	-	-	13 789 620
TOTAL IMMOVABLE TANGIBLE CAPITAL ASSETS	**-**	**29 210 811**	**-**	**-**	**29 210 811**

Valuation of Land and buildings, is based on fair value which is depreciated at replacement cost.

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2012

34.1 Additions

ADDITIONS TO IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Cash	*Non-cash*	*(Capital work-in-progress current costs and finance lease payments)*	*Received current, not paid (Paid current year, received prior year)*	*Total*
	R'000	*R'000*	*R'000*	*R'000*	*R'000*
BUILDINGS AND OTHER FIXED STRUCTURES	265 620	-	(265 620)	-	-
Dwellings	265 620	-	(265 620)	-	-
TOTAL ADDITIONS TO IMMOVABLE TANGIBLE CAPITAL ASSETS	**265 620**	**-**	**(265 620)**	**-**	**-**

34.2 Disposals

DISPOSALS OF IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Sold for cash	*Transfer out or destroyed or scrapped*	*Total disposals*	*Cash received Actual*
	R'000	*R'000*	*R'000*	*R'000*
BUILDINGS AND OTHER FIXED STRUCTURES	-	-	-	-
Dwellings	-	-	-	-
Non-residential buildings	-	-	-	-
Other fixed structures	-	-	-	-
HERITAGE ASSETS	-	-	-	-
Heritage assets	-	-	-	-
LAND AND SUBSOIL ASSETS	-	-	-	-
Land	-	-	-	-
TOTAL DISPOSAL OF IMMOVABLE TANGIBLE CAPITAL ASSETS	-	-	-	-

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2012

34.3 Movement for 2010/11

MOVEMENT IN IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2011

	Opening balance R'000	*Additions R'000*	*Disposals R'000*	*Closing balance R'000*
BUILDINGS AND OTHER FIXED STRUCTURES	-	-	-	-
Other fixed structures	-	-	-	-
TOTAL IMMOVABLE TANGIBLE CAPITAL ASSETS	-	-	-	-

Annexures to the Annual Financial Statements for the year ended 31 March 2012

ANNEXURE 1A

STATEMENT OF TRANSFERS TO DEPARTMENTAL AGENCIES AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012

DEPARTMENTS/AGENCY/ ACCOUNT	TRANSFER ALLOCATION				TRANSFER		2010/11
	Adjusted Appropriation Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available Funds Transferred %	Final Appropriation Act R'000
Safety and Security Sector Education and Training Authority (SASSETA)	15 608	-	844	16 452	15 281	93%	14 408
Special Defence Account	4 862 657	-	-	4 862 657	4 862 657	100%	3 010 320
TOTAL	**4 878 265**	**-**	**844**	**4 879 109**	**4 877 938**		**3 024 728**

Annexures to the Annual Financial Statements for the year ended 31 March 2012

ANNEXURE 1B

STATEMENT OF TRANSFERS/SUBSIDIES TO PUBLIC CORPORATIONS AND PRIVATE ENTERPRISES FOR THE YEAR ENDED 31 MARCH 2012

NAME OF PUBLIC CORPORATION/PRIVATE ENTERPRISE	TRANSFER ALLOCATION				EXPENDITURE				2010/11
	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	Final Appropriation Act R'000
PUBLIC CORPORATION									
Armaments Corporation of South Africa	867 257	-	23 492	890 749	890 749	100.0%	-	-	737 510
TOTAL	**867 257**	**-**	**23 492**	**890 749**	**890 749**	**-**	**-**	**-**	**737 510**

Annexures to the Annual Financial Statements for the year ended 31 March 2012

ANNEXURE 1C

STATEMENT OF TRANSFERS TO NON-PROFIT INSTITUTIONS FOR THE YEAR ENDED 31 MARCH 2012

NON PROFIT ORGANISATION	TRANSFER ALLOCATION				EXPENDITURE		2010/11
	Adjusted Appropriation Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available Transferred %	Final Appropriation Act R'000
Transfers							
St John's Ambulance Brigade	400	-	-	400	400	100%	360
Reserve Force Council	5 917	-	-	5 917	5 917	100%	4 827
Medical fund	-	-	-	-	-	0%	220
TOTAL	**6 317**	**-**	**-**	**6 317**	**6 317**		**5 407**

Annexures to the Annual Financial Statements for the year ended 31 March 2012

ANNEXURE 1D

STATEMENT OF TRANSFERS TO HOUSEHOLDS FOR THE YEAR ENDED 31 MARCH 2012

HOUSEHOLDS	TRANSFER ALLOCATION				EXPENDITURE		2010/11
	Adjusted Appropriation Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available Transferred %	Final Appropriation Act R'000
Transfers							
DOD members	155 442	-	(52 604)	102 838	102 838	100%	120 592
TOTAL	**155 442**	**-**	**(52 604)**	**102 838**	**102 838**	**-**	**120 592**

Annexures to the Annual Financial Statements for the year ended 31 March 2012

ANNEXURE 1E

STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS RECEIVED FOR THE YEAR ENDED 31 MARCH 2012

NAME OF ORGANISATION	NATURE OF GIFT, DONATION OR SPONSORSHIP	2011/12 R'000	2010/11 R'000
Received in kind			
Milners	Sponsorship to attend dental clinical congress	20	-
Royal canine	DVD's	1	-
Royal canine	Book the Search and Rescue Dog and Encyclopedia	2	-
Tanja Slyper	Dog Belgiam Shepard Male (King)	5	-
Mrs R. Buitendach	Dog Rottweiler Male (Samson)	5	-
Dr G.J.J Smit	Xerox Phaser Fax	2	-
2 Mil Hosp Interns 2010/11	K.I.C Refridgarator	2	-
Hlambanyathi Game Reserve	Game	-	10
Eve Graham Marketing	Gift packs	-	1
Primary Health Care	Labour saving devices	-	2
Government of the United States Of America	VArious transport assets (vehicles)	-	945
Government of the United States Of America	Pistols	-	70
Total		**37**	**1 028**

Annexures to the Annual Financial Statements for the year ended 31 March 2012

ANNEXURE 1F

STATEMENT OF AID ASSISTANCE RECEIVED FOR THE YEAR ENDED 31 MARCH 2012

NAME OF DONOR	PURPOSE	OPENING BALANCE R'000	REVENUE R'000	EXPENDITURE R'000	CLOSING BALANCE R'000
Received in kind					
ABBOT Pharmaceutical	Attendance of the International Dental Federation World Dental Congress	-	28	28	-
Republic of Angola	Evaluation Angola Defence Force preparations prior SADC HIV/AIDS conference	-	42	42	-
Government of Argentina	Training Courses	-	52	52	-
Government of Canada	Civil Military Relations	-	25	25	-
Government of Chile	Training Courses	-	61	61	-
Government of the French Republic	Multilateral Lynx support committee meeting	-	69	69	-
Government of the Federal Republic of Germany	Training Courses	-	50	50	-
Government of the Federal Republic of Germany	Guest speaker at internationational conference and Exhibition on Maritime Security and Defence	-	40	40	-
Government of the Federal Republic of Germany	Attendance of SUBCON conference	-	83	83	-
Henry Jackson Foundation	Research visit	-	44	44	-
Government of the Republic of India	Training Courses	-	167	167	-
Islands Hydrographic Commission: Southern Africa	Southern Africa and Islands Hydrographic Commission Technical Visit	-	30	30	-
Republic of Italy	Maritime Reconnaissance Surveillance conference	-	83	83	-
Republic of Italy	Augusta A109 operators conference	-	68	68	-
Government of Kenya	Training Courses	-	584	584	-
Government of the United Kingdom of Great Britain and Northen Ireland	Attendance of the 2011 Biological and Toxin Weapons Convention	-	45	45	-
Government of the Russian Federation	International helicopter operators conference and air show	-	95	95	-
Republic of Singapore	International Maritime security conference and international maritime Defence expo	-	1 607	1 607	-
Kingdom of Spain	CASA Contract performance review	-	69	69	-

Annexures to the Annual Financial Statements for the year ended 31 March 2012

ANNEXURE 1F (continued)

STATEMENT OF AID ASSISTANCE RECEIVED FOR THE YEAR ENDED 31 MARCH 2012

NAME OF DONOR	PURPOSE	OPENING BALANCE R'000	REVENUE R'000	EXPENDITURE R'000	CLOSING BALANCE R'000
Received in kind					
Government of the Kingdom of Sweden	Training Courses	-	69	69	-
Government of the United Kingdom of Great Britain and Northen Ireland	Training Courses	-	806	806	-
Government of the United Kingdom of Great Britain and Northen Ireland	Visit to Royal Air Force	-	258	258	-
Government of United States of America	Training Courses	-	8 778	8 778	-
Government of United States of America	Africa Centre for strategic studies Warrant Oficer symposium	-	110	110	-
Government of United States of America	Annual Engineer Regimental Conference Enforce	-	18	18	-
Government of United States of America	Benchmarking visit with the US Army Africa Italy	-	60	60	-
Government of United States of America	Attendance of USAF Senior enlisted Conference	-	22	22	-
Government of United States of America	International Counter Terrorism Fellowship	-	525	525	-
Government of United States of America	Aeronautical Evacuation and en route medical care symposium	-	49	49	-
Government of United States of America	Human Factors in accident investigation conference	-	185	185	-
Government of United States of America	Two boeing mechanic maintenance	-	1 015	1 015	-
Government of United States of America	Fellowship programme (ENSP)	-	1 100	1 100	-
Government of United States of America	2011 Indian Ocean Senior Intelligence Officer Conference	-	17	17	-
Government of United States of America	Exposure to the impact of change on Defence	-	34	34	-
Government of United States of America (PEPFAR)	President's Emergency Plan for AIDS Relief (PEPFAR): Project MASIBAMBISANE programme for SANDF members	-	2 101	2 101	-
Government of United States of America (PEPFAR)	President's Emergency Plan for AIDS Relief (PEPFAR): Sponsorship of Anti-retroviral drugs	-	13 961	13 961	-
TOTAL		**-**	**32 349**	**32 349**	**-**

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 2012

ANNEXURE 2A

STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO NATIONAL/PROVINCIAL PUBLIC ENTITIES AS AT 31 MARCH 2012 (only Public and Private Entities)

Name of Public Entity	State Entity's PFMA Schedule type (state year end if not 31 March)	% Held 11/12	% Held 10/11	Number of Shares Held		Cost of Investment R'000		Net Asset value of Investment R'000		Profit(Loss) for the year R'000		Losses guaran-teed
				2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	Yes/No
National/Provincial Public Entity												
Castle Control Board (under control of the Minister of Defence)	3A	100%	100%	-	-	-	-	12 880	12 431	449	866	No
Armaments Corpo-ration of South Af-rica (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%	100%	75 000 000 (Issued to the President of the Repub-lic of South Africa and in custody at the Department of Defence)	75 000 000 (Issued to the President of the Repub-lic of South Africa and in custody at the Department of Defence)	75 000	75 000	627 092	553 803	73 289	17 031	No
South African National Defence Force Fund	3A (not listed)	100%	100%	-	-	-	-	12 656	12 040	616	655	No
Total						**75 000**	**75 000**	**652 628**	**578 274**	**74 354**	**18 552**	

Annexures to the Annual Financial Statements for the year ended 31 March 2012

ANNEXURE 2B

STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO CONTROLLED/PUBLIC ENTITIES AS AT 31 MARCH 2012 (only Public and Private Entities)

Name of Public Entity	Nature of business	Cost of Investment R'000		Net Asset value of Investment R'000		Amounts owing to Entities R'000		Amounts owing by Entities R'000	
		2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
Controlled entities									
South African National Defence Force Fund	The SANDF Fund is established in terms of the Fund Raising Act, 1968 (Act No. 107 of 1968). The aim of the fund is to render aid to SA National Defence Force and Auxillary Services and their dependants who suffer financial hardship and distress as a result of duties.	-	-	12 656	12 040	-	-	-	-
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.	-	-	12 880	12 431	-	-	-	-
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, redudant, or surplus defence material for the SA.	75 000	75 000	627 092	553 803	446	3 911	3 993	363
Total		**75 000**	**75 000**	**652 628**	**578 274**	**446**	**3 911**	**3 993**	**363**

Annexures to the Annual Financial Statements for the year ended 31 March 2012

ANNEXURE 3A

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2012 - LOCAL

Guarantor Institution	Guarantee in respect of	Original Guaranteed capital amount	Opening balance as at 1 April 2011 R'000	Guarantees drawdowns during the year R'000	Guaranteed repayments/cancelled/ reduced/ released during the year R'000	Revaluations R'000	Closing balance 31 March 2012 R'000	Guaranteed interest outstanding as at 31 March 2012 R'000	Realised losses not recoverable R'000
	Housing								
ABSA		-	4 217	29	2 381	-	1 865	-	-
African Bank		-	62	-	35	-	27	-	-
First National Bank		-	3 341	-	886	-	2 455	-	-
Free State Development Corporation		-	780	-	105	-	675	-	-
Greenstar Home Loans		-	508	-	170	-	338	-	-
Ithala Development Financial Corporation		-	225	-	97	-	128	-	-
Masikheni		-	244	-	168	-	76	-	-
Nedbank		-	3 233	-	1 607	-	1 626	-	-
Old Mutual Bank		-	348	-	330	-	18	-	-
Southfin		-	356	-	75	-	281	-	-
Standard Bank		-	2 168	54	318	-	1 904	-	-
Venda Nat Development Corporation		-	200	-	21	-	179	-	-
Other		-	79	-	63	-	16	-	-
Total		**-**	**15 761**	**83**	**6 256**	**-**	**9 588**	**-**	**-**

The amount disclosed for the financial year 2010/11 with regard to Housing Loan Guarantees has been restated from R 15 773 155 to R 15 761 565 due to recording error.

Annexures to the Annual Financial Statements for the year ended 31 March 2012

ANNEXURE 3B

STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2012

Nature of Liability	Opening Balance 01 April 2011 R'000	Liabilities incurred during the year R'000	Liabilities paid/cancelled/ reduced during the year R'000	Liabilities recoverable R'000	Closing Balance 31 March 2012 R'000
Claims against the department					
Civil claims	868 793	103 166	24 301	-	947 658
Motor vehicle accident claims	5 650	2 687	3 013	-	5 324
Subtotal	**874 443**	**105 853**	**27 314**	**-**	**952 982**
Environmental Liability					
UXO contamination and rehabilitation	72 372	857 744	25 530	-	904 586
Aviation Fuel underground contamination rehabilitation	52 500	-	-	-	52 500
Bitumen contamination at Air Force Base	4 500	-	-	-	4 500
Subtotal	**129 372**	**857 744**	**25 530**	**-**	**961 586**
Total	**1 003 815**	**963 597**	**52 844**	**-**	**1 914 568**

The amount disclosed for the financial year 2010/11 with regards to Claims against the Department has been restated from R858 272 000 to R874 443 000 due to an understatement in that year.

Annexures to the Annual Financial Statements for the year ended 31 March 2012

ANNEXURE 4

CLAIMS RECOVERABLE FOR THE YEAR ENDED 31 MARCH 2012

Government Entity	Confirmed balance		Unconfirmed balance		Total	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	R'000	R'000	R'000	R'000	R'000	R'000
Department						
Department of Agriculture, Forestry and Fishery	-	-	3 470	907	**3 470**	**907**
Department of Correctional Services	-	-	11	3	**11**	**3**
Department of Environmental Affairs & Tourism	-	-	815	865	**815**	**865**
Department of Health	-	-	668	1 485	**668**	**1 485**
Department of Home Affairs	-	-	10	-	**10**	**-**
Department of International Relations and Co-operation	-	-	488	573	**488**	**573**
Department of Labour	-	-	-	18	**-**	**18**
Department of Public Works	-	-	2 032	1 636	**2 032**	**1 636**
Department of Transport	-	-	423	423	**423**	**423**
Ministry for Rural Development and Land Reform	-	-	182	-	**182**	**-**
Ministry for State Security	-	-	980	683	**980**	**683**
National Disaster Management Centre	-	-	689	-	**689**	**-**
National Treasury	-	-	436	353	**436**	**353**
National Intelligence	-	-	-	22	**-**	**22**
South African Police Services	-	-	136	27	**136**	**27**
South African Police Services - Presidential Protection	-	-	25 565	-	**25 565**	**-**
Eastern Cape Health Department	-	-	7	-	**7**	**-**
Gauteng Education Department	-	-	22	-	**22**	**-**
Gauteng Health Department	-	-	680	-	**680**	**-**
Gauteng Provincial Government	-	-	-	36	**-**	**36**
Kwa-Zulu Natal Provincial Government	-	-	21 288	-	**21 288**	**-**
Provincial Disaster Management Centre	-	-	336	-	**336**	**-**
TOTAL	**-**	**-**	**58 238**	**7 031**	**58 238**	**7 031**

Annexures to the Annual Financial Statements for the year ended 31 March 2012

ANNEXURE 5

INTER-DEPARTMENTAL PAYABLES FOR THE YEAR ENDED 31 MARCH 2012

Government Entity	Confirmed balance		Unconfirmed balance		Total	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	R'000	R'000	R'000	R'000	R'000	R'000
Department						
Amounts not included in Statement of Financial Position						
Department of Correctional Services	-	-	5	-	**5**	**-**
Department of Education	-	-	7	2	**7**	**2**
Department of Finance	-	-	-	8	**-**	**8**
Department of Health	4	-	75	46	**79**	**46**
Department of Housing	-	186	-	14	**-**	**200**
Department of International Relations and Corporations	-	42	-	-	**-**	**42**
Department of Justice and Constitutional Development	3 698	555	37	1 132	**3 735**	**1 687**
Department of Labour	-	-	15	23	**15**	**23**
Department of Minerals	-	-	8	-	**8**	**-**
Department of Public Works	-	59 254	13	723	**13**	**59 977**
Department of Social Development	-	-	13	-	**13**	**-**
Department of Transport	-	-	3 846	4 418	**3 846**	**4 418**
Department of Water Affairs	-	-	-	12	**-**	**12**
Gauteng Provincial Government	-	-	8	-	**8**	**-**
Government Communications	-	-	498	-	**498**	**-**
Government Printing Works	-	-	56	95	**56**	**95**
Mpumalanga Provincial Government	-	-	13	-	**13**	**-**
National Prosecuting Authority	-	-	2	-	**2**	**-**
PALAMA	-	-	-	462	**-**	**462**
South African Police Service	-	-	50	75	**50**	**75**
Auditor General - General Account	-	5 369	1 290	-	**1 290**	**5 369**
Auditor General - Special Defence Account	-	499	1 116	-	**1 116**	**499**
The Presidency	-	-	-	67	**-**	**67**
TOTAL	**3 702**	**65 905**	**7 052**	**7 077**	**10 754**	**72 982**

Annexures to the Annual Financial Statements for the year ended 31 March 2012

ANNEXURE 6

INVENTORY

	2011/12		2010/11	
	Quantity	R'000	Quantity	R'000
Inventory				
Opening balance				
Add/(Less): Adjustments to prior year balances	1 115 837 251	90 316 865	-	-
Add: Additions/Purchases - Cash	50 544 467	1 929 175	-	-
Add: Additions - Non-cash	-	-	-	-
(Less): Disposals	(2 661 581)	(118 007)	-	-
(Less): Issues	(2 873 898)	(113 151)	-	-
Add/(Less): Adjustments	145 061	228 520	-	-
Closing balance	1 160 991 300	92 243 402	-	-

Adjustments to inventory are made up of items that were moved from transport assets < R5 000 amounting to R108 663 421 and items that were moved from specialised military assets < R5 000 amounting to R119 856 827. These items were moved to inventory as other consumables materials and military stores respectively. The reason for these movements is that they did not meet the definition of the specialised military assets and transport assets and based on the scan of population they meet the definition of inventory.

Annexures to the Annual Financial Statements for the year ended 31 March 2012

ANNEXURE 7

Movable Tangible Capital Assets
MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Opening balance	Current year adjustment to prior year balances	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	**31 334 809**	**(25 364 232)**	**304 449**	**10 605**	**6 264 421**
Computer equipment	472 669	111 622	75 417	8 720	650 988
Furniture and office equipment	59 591	125 530	9 410	969	193 562
Other machinery and equipment	30 802 549	(25 601 384)	219 623	916	5 419 872
BIOLOGICAL ASSETS	**30**	**(471)**	**622**	**-**	**181**
Biological assets	30	(471)	622	-	181
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	**31 334 839**	**(25 364 703)**	**305 071**	**10 605**	**6 264 602**

Annexures to the Annual Financial Statements for the year ended 31 March 2012

ANNEXURE 8

Additions
ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Cash	Non-cash	(Capital work-in-progress current costs and finance Lease)	Received current, not paid (paid current year, received Prior year)	Total
	R'000	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	**298 161**	**-**	**-**	**6 288**	**304 449**
Computer equipment	75 132	-	-	284	75 417
Furniture and office equipment	7 734	-	-	1 676	9 410
Other machinery and equipment	215 295	-	-	4 327	219 623
BIOLOGICAL ASSETS	**622**	**-**	**-**	**-**	**622**
Biological assets	622	-	-	-	622
TOTAL ADDITION TO MOVABLE TANGIBLE CAPITAL ASSETS	**298 783**	**-**	**-**	**6 288**	**305 071**

Annexures to the Annual Financial Statements for the year ended 31 March 2012

ANNEXURE 9

Disposals
DISPOSALS TO MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Sold for cash	Transfer out or destroyed or scrapped	Total disposals	Cash received Actual
	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	**10 605**	**-**	**10 605**	**-**
Computer equipment	8 720	-	8 720	-
Furniture and office equipment	969	-	969	-
Other machinery and equipment	916	-	916	-
BIOLOGICAL ASSETS	-	**-**	**-**	**-**
Biological assets	-	-	-	-
TOTAL DISPOSALS OF MOVABLE TANGIBLE CAPITAL ASSETS	**10 605**	**-**	**10 605**	**-**

Annexures to the Annual Financial Statements for the year ended 31 March 2012

ANNEXURE 10

Movable Tangible Capital Assets
MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2011

	Opening balance	Current year adjustment to prior year balances	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	**-**	**30 896 347**	**455 230**	**16 768**	**31 334 809**
Computer equipment	-	423 387	49 470	188	472 669
Furniture and office equipment	-	58 706	1 726	841	59 591
Other machinery and equipment	-	30 414 254	404 034	15 739	30 802 549
BIOLOGICAL ASSETS	**-**	**30**	**-**	**-**	**30**
Biological assets	-	30	-	-	30
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	**-**	**30 896 377**	**455 230**	**16 768**	**31 334 839**

Annexures to the Annual Financial Statements for the year ended 31 March 2012

ANNEXURE 11

Immovable Tangible Capital Assets
MOVEMENT IN IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Opening balance	Current year adjustment to prior year balances	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
BUILDINGS AND OTHER FIXED STRUCTURES	102 149	(116 214)	14 065	-	-
Dwelings	-	-	-	-	-
Non-residential buildings	-	-	-	-	-
Other fixed structures	102 149	(116 214)	14 065	-	-
HERITAGE ASSETS	-	-		-	-
Heritage assets	-	-	-	-	-
LAND AND SUBSOIL ASSETS					
Airport Runways	-	-	-	-	-
TOTAL IMMOVABLE TANGIBLE CAPITAL ASSETS	**102 149**	**(116 214)**	**14 065**	**-**	**-**

Annexures to the Annual Financial Statements for the year ended 31 March 2012

ANNEXURE 12

Additions
ADDITIONS TO IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Cash	Non-cash	(Capital work-in-progress current costs and finance Lease)	Received current, not paid (paid current year, received Prior year)	Total
	R'000	R'000	R'000	R'000	R'000
BUILDINGS AND OTHER FIXED STRUCTURES	**14 065**	**-**	**-**	**-**	**14 065**
Dwelings	-	-	-	-	-
Non-residential buildings	-	-	-	-	-
Other fixed structures	14 065	-	-	-	14 065
HERITAGE ASSETS	**-**	**-**	**-**	**-**	**-**
Heritage assets	-	-	-	-	-
LAND AND SUBSOIL ASSETS					
Airport Runways	-	-	-	-	-
TOTAL ADDITION TO IMMOVABLE TANGIBLE CAPITAL ASSETS	**14 065**	**-**	**-**	**-**	**14 065**

Annexures to the Annual Financial Statements for the year ended 31 March 2012

ANNEXURE 13

Immovable Tangible Capital Assets
MOVEMENT IN IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2011

	Opening balance	Current year adjustment to prior year balances	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
BUILDINGS AND OTHER FIXED STRUCTURES	**-**	**102 062**	**107**	**20**	**102 149**
Dwelings	-	-	-	-	-
Non-residential buildings	-	-	-	-	-
Other fixed structures	-	102 062	107	20	102 149
HERITAGE ASSETS	**-**	**-**		**-**	**-**
Heritage assets	-	-	-	-	-
LAND AND SUBSOIL ASSETS					
Airport Runways	-	-	-	-	-
TOTAL IMMOVABLE TANGIBLE CAPITAL ASSETS	**-**	**102 062**	**107**	**20**	**102 149**

Annexures to the Annual Financial Statements for the year ended 31 March 2012

ANNEXURE 14

Intangible Capital Assets
MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Opening balance	Current year adjustment to prior year balances	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
Capitalised development costs	-	-	-	-	-
Computer software	21 790	(15 249)	76	-	6 617
Mastheads and publishing titles	-	-	-	-	-
Patents, licenses, copyright, brand names, trademarks	-	-	-	-	-
TOTAL INTANGIBLE CAPITAL ASSETS	**21 790**	**(15 249)**	**76**	**-**	**6 617**

Annexures to the Annual Financial Statements for the year ended 31 March 2012

ANNEXURE 15

Additions
ADDITIONS TO INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Cash	Non-cash	(Capital work-in-progress current costs and finance Lease)	Received current, not paid (paid current year, received Prior year)	Total
	R'000	R'000	R'000	R'000	R'000
Capitalised development costs	-	-	-	-	-
Computer software	76	-	-	-	76
Mastheads and publishing titles	-	-	-	-	-
Patents, licenses, copyright, brand names, trademarks	-	-	-	-	-
TOTAL ADDITION TO INTANGIBLE CAPITAL ASSETS	76	-	-	-	76

Annexures to the Annual Financial Statements for the year ended 31 March 2012

ANNEXURE 16

Disposals
DISPOSALS TO INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Sold for cash	Transfer out or destroyed or scrapped	Total disposals	Cash received
	R'000	R'000	R'000	R'000
Capitalised development costs	-	-	-	-
Computer software	-	-	-	-
Mastheads and publishing titles	-	-	-	-
Patents, licenses, copyright, brand names, trademarks	-	-	-	-
TOTAL DISPOSALS TO INTANGIBLE CAPITAL ASSETS	-	-	-	-

Annexures to the Annual Financial Statements for the year ended 31 March 2012

ANNEXURE 17

Intangible Capital Assets
MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2011

	Opening balance	Current year adjustment to prior year balances	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
Capitalised development costs	-	-	-	-	-
Computer software	-	21 447	499	156	21 790
Mastheads and publishing titles	-	-	-	-	-
Patents, licenses, copyright, brand names, trademarks	-	-	-	-	-
TOTAL INTANGIBLE CAPITAL ASSETS	**-**	**21 447**	**499**	**156**	**21 790**

Annexures to the Annual Financial Statements for the year ended 31 March 2012

ANNEXURE 18

Minor assets
MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Intangible assets R'000	Machinery and equipment R'000	Biological assets R'000	Total R'000
Opening balance	59	5 655 162	297	5 655 518
Current Year Adjustments to Prior Yr Balances	-	(1 275 878)	(174)	(1 276 052)
Additions	-	124 097	35	124 132
Disposals	-	(13 983)	(5)	(13 988)
TOTAL NUMBER OF MINOR ASSETS	**59**	**4 489 399**	**153**	**4 489 611**
Number of R1 minor assets	-	48 755	3	48 758
Number of minor assets	-	28 446 207	246	28 446 453
TOTAL NUMBER OF MINOR ASSETS	**-**	**28 494 962**	**249**	**28 495 211**
MINOR ASSETS OF THE DEPARTMENT AS AT 31 MARCH 2011				
Minor Assets	59	5 655 162	297	5 655 518
TOTAL	**59**	**5 655 162**	**297**	**5 655 518**

Annexures to the Annual Financial Statements for the year ended 31 March 2012

ANNEXURE 19

Minor assets
MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2011

	Intangible assets R'000	Machinery and equipment R'000	Biological assets R'000	Total R'000
Opening balance	-	-	-	-
Current Year Adjustments to Prior Yr Balances	59	5 507 382	242	5 507 683
Additions	-	158 478	58	158 536
Disposals	-	(10 698)	(3)	(10 701)
TOTAL NUMBER OF MINOR ASSETS	**59**	**5 655 162**	**297**	**5 655 518**
Number of R1 minor assets	99	496 138	240	496 378
Number of minor assets	113	29 152 533	99	29 152 632
TOTAL NUMBER OF MINOR ASSETS	**212**	**29 648 671**	**339**	**29 649 010**
MINOR ASSETS OF THE DEPARTMENT AS AT 31 MARCH 2010				
Minor Assets	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**

SPECIAL DEFENCE ACCOUNT ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

SPECIAL DEFENCE ACCOUNT
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2012

General Information

Nature of business and principal activities	Aquisition of Armaments
Accounting Officer	Dr SM Gulube
Bankers	South African Reserve Bank
Auditors	Auditor-General of South Africa
Preparer	The annual financial statements were internally compiled by: Mr PJ du Bois (Deputy Director) Ms C Halvey (Senior State Accountant)

SPECIAL DEFENCE ACCOUNT
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2012

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SPECIAL DEFENCE ACCOUNT
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2012

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Public Finance Management Act, 199 (Act No. 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the Special Defence Account (SDA) as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (SA GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the SDA and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. These standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the SDA and all employees are required to maintain the highest ethical standards in ensuring the SDA's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the SDA is on identifying, assessing, managing and monitoring all known forms of risk across the SDA. While operating risk cannot be fully eliminated, the SDA endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute assurance against material misstatement or deficit.

The Accounting Officer has reviewed the SDA's cash flow forecast for the year ending 31 March 2013 and, in the light of this review and the current financial position, he is satisfied that the SDA has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the SDA's annual financial statements. The annual financial statements have been examined by the SDA's external auditors.

The annual financial statements set out on pages 296 to 318, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 May 2012 and were signed by:

Dr S.M. Gulube
Secretary for Defence

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE SPECIAL DEFENCE ACCOUNT

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Special Defence Account (SDA) set out on pages 296 to 318, which comprise the statement of financial position as at 31 March 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. 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 (Act No. 6 of 1974), has been limited to those procedures necessary for the purpose of expressing an opinion on the financial statements and was not extended to include the details of underlying transactions, or compliance with any legislation and approvals.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Special Defence Account as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the PFMA.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE SPECIAL DEFENCE ACCOUNT

REPORT ON THE FINANCIAL STATEMENTS

Emphasis of matters

8. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Financial reporting framework

9. As disclosed in note 1.6.1 to the financial statements, the Minister of Finance has exempted the SDA per *General Notice* 563 *of 2012* issued in *Government Notice No. 35533 of 23 July 2012* from applying GRAP 6 and instead applies GRAP 104 regarding special defence activities.

Significant uncertainties

10. As disclosed in note 17 to the financial statements, the SDA through the Department of Defence and its service provider is a defendant in certain lawsuits. The outcome of these lawsuits cannot be determined at present and no provision has been made for any liability that may result. The aforementioned is in accordance with the requirements of the accounting standards.

Restatement of corresponding figures

11. As disclosed in notes 5 and 7 to the financial statements, the corresponding figures for 31 March 2011 have been restated as a result of an error discovered during 31 March 2012 in the financial statements of the SDA.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

13. The objectives of the SDA are included within the Department of Defence reporting on performance against predetermined objectives.

Compliance with laws and regulations

14. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Financial misconduct

15. Investigations were not conducted into all allegations of financial misconduct committed by officials, as required by Treasury Regulation 4.1.1.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE SPECIAL DEFENCE ACCOUNT

REPORT ON THE FINANCIAL STATEMENTS

16. Investigations into allegations of financial misconduct against officials were not instituted within 30 days of discovery thereof, as required by Treasury Regulation 4.1.2.

17. The executive authority did not conduct investigations into allegations of financial misconduct committed by a previous acting accounting officer, as required by Treasury Regulation 4.1.3.

Internal control

18. I considered internal control relevant to my audit of the financial statements and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on compliance with laws and regulations included in this report.

Leadership

19. Inadequate monitoring of controls to ensure adherence to the treasury regulation requirements for financial misconduct.

Financial and performance management

20. Non-compliance with policies and procedures could have been prevented had compliance of the treasury regulations on financial misconduct been properly reviewed and monitored.

Auditor-General

Pretoria
31 July 2012

AUDITOR-GENERAL
SOUTH AFRICA
Auditing to build public confidence

SPECIAL DEFENCE ACCOUNT
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2012

Statement of Financial Performance for the year ended 31 March 2012

	Note(s)	2012 R '000	2011 R '000
Revenue			
Revenue from non-exchange transactions	2	**4 947 695**	3 098 709
Revenue from exchange transactions	2	**92 682**	87 686
Foreign exchange gains		**515 004**	-
		5 555 381	**3 186 395**
Expenditure			
Operating expenditure	3	**(5 102 768)**	(4 737 842)
Foreign exchange losses		**-**	(91 665)
		(5 102 768)	**(4 829 507)**
Surplus/(deficit) for the year		**452 613**	**(1 643 112)**

SPECIAL DEFENCE ACCOUNT
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2012

Statement of Financial Position as at 31 March 2012

	Note(s)	2012 R '000	2011 R '000
Assets			
Current Assets			
Cash and cash equivalents	4	**3 695 281**	3 594 635
Receivables from exchange transactions	5	**668 666**	3 832 998
Receivables from non-exchange transactions	6	**6 268**	49 147
		4 370 215	**7 476 780**
Non-Current Assets			
Other financial assets	7 & 23	**35 705**	40 697
Total Assets		**4 405 920**	**7 517 477**
Liabilities			
Current Liabilities			
Payables from exchange transactions	8	**128 547**	156 740
Payables from non-exchange transactions	9	**32 701**	35 020
Funds to be surrendered to National Revenue Fund	10	**142 100**	53 986
Other financial liabilities	11 & 25	**24 854**	23 538
		328 202	**269 284**
Total Liabilities		**328 202**	**269 284**
Net Assets		**4 077 718**	**7 248 193**
Net Assets			
Accumulated surplus		**4 077 718**	**7 248 193**

SPECIAL DEFENCE ACCOUNT
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2012

Statement of Changes in Net Assets for the year ended 31 March 2012

	Note(s)	Accumulated surplus R '000	Total net assets R '000
Opening balance as previously reported		**8 324 986**	8 324 986
Adjustments			
Change in accounting policy		**618 786**	618 786
Prior year adjustments		**1 519**	1 519
Balance at 01 April 2010 as restated		**8 945 291**	**8 945 291**
Changes in net assets			
Deficit for the year		**(1 643 112)**	(1 643 112)
Distribution to the National Revenue Fund		**(53 986)**	(53 986)
Total changes		**(1 697 098)**	(1 697 098)
Opening balance as previously reported		**6 420 848**	6 420 848
Adjustments			
Change in accounting policy		**827 346**	827 346
Balance at 01 April 2011 as restated		**7 248 194**	**7 248 194**
Changes in net assets			
Surplus for the year		**452 613**	452 613
Other adjustments against reserve		**5 936**	5 936
A400M		**(3 486 925)**	(3 486 925)
Distribution to the National Revenue Fund	10	**(142 100)**	(142 100)
Total changes		**(3 170 476)**	(3 170 476)
Balance at 31 March 2012		**4 077 718**	**4 077 718**

SPECIAL DEFENCE ACCOUNT
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2012

Cash flow statement for the year ended 31 March 2012

	Note(s)	2012 R '000	2011 R '000
Cash flows from operating activities			
Receipts			
Funds from the Department of Defence		**4 862 657**	3 010 320
Other receipts		**3 389 922**	62 123
		8 252 579	**3 072 443**
Payments			
Suppliers		**(5 133 278)**	(4 785 180)
Net cash flows from operating activities	12	**3 119 301**	**(1 712 737)**
Cash flows from financing activities			
Proceeds from other financial liabilities		**1 316**	1 375
Increase in the provision for the distribution to the National Revenue Fund		**88 114**	(95 872)
Payment to the National Revenue Fund		**(142 100)**	(53 986)
Transfer to the National Revenue Fund - A400M		**(3 486 925)**	-
Other adjustments against reserve		**5 936**	-
Net cash flows from financing activities		**(3 533 659)**	**(148 483)**
Net increase/(decrease) in cash and cash equivalents		**(414 358)**	**(1 861 220)**
Cash and cash equivalents at the beginning of the year		**3 594 635**	5 455 855
Effect of exchange rate movement on cash balances		**515 004**	-
Cash and cash equivalents at the end of the year	4	**3 695 281**	**3 594 635**

Notes to the Annual Financial Statements for the year ended 31 March 2012

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective SA Standards of Generally Recognised Accounting Practice (SA GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board of South Africa.

1.1 Standards of GRAP issued but not yet effective

As the Minister has not determined an effective date for the Standards of GRAP for Departments, the SDA adopted Standards of GRAP voluntary. All the Standards of GRAP including any related interpretations issued before 31 March 2011 were adopted. Therefore, the entity does not expect any material effect when the Standards become effective.

1.2 Basis of preparation

The financial statements are prepared on the accrual basis using historical cost as a measurement basis, unless another measurement basis is required by Standards of GRAP. The significant accounting policies applied are set out below.

1.3 Functional currency

The financial statements are prepared in South African Rand (ZAR) which is also the functional currency of the Department of Defence. All values are rounded to the nearest thousand (R'000) except where otherwise indicated.

1.4 Going concern

The annual financial statements have been prepared on a going concern basis.

1.5 Off-setting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.6 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

1.6.1 Measurement of financial assets

The SDA measures its financial assets initially at fair value, which is the transaction price of the financial asset. The SDA has applied Directive 7 and the SA Standard of GRAP on Financial Instruments (GRAP 104) to determine a deemed cost for these financial assets. The application of GRAP 104 instead of GRAP 6 was approved by the Minister of Finance on 03 May 2012 as an exemption for the SDA. In applying GRAP 104 management considered the time value of money as well as possible impairment factors in determining a deemed cost.

Notes to the Annual Financial Statements for the year ended 31 March 2012

1.6 Significant judgements and sources of estimation uncertainty (continued)

1.6.2 Impairment of financial assets

Financial assets not measured at fair value are assessed for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded, the SDA makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flow from the financial asset. The estimates take into account the nature and the risks associated with each financial asset as well as the industry in which the SDA is operating.

1.6.3 Classification of exchange and non-exchange transactions

The SDA uses judgement in classifying transactions between exchange and non-exchange transactions and related receivables and payables. Where the SDA receives or transfers assets or services or has liabilities extinguished, and directly gives approximate equal value (primarily in the form of cash, goods, services, or use of assets), the transaction and the related receivable or payable are classified as exchange transactions. All other transactions and their related balances are classified as non-exchange transactions.

The sales of specialised military equipment and related assets are classified as revenue from non-exchange transactions as the SDA only receives the funds in accordance with the Defence Special Account Act, 1974 (Act No. 6 of 1974). The SDA does not control the underlying assets.

1.6.4 Expenditure on capital assets

As the SDA only provides for the funding of the resources, management does not recognise any capital assets, other than those relating to financial instruments, in the statement of financial position. Military and other fixed assets are transferred directly at acquisition to the relevant service and/or division within the Department.

1.6.5 Commitments

The SDA applies judgement in determining the outstanding commitments disclosed in note 15. Amounts included in commitments consist of the balances of contracts entered into with suppliers where goods or services were not yet delivered.

1.6.6 Surplus funds to be surrendered

An estimate of amounts to be surrendered is declared in the period of the distribution based on the revenue received (cash) for a given period. Any changes in the estimate is accounted for in the period of the change.

1.6.7 Contingent liabilities and payables

Management applied judgement to the facts, patterns and advice it receives from its legal advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

1.6.8 Effective interest rate

The SDA used the National Treasury rates to discount future cash flows.

1.7 Revenue

When the SDA receives value in the form of an asset and directly provides approximate equal value in exchange, the SDA classifies the revenue received or receivable as revenue from exchange transactions. All other revenue is classified as revenue from non-exchange transactions. Revenue is measured at the fair value of the consideration received or receivable and recognised when it becomes due to the SDA.

Notes to the Annual Financial Statements for the year ended 31 March 2012

1.8 Revenue from exchange transactions

Interest is recognised using the effective interest rate method.

Other revenue from exchange transactions is recognised in the statement of financial performance when the revenue becomes due to the SDA.

1.9 Revenue from non-exchange transactions

The SDA recognises the inflow of resources from a non-exchange transaction as revenue, except when a liability is recognised in respect of that inflow. These liabilities are classified as payables from non-exchange transactions.

Revenue results from fines due in terms of contracts and transfer allocations due in accordance with the Defence Special Account Act, 1974 (Act No. 6 of 1974). Revenue is recognised when the SDA has a legal right to the revenue. Revenue allocated to the SDA from the sale of goods is recognised when the risks and rewards of ownership associated with the underlying assets have been transferred from the Department to the third party.

Where services are received in-kind, and a reliable estimate can be made, the SDA will recognise the related revenue. In all other cases, the SDA will only disclose the fact.

1.10 Expenditure

Expenditure is classified in accordance with the approved budget (projects) and the SDA discloses expenditure per nature and per arm of service.

The SDA recognises expenditure in the statement of financial performance when a decrease in future economic benefits or service potential related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

The SDA recognises expenses immediately in the statement of financial performance when expenses produce no future economic benefits or service potential or when and to the extent that, future economic benefits or service potential do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

1.11 Unauthorised, irregular and fruitless and wasteful expenditure

Unauthorised, irregular and fruitless and wasteful expenditure is recognised as expenditure in the statement of financial performance according to the nature of the payment and not as a separate line item on the face of the statement. If the expenditure is recoverable it is treated as an asset until it is recovered from the responsible person or written off as irrecoverable in the statement of financial performance. The expenditure is disclosed seperately in the notes to the financial statements.

1.12 Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Foreign currency gains and losses are recognised in surplus or deficit on monetary items at year-end at the spot rate applicable for the instrument.

Notes to the Annual Financial Statements for the year ended 31 March 2012

1.13 Financial instruments

1.13.1 Initial recognition and classification

The SDA classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or a residual interest in accordance with the substance of the contractual arrangement.

Financial instruments are recognised initially when the Department of Defence becomes a party to the contractual provisions of the instruments and SDA funds are committed or receives the benefits.

The SDA does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.13.2 Initial measurement

Financial instruments are initially measured at fair value.

1.13.3 Transaction costs

Transaction costs on financial instruments at fair value are recognised in the statement of financial performance. Transaction costs on other financial instruments are included in the cost of the instrument.

1.13.4 Subsequent measurement

Cash and cash equivalents are measured at fair value, receivables are measured at amortised cost and other financial assets are measured at fair value unless fair value cannot be determined. Financial liabilities are measured at amortised cost. Net gains or losses on the financial instruments at fair value through profit or loss includes transaction costs, interest and foreign exchange gains or losses. Gains and losses arising from changes in fair value are included in the statement of financial performance.

Amortised cost is calculated based on the effective interest rate method.

1.13.5 Impairment of financial instruments

At each reporting date the SDA assesses all financial assets, other than those at fair value, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

The inability to redeem amounts due based on the current stream of payments, and default of payments are considered to be indicators of impairment.

Impairment losses are recognised in the statement of financial performance as expenses.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in the statement of financial performance as revenue.

Impairment losses are not reversed for financial assets held at cost where fair value was not determinable.

Notes to the Annual Financial Statements for the year ended 31 March 2012

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are initially and subsequently measured at fair value.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when

Notes to the Annual Financial Statements for the year ended 31 March 2012

there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the constitutional institution has the positive intention and ability to hold to maturity are classified as held to maturity.

1.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are initially and subsequently measured at fair value.

1.15 Receivables from exchange transactions

Receivables from exchange transactions measured at amortised costs arise from amounts due as a result of non-delivery by contractors. Prepayments and advances consist of amounts paid to contractors and employees for which future goods and services are expected to be received. Prepayments and advances are not classified as financial instruments.

1.16 Receivables from non-exchange transactions

Receivables from non-exchange transactions are recognised when the SDA has a right to receive the monies due to it, which are allocated in terms of legislation or are due in accordance with an agreement. Receivables from non-exchange transactions are initially measured at fair value and subsequently measured at amortised cost.

1.17 Other financial assets

Other financial assets are measured at fair value unless the fair value cannot be determined reliably. Where fair value cannot be determined, financial assets are measured at cost.

1.18 Payables from exchange transactions

The SDA recognises payables from exchange transactions where liabilities result in counterperformance by the respective parties.

Payables from exchange transactions are initially measured at fair value, and are subsequently measured at amortised cost.

1.19 Payables from non-exchange transactions

The SDA recognises payables from non-exchange transactions for amounts received through non-exchange revenue, which are not recognised as revenue as a result of outstanding obligations against the revenue.

Payables from non-exchange transactions are initially measured at fair value, and are subsequently measured at amortised cost.

Notes to the Annual Financial Statements for the year ended 31 March 2012

1.20 Funds to be surrendered to the National Revenue Fund

The SDA is not required to surrender any funds allocated in terms of section 4 of the Defence Special Account Act, 1974 (Act No. 6 of 1974). Per agreement with the National Treasury, the SDA cedes any cash amounts received excluding funds transfered from the Department of Defence. The amount surrendered is calculated and distributed through net assets on an annual basis to the National Revenue Fund.

1.21 Other financial liabilities

Other financial liabilities are measured at amortised costs. Effective interest is capitalised against the amounts outstanding in accordance with the agreement.

1.22 Contingent liabiltities

A contingent liability is:

A possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the entity, or

A present obligation that arises from past events but is not recognised because:

- It is not possible that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or
- The amount of the obligation cannot be measured with sufficient reliability.

1.23 Budget information

The budget is prepared on a cash basis. The SDA does not budget for any revenue other than the transfer payment received through the Department of Defence. Expenditure incurred exceeding the transfer payment is defrayed from accumulated reserves.

1.24 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party; or an entity that is subject to common control or joint control. Specific information with regard to related party transactions is included in the disclosure notes.

1.25 Impairment of cash-generating assets

Cash-generating assets are those assets held by the SDA with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Notes to the Annual Financial Statements for the year ended 31 March 2012

1.25 Impairment of cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs.

Depreciation (amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.
Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the SDA; or
- the number of production or similar units expected to be obtained from the asset by the SDA.

1.26 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of the SDA after deducting all of its liabilities.

1.27 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Notes to the Annual Financial Statements for the year ended 31 March 2012

	Note(s)	2012 R'000	2011 R'000
2. Revenue			
Interest received – trading		90 956	87 279
Contract fees and fines		32 192	27 929
Funds from the Department of Defence		4 862 657	3 010 320
Revenue allocated from the sale of goods		33 300	56 173
Other revenue		19 546	4 287
Recoveries from suppliers		1 726	407
		5 040 377	**3 186 395**
2.1 Revenue from non-exchange transactions:			
Transfer revenue includes:			
Funds from the Department of Defence		4 862 657	3 010 320
Contract fees and fines		32 192	27 929
Revenue allocated from the sale of goods		33 300	56 173
Other revenue		19 546	4 287
		4 947 695	**3 098 709**

The fair value of inflowing resources was measured based on the fair value of the cash consideration received or receivable. The prior year figure for Other revenue has been restated by an increase of R3 943 000. GRAP 104 which is utilised to calculate fair value was incorrectly applied.

2.2 Revenue from exchange transactions:			
Interest revenue		90 956	87 279
Receivables		90 946	87 269
Short-term deposits		10	10
Recoveries from suppliers		1 726	407
		92 682	**87 686**

Included in interest is an amount of R89 636 000 (2010/2011: R85 575 000) related to the cancellation of the A400M.

3. Operating expenditure			
Per project type:			
Largest projects		2 130 210	2866 860
General projects		1 476 751	553 167
Sensitive projects		750 006	176 000
Non-project related expenditure		745 801	1 141 815
		5 102 768	**4 737 842**
Per nature:			
Goods and services		2 776 881	2 340 115
Commission paid	14	5 895	11 314
Interest expense: amortised payables	14	-	331
Impairment of debtors		9 613	327
Machinery and equipment		794 611	721 273
Buildings and other fixed structures		-	37
Specialised military assets		1 515 768	1 664 445
		5 102 768	**4 737 842**

Notes to the Annual Financial Statements for the year ended 31 March 2012

	Note(s)	2012 R'000	2011 R'000
3. Operating expenditure (continued)			
Per programme:			
Landward defence		2 082 376	1 813 905
Air defence		1 574 593	1 987 459
Maritime defence		199 510	235 378
Military health support		1 863	2 214
Force employment		148 276	131 234
Joint support		702 130	339 036
Special defence activities		360 794	205 850
		5 069 542	4 715 076
Other expenses not directly allocated per programme		33 226	22 766
		5 102 768	**4 737 842**

The prior year figure for Operating expenditure has been restated by a decrease of R119 357 000. This was mainly due to the Value Added Tax amount being excluded and not all invoices at year-end being accounted for.

4. Cash and cash equivalents

Cash and cash equivalents at fair value:			
Cash on hand		12 622	10 210
Paymaster-General account		3 657 617	3 560 709
Short-term deposits		25 042	23 716
		3 695 281	**3 594 635**

The prior year figure for Cash on hand has been restated by an increase of R418 000. Foreign exchange profits and losses were not recognised in revenue and expenditure, but were discounted against cash on hand.

Short-term deposits includes an amount of R24.8 million (2010/2011: R23.5 million) restricted to be used for the Compliance Programme (refer to note 11).

5. Receivables from exchange transactions

Financial assets at amortised cost		2 305	2 945 763
Recoverable debt		2 002	2 938 256
Other receivables		303	7 507
Non-financial assets		666 361	887 235
Advances		14 506	3 445
Prepayments: contracts		651 855	883 790
		668 666	**3 832 998**

The fair value of the short term receivables approximates the carrying amount of the balances due to their short-term maturity.

The prior year figure for Prepayments has been restated by an increase of R119 372 000. The Value Added Tax amount was previously excluded and not all invoices at year-end were accounted for. The prior year figure for Advances has been restated by a decrease of R657 000. Foreign exchange profits and losses were not recognised in revenue and expenditure, but were offset in the advance account.

Notes to the Annual Financial Statements for the year ended 31 March 2012

	Note(s)	2012 R'000	2011 R'000

5. Receivables from exchange transactions (continued)

Financial assets impaired

The financial assets at amortised cost includes receivables that were impaired:		
Opening balance of receivables impaired	199	581
Interest accrued	329	42
Payments received	(24)	(132)
	504	491
Less: Impairment	(270)	(292)
Closing balance of receivables impaired	**234**	**199**

The debt was considered impaired as the payments made are less than the interest charged. The expected future cash flows were discounted at 8.5% per annum, being the current approved rate by the Minister of Finance for debt owed to the State.

6. Receivables from non-exchange transactions

Current		
Receivables at amortised cost		
Revenue due from allocations	6 268	49 147
Non-Current		
Receivables at amortised cost		
Total amount due	6 268	49 147
Less: Current portion included above	(6 268)	(49 147)
	-	-

7. Other financial assets

Non- current		
Balance at the beginning of the period	40 697	34 040
Additions	4 351	7 468
Repayments	-	(774)
Impairment on financial assets	(9 343)	(37)
	35 705	**40 697**

Net gains/losses includes impairment recognised in the statement of financial performance. The prior year figure for Other financial assets (Additions and Impairments) has been restated by an increase of R3 936 000 and an increase of R15 000 respectively. GRAP 104 which is utilised to calculate fair value was incorrectly applied.

Notes to the Annual Financial Statements for the year ended 31 March 2012

	Note(s)	2012 R'000	2011 R'000
8. Payables from exchange transaction			
Current			
Financial liabilities at amortised cost			
Contract creditors		95 855	144 199
Strategic Defence Procurement Programme		31 835	2 712
Armscor: commission		857	9 829
		128 547	**156 740**
Non-Current			
Financial liabilities at amortised cost			
Armscor: commission		857	9 829
Less: Current amount included above		(857)	(9 829)
		-	-
9. Payables from non-exchange transactions			
Current			
Financial liabilities at amortised cost			
Contract creditors: fines		32 701	35 020
10. Funds to be surrendered to National Revenue Fund			
Opening balance		53 986	149 858
Fines, penalties and forfeits		30 576	28 260
Sales of goods and services other than capital assets		50 213	344
Sales of capital assets		61 311	25 382
Less: Payments made		(53 986)	(149 858)
Closing balance		**142 100**	**53 986**
11. Other financial liabilities			
Compliance Programme - Current			
Opening balance		23 538	22 163
Interest accrued		1 316	1 375
		24 854	**23 538**
Effective interest rate		5.6 %	6.2 %

The Compliance Programme consist of funds administered by the SDA on behalf of the South African Government and will be utilised to defray expenditure in accordance with the requirements of the programme as per agreement between the USA and SA Governments. Interest on the funds accrue at market rate per the funds invested.

Notes to the Annual Financial Statements for the year ended 31 March 2012

	Note(s)	2012 R'000	2011 R'000
12. Net Cash flows from operating activities			
Surplus/(deficit)		452 613	(1 643 112)
Adjustments for:			
Foreign exchange losses / (gains) on receivables for exchange		(515 004)	107 006
Foreign exchange losses / (gains) on financial liabilities at amortised cost		-	6 309
Impairment on financial assets		-	37
Impairment on receivables from exchange transactions		9 613	292
Changes in working capital:			
Receivables from exchange transactions		3 154 718	(139 092)
(Increase) in receivables from non-exchange transactions		42 879	(15 140)
(Increase) in other financial assets		4 992	(6 695)
Trade and other payables from exchange transactions		(28 191)	(22 673)
Increase in payables from non-exchange transactions		(2 319)	331
		3 119 301	**(1 712 737)**

13. Financial instruments

Carrying amounts per category

The total carrying values of the various categories of financial assets and financial liabilities at the reporting date are as follows:

Financial assets at fair value			
Cash and cash equivalents	4	3 695 281	3 594 635
Financial assets at amortised cost			
Receivables from exchange transactions	5	2 305	2 945 763
Receivables from non-exchange transactions	6	6 268	49 147
Financial assets at cost	7	35 705	40 697
Total financial assets		**3 739 559**	**6 630 242**
Financial liabilities at amortised cost			
Payables from exchange transactions	8	128 547	156 740
Other financial liabilities	11	24 854	23 538
Total financial liabilities		**153 401**	**180 278**

The prior year figure for Financial assets at cost has been restated by an amount of R1 071 000.

Net gains/losses included on financial instruments per class included in the statement of financial performance.

Financial assets consist of cash and cash equivalents measured at fair value, receivables measured at amortised cost and other financial assets measured at cost. Financial liabilities are measured at amortised cost.

The use of financial instruments exposes the SDA to a number of risks. Some of the main financial risks are considered below:

Notes to the Annual Financial Statements for the year ended 31 March 2012

	Note(s)	2012 R'000	2011 R'000

13. Financial instruments (continued)

Credit risk

Receivables and prepayments

The SDA funds the capital operations of the Department of Defence. As a result of the funding of these operations, receivables may arise due to the non-delivery of goods and services. These receivables include recoveries from suppliers and fines.

Receivables may also arise where funds are due to the SDA as a result of the sales of capital goods that were funded from the SDA. The latter is usually limited to a very short period as Armscor's policy is not to deliver any goods before the monies are received. Notwithstanding this policy, transactions did occur where the risks and rewards of ownership have passed to the buyer and as a result, the monies are due to the SDA.

Advances in terms of contractual arrangements are exposed to limited credit risk as it is covered by bank guarantees held by Armscor.

Cash and cash equivalents

The cash in the current account represents the balance of funds available in the Paymaster-General account. Short-term deposits are held in the Corporation for Public Deposits as required by the Treasury Regulations and the Defence Special Account Act, 1974 (Act No. 6 of 1974). Cash on hand and the balances in the Paymaster-General account are not exposed to any credit risk.

Financial instrument	2012	2011
Contractual	610 038	3 783 044
Maximum credit risk exposure		
Cash and cash equivalents	24 854	23 716
Receivables	6 268	2 994 910
Prepayments	651 855	883 790
	682 977	**3 902 416**
% of total financial assets	18.3 %	58.9 %

Liquidity risk

The SDA is only exposed to liquidity risk with regards to the amounts owed to contract creditors. These payables are all due within 30 days. The SDA manages its liquidity risk by holding sufficient cash in its bank account, supplemented by cash available in short terms deposits.

Market risk

The SDA is exposed to both interest rate risk and foreign currency risk.

Notes to the Annual Financial Statements for the year ended 31 March 2012

	Note(s)	2012 R'000	2011 R'000

13. Financial instruments (continued)

Interest rate risk

Short-term deposits are exposed to interest rate risk. The interest rates on late payments for financial assets at amortised costs are fixed per the agreement.

The estimated effect on the statement of financial performance for a 1 percent change in interest rates (based on the average short-term investment balances) amounts to:

- 2011/2012: R6 600
- 2010/2011: R6 900

Foreign exchange risk

The SDA operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The SDA does not hedge foreign exchange fluctuations.

At 31 March 2012, the currency has changed by 0.6% against the Euro with all other variables held constant, the surplus for the year was affected by a net profit of R515 004 000 (net loss 2011: R91 665 000), mainly as a result of foreign exchange gains or losses on translation of foreign currencies through surplus or deficit.

Financial assets impaired

Financial Instruments at fair value	2012	2011
Cash and cash equivalents	333	(333)
Financial instruments at amortised cost		
Receivables	487 273	(85 024)
Liabilities	27 398	(6 308)
	515 004	**(91 665)**

The prior year figure for Receivables has been restated by an amount of R 21 982 000.

Foreign currency exposure at statement of financial position date		
Current assets		
Trade debtors receivable	-	2 938 256
Cash and cash equivalents	12 622	10 210
	12 622	**2 948 466**
Liabilities		
Current	328 203	269 285
	328 203	**269 285**

The SDA reviews its foreign currency exposure, including commitments on an ongoing basis.

Notes to the Annual Financial Statements for the year ended 31 March 2012

	Note(s)	2012 R'000	2011 R'000

14. Related parties

Related party relationships and control

The SDA is controlled through the Department of Defence at National Government level, and as a result is related to all state controlled entities. The SDA does not control any entities.

Related party transactions

Revenue from non-exchange transactions		
Department of Defence	4 862 657	3 010 320

The SDA receives a transfer payment from the Department of Defence.

Operating activities		
Commission paid	5 895	11 314
Interest expense: amortised payables	-	331
	5 895	**11 645**
Related party balances		
Receivables		
Department of Defence	-	7 507
Payables		
Armscor: commission owed	857	9 829
National Revenue Fund	142 100	53 986
	142 957	**63 815**

Services received in kind

The Department of Defence incurred all the personnel and the administrative cost relating to the SDA including salary cost of employees, audit fees and printing of the annual report.

15. Commitments

Contracts entered into with outstanding goods/services	3 889 070	4 807 778
Commitments approved, but contracts not yet entered into	3 118 483	2 796 182
Capital commitment: Strategic Defence Procurement Programme (SDP)	143 248	577 217
	7 150 801	**8 181 177**

16. Events after the reporting date

There were no significant events between the reporting date and the date that the financial statements have been issued that resulted in any adjustment to the financial statements.

Notes to the Annual Financial Statements for the year ended 31 March 2012

	Note(s)	2012 R'000	2011 R'000

17. Contingencies

Claims against the State	1 983 064	1 908 262

Included in Claims against the State is a commission claim of EUR 192 180 623 with a Rand value of R1 968 064 104 (2010/2011: R1 855 061 898). The claim will be defended in a civil court in Lisbon, Portugal.

The prior year figure for Claims against the State has been restated by an amount of R29 423 000.

18. Irregular expenditure

Opening balance	74 094	63 999
Add: Irregular expenditure - current year	-	10 095
	74 094	**74 094**
Analysis of expenditure awaiting condonation per age classification		
Prior years	74 094	63 999
Details of irregular expenditure – current year		
Additional expenditure incurred on the irregular contract	**-**	10 095
Disciplinary steps taken/criminal proceedings - In process		

19. Fruitless and wasteful expenditure

Opening balance	110 868	-
Additions	71 826	110 868
Less amounts transferred to receivables for recovery	(454)	-
Fruitless and wasteful expenditure awaiting condonement	**182 240**	**110 868**

Included in the above is an amount of R71 591 000 (2010/2011: R110 414 000) for a contract that was cancelled and re-instated.

20. Comparison of budget and actual amounts

	Note	Approved Budget R'000	Final Budget R'000	Actual Amounts R'000
Receipts				
Funds from the Department of Defence	2	4 862 657	4 862 657	4 862 657
Total receipts		**4 862 657**	**4 862 657**	**4 862 657**
Payments				
Largest projects		2 434 273	2 434 273	2 130 210
Other projects		626 858	626 858	1 476 751
Special defence activities		416 246	416 246	750 006
Non-project related expenditure		1 385 280	1 385 280	745 801
Total payments from allocations	3	**4 862 657**	**4 862 657**	**5 102 768**
Cash surplus/(deficit)		**-**	**-**	**(240 111)**

Notes to the Annual Financial Statements for the year ended 31 March 2012

	Note(s)	2012 R'000	2011 R'000

21. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/(deficit) with the surplus/(deficit) in the statement of financial performance:

Net surplus/(deficit) per the statement of financial performance	452 613	(1 643 112)
Adjusted for:		
Sale of goods	(33 300)	(56 173)
Interest	(90 956)	(87 279)
Other revenue	(19 546)	(4 287)
Recovery of suppliers	(1 726)	(407)
Foreign exchange	(515 004)	-
Contract fees and fines	(32 192)	(27 929)
Net deficit per approved budget	**(240 111)**	**(1 819 187)**

22. Reconciliation between budget and cash flow statement

Reconciliation of budget surplus/(deficit) with the net cash generated from operating, investing and financing activities:

Operating activities		
Actual amount as presented in the budget statement	4 862 657	3 010 320
Basis differences	(1 743 356)	(4 723 057)
Net cash flows from operating activities	**3 119 301**	**(1 712 737)**
Financing activities		
Basis differences	(3 533 659)	(148 483)
Net cash generated from operating, investing and financing activities	**(414 358)**	**(1 861 220)**

23. Other financial assets

At fair value through surplus/(deficit) - designated		
Intelligence Division and Special Forces	**35 705**	40 697
Unsecured, interest free and without specific repayment arrangements		
Non-current assets		
At fair value through surplus/(deficit) - designated	**35 705**	40 697

24. Prepayments

Secured against bank guarantees held by Armscor. Prepayments are recovered on a proportional basis as per contractual deliveries.

Notes to the Annual Financial Statements for the year ended 31 March 2012

	Note(s)	2012 R'000	2011 R'000
25. Other financial liabilities			
At fair value through surplus/(deficit)			
Compliance Programme Secured against short-term deposit held at Corporation for Public Deposits. Interest free without specific repayment arrangements.		**24 854**	23 538
Current liabilities			
Fair value through surplus/(deficit)		**24 854**	23 538
26. Government grants and subsidies			
Funds from the Department of Defence		**4 862 657**	3 010 320

SPECIAL DEFENCE ACCOUNT ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

SPECIAL DEFENCE ACCOUNT
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2011

General Information

Nature of business and principal activities	Aquisition of Armaments
Accounting Officer	Dr SM Gulube
Bankers	South African Reserve Bank
Auditors	Auditor-General of South Africa
Preparer	The annual financial statements were internally compiled by: Mr PJ du Bois (Deputy Director) Ms C Halvey (Senior State Accountant)

SPECIAL DEFENCE ACCOUNT
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SPECIAL DEFENCE ACCOUNT
ANNUAL FINANCIAL STATEMENTS
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Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Public Finance Management Act , 1999 (Act No. 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the Special Defence Account (SDA) as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (SA GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the SDA and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. These standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the SDA and all employees are required to maintain the highest ethical standards in ensuring the SDA's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the SDA is on identifying, assessing, managing and monitoring all known forms of risk across the SDA. While operating risk cannot be fully eliminated, the SDA endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute assurance against material misstatement or deficit.

The Accounting Officer has reviewed the SDA's cash flow forecast for the year ending 31 March 2012 and, in the light of this review and the current financial position, he is satisfied that the SDA has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the SDA's annual financial statements. The annual financial statements have been examined by the SDA's external auditors.

The annual financial statements set out on pages 326 to 350, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 May 2012 and were signed by:

Dr S.M. Gulube
Secretary for Defence

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE SPECIAL DEFENCE ACCOUNT

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Special Defence Account (SDA), which comprise the statement of financial position as at 31 March 2011, and the 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 information, as set out on pages 326 to 350.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 5 of the Defence Special Account Act of South Africa, 1974 (Act No. 6 of 1974) as amended (DSAA), my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. My audit of certain sensitive expenditure incurred in connection with special defence activities per section 2(2)(a) of the Defence Special Account Act of South Africa, 1974, has been limited to those procedures necessary for the purpose of expressing an opinion on the financial statements and was not extended to include the details of underlying transactions, or compliance with any legislation and approvals.

7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE SPECIAL DEFENCE ACCOUNT

REPORT ON THE FINANCIAL STATEMENTS

Opinion

8. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Special Defence Account as at 31 March 2011, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the PFMA.

Emphasis of matters

9. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Significant uncertainties

10. As disclosed in note 20 to the financial statements, the SDA – through the Department of Defence and its service provider – is a defendant in certain lawsuits. The outcome of these lawsuits cannot be determined at present and no provision has been made for any liabilities that may result.

Fruitless and wasteful expenditure

11. As disclosed in note 22 to the financial statements, fruitless and wasteful expenditure of R110 414 000 was incurred after the reinstatement of a contract that had previously been cancelled.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. In accordance with the PAA and in terms of *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on material non-compliance with laws and regulations applicable to the SDA.

Compliance with laws and regulations

Annual financial statements and annual reporting

13. Due to delays in finalising the accounting framework to be adopted for the 2010-11 financial year and the late preparation of the financial statements in terms of SA Standards of GRAP, the accounting officer could not submit the financial statements for auditing within two months after the end of the financial year, as required by section 40(1)(c) of the PFMA. Furthermore, as a result of the delays, the accounting officer could not comply with the requirements of section 40(1)(d) of the PFMA to submit the financial statements and audit report of 2010-11 to the executive authority within five months after the end of the financial year.

Procurement processes and contract management

14. The correct procedures were not followed when signing the contract for a major capital project, as this contract was not recommended by the constituted adjudication committees as prescribed by the supply chain management policy. This non-compliance also resulted in possible financial misconduct as per section 81(1) of the PFMA. This financial misconduct was not reported to the National Treasury as per section 85 of the PFMA.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE SPECIAL DEFENCE ACCOUNT

REPORT ON THE FINANCIAL STATEMENTS

INTERNAL CONTROL

15. In accordance with the PAA and in terms of *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the findings on compliance with laws and regulations included in this report.

Leadership

16. There was a lack of oversight responsibility regarding the approval of a major capital project, resulting in non-compliance with laws and regulations as well as related internal controls in the supply chain management policy.

Financial and performance management

17. Although processes were in place to ensure compliance with laws and regulations, the delays in finalising the financial reporting framework resulted in non-compliance with the PFMA in terms of its reporting and submission deadlines for the financial statements.

Auditor-General

Pretoria
13 June 2012

AUDITOR-GENERAL
SOUTH AFRICA
Auditing to build public confidence

SPECIAL DEFENCE ACCOUNT
ANNUAL FINANCIAL STATEMENTS
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Statement of Financial Performance for the year ended 31 March 2011

	Note(s)	2010/11 R '000	2009/10 R '000
Revenue		**3 182 452**	11 717 268
Revenue from non-exchange transactions	3	**3 094 766**	8 685 260
Revenue from exchange transactions	4	**87 686**	2 962 030
Foreign exchange gains	16	**-**	69 978
Expenditure		**4 948 835**	5 357 175
Operating expenditure	5	**4 857 199**	5 357 175
Foreign exchange losses	16	**91 636**	-
Surplus/(deficit) for the year		**(1 766 383)**	6 360 093

SPECIAL DEFENCE ACCOUNT
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2011

Statement of Financial Position as at 31 March 2011

	Note(s)	2010/11 R '000	2009/10 R '000
ASSETS			
Current Assets		**7 357 647**	9 276 681
Cash and cash equivalents	6	**3 594 217**	5 455 437
Receivables from exchange transactions	7	**3 714 283**	3 812 737
Receivables from non-exchange transactions	8	**49 147**	8 507
Non-Current Assets		**36 776**	48 642
Receivables from non-exchange transactions	8	**-**	14 602
Other financial assets	9	**36 776**	34 040
Total Assets		**7 394 423**	9 325 323
LIABILITIES			
Current Liabilities		**269 285**	376 896
Payables from exchange transactions	10	**156 741**	170 185
Payables from non-exchange transactions	11	**35 020**	34 690
Funds to be surrendered to National Revenue Fund	12	**53 986**	149 858
Other financial liabilities	13	**23 538**	22 163
Non-current liabilities		**-**	2 920
Payables from exchange transactions	10	**-**	2 920
Total Liabilities		**269 285**	379 816
Total net assets		**7 125 138**	8 945 507
NET ASSETS			
Reserves			
Accumulated surplus		**7 125 138**	8 945 507
Net assets		**7 125 138**	8 945 507

SPECIAL DEFENCE ACCOUNT
ANNUAL FINANCIAL STATEMENTS
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STATEMENT OF CHANGES IN NET ASSETS for the year ended 31 March 2011

	Note(s)	2010/11 R '000	2009/10 R '000
Balance at the beginning of the year		**8 945 507**	2 735 272
As previously stated		**8 118 161**	2 116 486
Change in accounting policy	24	**827 346**	618 786
Distribution to the National Revenue Fund		**(53 986)**	(149 858)
(Deficit)/surplus for the year		**(1 766 383)**	6 360 093
As previously stated			6 055 587
Change in accounting policy	24		358 418
Prior period error	23		(53 912)
Balance at the end of the year		**7 125 138**	8 945 507

CASH FLOW STATEMENT for the year ended 31 March 2011

	Note(s)	2010/11 R '000	2009/10 R '000
Cash flows from operating activities			
Cash receipts		**3 072 443**	8 720 824
Funds from the Department of Defence		**3 010 320**	8 619 190
Other transfers		**60 173**	91 200
Interest received		**636**	712
Recoveries from supppliers and others		**1 314**	9 722
Cash payments		**(4 785 180)**	(5 821 915)
Largest projects		**2 900 790**	3 229 145
Other projects		**549 585**	645 399
Special defence activities		**215 157**	637 248
Non-project related expenditure		**1 119 648**	1 310 123
Net cash flows from operating activities	14	**(1 712 737)**	2 898 909
Cash flows from investing activities			
Interest on short-term deposit		**1 375**	1 550
Net cash flows from investing activities		**1 375**	1 550
Cash flows from financing activities			
Payment to the National Revenue Fund		**(149 858)**	(238 663)
Net cash flows from financing activities		**(149 858)**	(238 663)
Net increase/(decrease) in cash and cash equivalents	15	**(1 861 220)**	2 661 796
Cash and cash equivalents at beginning of year		**5 455 437**	2 793 641
Cash and cash equivalents at end of year	6	**3 594 217**	5 455 437

SPECIAL DEFENCE ACCOUNT
ANNUAL FINANCIAL STATEMENTS
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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS for the year ended 31 March 2011

	Note(s)	Approved Budget	Final Budget	Actual Amounts
		R '000	R '000	R '000
Receipts		**3 060 320**	3 010 320	**3 072 443**
Funds from the Department of Defence		**3 060 320**	3 010 320	3 010 320
Other transfers		**-**	-	60 173
Interest		**-**	-	636
Recoveries from suppliers and others		**-**	-	1 314
Total receipts		**3 060 320**	3 010 320	**3 072 443**
Payments		**3 060 320**	3 010 320	**3 010 320**
Largest projects		**833 161**	783 161	783 161
Other projects		**517 570**	517 570	517 570
Special defence activities		**405 403**	405 403	405 403
Non-project related expenditure		**1 304 186**	1 304 186	1 304 186
Total payments from allocations		**3 060 320**	3 010 320	**3 010 320**
Cash surplus/(deficit)	15	**-**	-	**62 123**

Notes to the Annual Financial Statements for the year ended 31 March 2011

Accounting Policies

1. Presentation of Financial Statements

1.1. Statement of compliance

The annual financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (SA GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB).

1.2. Adoption of GRAP

The Special Defence Account (SDA) adopted GRAP for the first time in the current financial year. The adoption of GRAP resulted in the reclassification and remeasurement of certain items from the entity specific basis of accounting previously applied. Note 24 discloses the effect of the adoption.

1.3. Standards of GRAP issued but not yet effective

As the Minister has not determined an effective date for the SA Standards of GRAP for Departments, the SDA adopted SA Standards of GRAP voluntary. All the SA Standards of GRAP including any related Interpretations issued before 31 March 2011 were adopted. Therefore, the entity does not expect any material affect when the Standards become effective.

1.4. Basis of preparation

The financial statements are prepared on the accrual basis using historical cost as a measurement basis, unless another measurement basis is required by SA Standards of GRAP. The significant accounting policies applied are set out below in note 2.

1.5. Functional currency

The financial statements are prepared in South African Rand (R) which is also the functional currency of the Department of Defence. All values are rounded to the nearest thousand (R'000) except where otherwise indicated.

1.6. Going concern

The annual financial statements have been prepared on a going concern basis.

1.7. Off-setting

Assets, liabilities, revenue and expenses have not been off set except when off-setting is required or permitted by a SA Standard of GRAP.

1.8. Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Notes to the Annual Financial Statements for the year ended 31 March 2011

1.8.1 *Measurement of financial assets*

The SDA measures its financial assets initially at fair value, which is the transaction price of the financial asset. At the adoption of GRAP, uncertainty existed around the cost of certain financial assets to be included on initial measurement. The SDA applied Directive 7 and the Standard of GRAP on *Financial Instruments* (GRAP 104) to determine a deemed cost for these financial assets. In applying GRAP 104 management considered the time value of money as well as possible impairment factors in determining a deemed cost. The application of a deemed cost did not have a material effect on the balance previously recognised for financial assets (see note 9).

1.8.2 *Impairment of financial assets*

Financial assets not measured at fair value is assessed for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded, the SDA makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flow from the financial asset. The estimates take into account the nature and the risks associated with each financial asset as well as the industry in which the SDA is operating.

1.8.3 *Classification of exchange and non-exchange transactions*

The SDA uses judgement in classifying transactions between exchange and non-exchange transactions and related receivables and payables. Where the SDA receives or transfers assets or services or has liabilities extinguished, and directly gives approximate equal value (primarily in the form of cash, goods, services, or use of assets), the transaction and the related receivable or payable are classified as exchange transactions. All other transactions and their related balances are classified as non-exchange transactions.

The sales of specialised military equipment and related assets are classified as revenue from non-exchange transactions as the SDA only receives the funds in accordance with the Defence Special Account Act, 1974 (Act No. 6 of 1974). The SDA does not control the underlying assets.

1.8.4 *Expenditure on capital assets*

As the SDA only provides for the funding of the resources, management does not recognise any capital assets, other than those relating to financial instruments, in the statement of financial position. Specialised military and other fixed assets are transferred directly at acquisition to the relevant service and/or division within the Department.

1.8.5 *Commitments*

The SDA applies judgement in determining the outstanding commitments disclosed in note 18. Amounts included in commitments consist of the balances of contracts entered into with suppliers where goods or services were not yet delivered.

1.8.6 *Surplus funds to be surrendered*

An estimate of amounts to be surrendered is declared in the period of the distribution based on the revenue received (cash) for a given period. Any changes in the estimate is accounted for in the period of the change.

1.8.7 *Contingent liabilities and payables*

Management applied judgement to the facts, patterns and advice it receives from its legal advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

Notes to the Annual Financial Statements for the year ended 31 March 2011

2. Significant accounting policies

2.1 Revenue

When the SDA receives value in the form of an asset and directly provides approximate equal value in exchange, the SDA classifies the revenue received or receivable as revenue from exchange transactions. All other revenue is classified as revenue from non-exchange transactions. Revenue is measured at the fair value of the consideration received or receivable and recognised when it becomes due to the SDA.

2.1.1 *Revenue from non-exchange transactions*

The SDA recognises the inflow of resources from a non-exchange transaction as revenue, except when a liability is recognised in respect of that inflow. These liabilities are classified as payables from non-exchange transactions.

Transfer revenue results from fines due in terms of contracts and allocations due in accordance with the Defence Special Account Act, 1974 (Act No. 6 of 1974). Transfer revenue is recognised when the SDA has a legal right to the revenue. Revenue allocated to the SDA from the sale of goods is recognised when the risks and rewards of ownership associated with the under lying assets have been transferred from the Department to the third party.

Where services are received in kind, and a reliable estimate can be made, the SDA will recognise the related revenue. In all other cases, the SDA will only disclose the fact.

2.1.2 *Revenue from exchange transactions*

Interest is recognised using the effective interest rate method.

Other revenue from exchange transactions is recognised in the statement of financial performance when the revenue becomes due to the SDA.

2.2 Expenditure

Expenditure is classified in accordance with the approved budget (projects) and the SDA discloses expenditure per nature and per arm of service.

The SDA recognises expenditure in the statement of financial performance when a decrease in future economic benefits or service potential related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

The SDA recognises expenses immediately in the statement of financial performance when expenses produce no future economic benefits or service potential or when and to the extent that, future economic benefits or service potential do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

The SDA also recognises expenses in the statement of financial performance in those cases when a liability is incurred without the recognition of an asset, for example, when a liability under a court ruling arises.

2.2.1 *Unauthorised, irregular and fruitless and wasteful expenditure*

Unauthorised, irregular and fruitless and wasteful expenditure is recognised as expenditure in the statement of financial performance according to the nature of the payment and not as a separate line item on the face of the statement. If the expenditure is recoverable it is treated as an asset until it is recovered from the responsible person or written off as irrecoverable in the statement of financial performance. The expenditure is disclosed seperately in the notes to the financial statements.

Notes to the Annual Financial Statements for the year ended 31 March 2011

2.3 Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Foreign currency gains and losses are recognised in surplus or deficit on monetary items at year-end at the spot rate applicable for the instrument.

2.4 Financial instruments

2.4.1 *Initial recognition and classification*

The SDA classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or a residual interest in accordance with the substance of the contractual arrangement.

Financial instruments are recognised initially when the Department of Defence becomes a party to the contractual provisions of the instruments and SDA funds are committed or receives the benefits.

The SDA does not off set a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist and the entity intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.4.2 *Initial measurement*

Financial instruments are initially measured at fair value.

2.4.3 *Transaction costs*

Transaction costs on financial instruments at fair value are recognised in the statement of financial performance. Transaction costs on other financial instruments are included in the cost of the instrument.

2.4.4 *Subsequent measurement*

Cash and cash equivalents are measured at fair value, receivables are measured at amortised cost and other financial assets are measured at fair value unless fair value cannot be determined. Financial liabilities are measured at amortised cost.

Net gains or losses on the financial instruments at fair value through profit or loss includes transaction costs, interest and foreign exchange gains or losses. Gains and losses arising from changes in fair value are included in the statement of financial performance.

Amortised cost is calculated based on the effective interest rate method.

2.4.5 *Impairment of financial assets*

At each reporting date the SDA assesses all financial assets, other than those at fair value, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

The inability to redeem amounts due based on the current stream of payments, and default of payments are considered to be indicators of impairment.

Notes to the Annual Financial Statements for the year ended 31 March 2011

Impairment losses are recognised in the statement of financial performance as expenses.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in the statement of financial performance as revenue.

Impairment losses are not reversed for financial assets held at cost where fair value was not determinable.

2.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are initially and subsequently measured at fair value.

2.6 Receivables from exchange transactions

Receivables from exchange transactions measured at amortised costs arise from amounts due as a result of non-delivery by contractors. Prepayments and advances consist of amounts paid to contractors and employees for which future goods and services are expected to be received. Prepayments and advances are not classified as financial instruments.

2.7 Receivables from non-exchange transactions

Receivables from non-exchange transactions are recognised when the SDA has a right to receive the monies due to it, which are allocated in terms of legislation or are due in accordance with an agreement. Receivables from non-exchange transactions are initially measured at fair value and subsequently measured at amortised cost.

2.8 Other financial assets

Other financial assets are measured at fair value unless the fair value cannot be determined reliably. Where fair value cannot be determined, financial assets are measured at cost.

2.9 Payables from exchange transactions

The SDA recognises payables from exchange transactions where liabilities result in counter performance by the respective parties.

Payables from exchange transactions are initially measured at fair value, and are subsequently measured at amortised cost.

2.10 Payables from non-exchange transactions

The SDA recognises payables from non-exchange transactions for amounts received through non-exchange revenue, which are not recognised as revenue as a result of outstanding obligations against the revenue.

Payables from non-exchange transactions are initially measured at fair value, and are subsequently measured at amortised cost.

Notes to the Annual Financial Statements for the year ended 31 March 2011

2.11 Funds to be surrendered to the National Revenue Fund

The SDA is not required to surrender any funds allocated in terms of section 4 of the Defence Special Account Act, 1974 (Act No 6. of 1974). Per agreement with the National Treasury, the SDA cedes any amounts received excluding funds transfered from the Department of Defence. The amount surrendered is calculated and distributed through net assets on an annual basis to the National Revenue Fund.

2.12 Other financial liabilities

Other financial liabilities are measured at amortised cost. Effective interest is capitalised against the amounts outstanding in accordance with the agreement.

2.13 Contingent liabiltities

A contingent liability is:

A possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the entity, or

A present obligation that arises from past events but is not recognised because:

- It is not possible that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or
- The amount of the obligation cannot be measured with sufficient reliability.

2.14 Budget information

The budget is prepared on a cash basis. The SDA does not budget for any revenue other than the transfer payment received through the Department of Defence. Expenditure incurred exceeding the transfer payment is defrayed from accumulated reserves.

2.15 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party; or an entity that is subject to common control or joint control. Specific information with regard to related party transactions is included in the disclosure notes.

Notes to the Annual Financial Statements for the year ended 31 March 2011

	Note(s)	2010/11 R'000	2009/10 R'000
3. Revenue from non-exchange transactions			
Transfer revenue includes:			
Funds from the Department of Defence	17	**3 010 320**	8 619 190
Contract fees and fines		**27 929**	48 787
Revenue allocated from the sale of goods		**56 173**	16 519
Other revenue		**344**	764
		3 094 766	8 685 260

The fair value of in flowing resources was measured based on the fair value of the cash consideration received or receivable.

4. Revenue from exchange transactions			
Interest revenue		**87 279**	21 214
Receivables		**87 269**	21 202
Short-term deposits		**10**	12
Recoveries from suppliers		**407**	2 940 816
		87 686	2 962 030
5. Operating expenditure			
Per project type:			
Largest projects		**2 941 863**	3 310 556
General projects		**547 611**	681 153
Sensitive projects		**225 443**	43 321
Non-project related expenditure		**1 142 282**	1 322 145
		4 857 199	5 357 175
Per nature:			
Goods and services		**2 378 980**	2 582 877
Commission paid	17.2	**11 314**	3 312
Interest expense: amortised payables	17.2	**331**	463
Impairment on financial assets		**312**	3 763
Machinery and equipment		**801 780**	1 139 866
Buildings and other fixed structures		**37**	949
Specialised military assets		**1 664 445**	1 625 945
		4 857 199	5 357 175
Per programme:			
Landward defence		**1 862 349**	1 977 012
Air defence		**2 017 849**	2 591 892
Maritime defence		**225 043**	257 317
Military health support		**2 214**	2 289
Command and control		**132 335**	111 667
Joint support		**388 808**	46 710
Special defence activities		**205 850**	392 573
		4 834 448	5 379 460
Other expenses not directly allocated per programme		**22 751**	(22 285)
		4 857 199	5 357 175

Notes to the Annual Financial Statements for the year ended 31 March 2011

	Note(s)	2010/11 R'000	2009/10 R'000
6. Cash and cash equivalents			
Cash and cash equivalents at fair value:			
Paymaster-General account		**3 560 709**	5 426 573
Short-term deposits		**23 716**	22 331
Cash on hand		**9 792**	6 533
		3 594 217	5 455 437

Short-term deposits includes an amount of R23,5 million (2009/2010: R22,1 million) restricted to be used for the Compliance Programme (refer to note 13).

7. Receivables from exchange transactions

Current			
Financial assets at amortised cost		**2 945 763**	2 964 548
Recoverable debt		**2 938 256**	2 960 478
Other receivables	17.3	**7 507**	4 070
Non-financial assets		**768 520**	848 189
Advances		**4 102**	1 560
Prepayments: contracts		**764 418**	846 629
		3 714 283	3 812 737

The fair value of the short-term receivables approximates the carrying amount of the balances due to their short-term maturity.

Amounts past due not impaired

Included in the financial assets at amortised cost above is an amount past due but not impaired:	**2 938 057**	2 959 489

The debt period and repayment terms are currently renegotiated and based on the factors considered, the debt is not considered to be impaired.

Financial assets impaired

The financial assets at amortised cost includes receivables that were impaired:		
Opening balance of receivables impaired	**581**	-
Additions	**-**	532
Interest accrued	**42**	49
Payments received	**(132)**	-
	491	581
Less: Impairment	**(292)**	-
Closing balance of receivables impaired	**199**	581

The debt was considered impaired as the payments made are less than the interest charged. The expected future cash flows were discounted at 8.5%, being the current approved rate by the Minister of Finance for debt owed to the State.

Notes to the Annual Financial Statements for the year ended 31 March 2011

	Note(s)	2010/11 R'000	2009/10 R'000

8. Receivables from non-exchange transactions

Current		
Receivables at amortised cost		
Revenue due from allocations	**49 147**	8 507
Non-Current		
Receivables at amortised cost		
Revenue due from allocations		
Total amount due	**49 147**	23 109
Current portion included above	**(49 147)**	(8 507)
Revenue due from allocations	**-**	14 602

The amount due relates to sales of strategic equipment that was payable in installments over 5 years. The last payment is due within 12 months. The receivable was discounted at a rate of 10.5%. Interest is payable on late payments at 1.5% per month.

9. Other financial assets

Non-Current		
Financial assets at cost		
Balance at the beginning of the period	**34 040**	35 056
Additions	**3 532**	5 101
Repayments	**(774)**	(2 354)
Impairment on financial assets	**(22)**	(3 763)
Balance at the end of the period	**36 776**	34 040

Net gains/losses includes impairments recognised in the statement of financial performance.

10. Payables from exchange transactions

Current		
Financial liabilities at amortised cost		
Contract creditors	**144 200**	80 177
Strategic Defence Procurement Programme	**2 712**	88 339
Armscor: commission	**9 829**	1 669
	156 741	170 185
Non-Current		
Financial liabilities at amortised cost		
Armscor: commission	**9 829**	4 589
Less current amount included above	**(9 829)**	(1 669)
	-	2 920

Notes to the Annual Financial Statements for the year ended 31 March 2011

	Note(s)	2010/11 R'000	2009/10 R'000
11. Payables from non-exchange transactions			
Current			
Financial liabilities at amortised cost			
Contract creditors: fines		**35 020**	34 690
12. Funds to be surrendered to National Revenue Fund			
Opening balance		**149 858**	238 663
Distribution to the National Revenue Fund		**53 986**	149 858
Fines, penalties and forfeits		**28 260**	64 303
Sales of goods and services other than capital assets		**344**	764
Sales of capital assets		**25 382**	22 928
Other receipts		**-**	61 863
Less: Payments made		**(149 858)**	(238 663)
Closing balance		**53 986**	149 858
13. Other financial liabilities			
Compliance Programme			
Opening balance		**22 163**	20 613
Interest accrued		**1 375**	1 550
Financial liabilities at amortised cost		**23 538**	22 163
Effective interest rate		**6.2%**	7.5%

The Compliance Programme consist of funds administered by the SDA on behalf of the South African Government and will be utilised to defray expenditure in accordance with the requirements of the programme as per agreement between the USA and SA Governments. Interest on the funds accrue at market rate per the funds invested.

Notes to the Annual Financial Statements for the year ended 31 March 2011

	Note(s)	2010/11 R'000	2009/10 R'000
14. Net cash flows from operating activities			
(Deficit)/surplus for the year per statement of financial performance		**(1 766 383)**	6 360 093
Adjusted for non-cash items		**113 629**	(9 059)
Impairment on receivables from exchange transactions		**292**	-
Impairment on other financial assets		**22**	3 763
Foreign exchange losses/(gains) on receivables from exchange transactions		**107 006**	(5 779)
Foreign exchange losses/(gains) on financial liabilities at amortised cost		**6 309**	(7 043)
Operating cash flows before working capital changes		**(1 652 754)**	6 351 033
Working capital changes:		**(59 983)**	(3 452 125)
(Increase) in receivables from exchange transactions		**(8 552)**	(3 154 593)
(Increase)/decrease in receivables from non-exchange transactions		**(26 331)**	8 408
(Increase) in other financial assets		**(2 758)**	(2 747)
(Decrease) in payables from exchange transactions		**(22 673)**	(318 709)
Increase in payables from non-exchange transactions		**331**	15 516
Net cash flow from operating activities		**(1 712 737)**	2 898 909

15. Budget information

15.1. *Reconciliation*

Cash surplus/(deficit) per statement of comparison of budget and actual amounts	**62 123**
Add: Interest revenue on Compliance Programme	**1 375**
Less: Payment to the National Revenue Fund	**(149 858)**
	(86 360)
Net decrease in cash and cash equivalents per cash flow statement	**(1 861 220)**
Net cash flows from operating activities	**(1 712 737)**
Net cash flows from investing activities	**1 375**
Net cash flows from financing activities	**(149 858)**
	1 774 860
Less: Expenses defrayed from accumulated reserves	**1 774 860**
Largest projects	**2 117 629**
Other projects	**32 015**
Sensitive projects	**(190 246)**
Non-project related expenditure	**(184 538)**
	-

Notes to the Annual Financial Statements for the year ended 31 March 2011

	Note(s)	2010/11 R'000	2009/10 R'000

15.2. *Differences between budgeted amounts and actual amounts*

The SDA does not provide for interest on the Compliance Programme in the budget (see note 13 above).

Similarly, no provision is made for any revenue received, other than through funds from the Department of Defence. The SDA provides for a distribution to the National Revenue Fund equal to an amount of revenue received from non-exchange transactions. Revenue from exchange transactions is retained in reserves.

The SDA utilised its accumulated reserves to defray any expenditure over and above the budget allocations.

15.3. *Differences between approved budget and final budget*

The approved budget was decreased due to delays in the Strategic Defence Procurement Programme and there scheduling of funds within the SDA to cover the short fall in salaries and wages for the implementation of the new South African National Defence Force salary grading system.

16. Financial instruments

Carrying amounts per category

The total carrying values of the various categories of financial assets and financial liabilities at the reporting date are as follows:

Financial assets at fair value			
Cash and cash equivalents	6	**3 594 217**	5 455 437
Financial assets at amortised cost		**2 994 910**	2 987 657
Receivables from exchange transactions	7	**2 945 763**	2 964 548
Receivables from non-exchange transactions	8	**49 147**	23 109
Financial assets at cost	9	**36 776**	34 040
Total financial assets		**6 625 903**	8 477 134
Financial liabilities at amortised cost		**180 279**	192 348
Payables from exchange transactions	10	**156 741**	170 185
Other financial liabilities	13	**23 538**	22 163
Total financial liabilities		**180 279**	192 348

Net gains/losses included on financial instruments per class included in the statement of financial performance.

Financial assets consist of cash and cash equivalents measured at fair value, receivables measured at amortised cost and other financial assets measured at cost. Financial liabilities are measured at amortised cost.

Notes to the Annual Financial Statements for the year ended 31 March 2011

	Note(s)	2010/11 R'000	2009/10 R'000

16. Financial instruments (continued)

The use of financial instruments exposes the SDA to a number of risks. Some of the main financial risks are considered below:

Credit risk exposure

Receivables and prepayments

The SDA funds the capital operations of the Department of Defence. As a result of the funding of these operations, receivables may arise due to the non-delivery of goods and services. These receivables include recoveries from suppliers and fines.

Receivables may also arise where funds are due to the SDA as a result of the sales of capital goods that were funded from the SDA. The latter is usually limited to a very short period as Armscor's policy is not to deliver any goods before the monies are received. Not withstanding this policy, transactions did occur where the risks and rewards of ownership have passed to the buyer and as a result, the monies are due to the SDA.

Advances are exposed to limited credit risk as it is recoverable from the salaries of the responsible Department of Defence employees.

Cash and cash equivalents

The cash in the current account represents the balance of funds available in the Paymaster-General account. Short-term deposits are held in the Corporation for Public Deposits as required by the Treasury Regulations and the Defence Special Account Act, 1974 (Act No 6. of 1974). Cash on hand and the balances in the Paymaster-General account are not exposed to any credit risk.

Maximum credit risk exposure		
Cash and cash equivalents	**23 716**	22 331
Receivables	**2 994 910**	2 987 657
	3 018 626	3 009 988
% of total financial assets	**45.6%**	35.5%

Liquidity risk

The SDA is only exposed to liquidity risk with regards to the amounts owed to contract creditors. These payables are all due within 30 days. The SDA manages its liquidity risk by holding sufficient cash in its bank account, supplemented by cash available in short-term deposits.

Market risk

The SDA is exposed to both interest rate risk and foreign currency risk.

Notes to the Annual Financial Statements for the year ended 31 March 2011

	Note(s)	2010/11 R'000	2009/10 R'000

16. Financial instruments (continued)

Interest rate risk

Short-term deposits are exposed to interest rate risk. The interest rates on late payments for financial assets at amortised costs are fixed per the agreement.

The estimated effect on the statement of financial performance for a 1 percent change in interest rates (based on the average short-term investment balances) amounts to:

		7	8

Foreign currency risks

The foreign currency risk of the SDA is limited to the amounts included in cash on hand, paybles and receivables in foreign currency. The SDA does not enter into any hedging transactions. The exposure to foreign currency differences relates to normal operations. The SDA does not trade in foreign currencies. The net foreign currency gains/(losses) recognised on the monetary items at year-end included in the statement of financial performance amount to:

Financial assets at fair value			
Cash and cash equivalents		**(304)**	(1 264)
Financial assets at amortised cost		**(107 006)**	-
Receivables from exchange transactions		**(107 006)**	-
Total financial assets		**(107 310)**	(1 264)
Financial liabilities at amortised cost		**(6 309)**	7 043
Unrealised (losses)/profits		**(113 619)**	5 779
Realised profits/(losses)		**21 983**	64 199
Total foreign differences per statement of financial performance		**(91 636)**	69 978

17. Related party transactions

17.1. *Related party relationships and control*

The SDA is controlled through the Department of Defence at National Government level, and as a result is related to all state controlled entities. The SDA does not control any entities.

Notes to the Annual Financial Statements for the year ended 31 March 2011

	Note(s)	2010/11 R'000	2009/10 R'000
17.2. *Related party transactions* (continued)			
Related party transactions and balances are included in:			
Revenue from non-exchange transactions			
Department of Defence	3	**3 010 320**	8 619 190
The SDA receives a transfer payment from the Department of Defence.			
Operating activities			
Armscor		**11 645**	3 775
Commission paid	5	**11 314**	3 312
Interest expense: amortised payables	5	**331**	463

The SDA paid Armscor a 20% commission on the revenue collected from the sale of equipment and other related assets. The agreement was valid until 31 March 2011. In future, Armscor will receive a transfer payment from the Department of Defence to cover any cost incurred.

17.3. *Outstanding balances*			
Receivables			
Department of Defence	7	**7 507**	4 070
Payables			
Armscor: commission owed	10	**9 829**	4 589
National Revenue Fund	12	**53 986**	149 858
		63 815	154 447

17.4. *Services received in kind*

The Department of Defence incurred all the personnel and the administrative cost relating to the SDA including salary cost of employees, audit fees and printing of the annual report.

Notes to the Annual Financial Statements for the year ended 31 March 2011

	Note(s)	2010/11 R'000	2009/10 R'000

18. Commitments

Contracts entered into with outstanding goods/services	**4 807 778**	10 537 543
Commitments approved, but contracts not yet entered into	**2 796 182**	4 790 947
Capital commitment: Strategic Defence Procurement Programme (SDP)	**577 217**	718 172
	8 181 177	16 046 662

19. Events after reporting date

There were no significant events between the reporting date and the date that the financial statements have been issued that resulted in any adjustment to the financial statements.

20. Contingent liabilities

Claims against the State	**1 937 685**	1 989 555

Included in Claims against the State is a commission claim of EUR 192 180 623 with a Rand value of R1 899 485 751 (2009/2010: R1 950 755 238). The claim will be defended in a civil court in Lisbon, Portugal.

21. Irregular expenditure

Opening balance	**63 999**	2 938 690
Add: Irregular expenditure - current year	**10 095**	65 959
	74 094	3 004 649
Less: Amounts recoverable (not condoned)	**-**	2 940 650
Irregular expenditure awaiting condonation	**74 094**	63 999
Analysis of expenditure awaiting condonation per age classification		
Current year	**-**	63 999
Prior years	**63 999**	-
	63 999	63 999
Details of Irregular Expenditure - Current year		
Additional expenditure incurred on the irregular contract	**10 095**	
	10 095	

Notes to the Annual Financial Statements for the year ended 31 March 2011

	Note(s)	2010/11 R'000	2009/10 R'000
22. Fruitless and wasteful expenditure			
Contract was cancelled and re-instated (responsibility could not be determined).		**110 414**	
Contract was cancelled in 2007 due to non-delivery. A new supplier was contracted and the difference of the amount quoted by the original supplier and the amount paid to the the new supplier will be recovered from the original supplier. A repayment agreement was signed and the debtor is in the process of repaying the debt.		**454**	
		110 868	
23. Prior year error			
Correction of interest on oustanding balance in the 2009/2010 year:			
Decrease in receivable			(53 912)
Decrease in interest			(53 912)
Effect on reserve			(53 912)

An incorrect interest rate was used in the previous period.

24. Change in accounting policies

The adoption of Standards of GRAP had the following impact:

Increase in assets	**747 969**	831 931
(Increase) in liabilities	**(2 894)**	(4 585)
Increase in reserves	**745 075**	827 346
Increase in revenue	**36 391**	133 992
Increase/(decrease) in expenses	**(64 676)**	224 426
Effect on surplus/(deficit)	**(28 285)**	358 418
Effect on opening reserves	**827 346**	618 786
Reclassification of distribution to National Revenue Fund	**(53 986)**	(149 858)
	745 075	827 346

Notes to the Annual Financial Statements for the year ended 31 March 2011

	Note(s)	2010/11 R'000	2009/10 R'000

Changes in policies are due to:

24.1. *Presentation of Financial Statements (GRAP 1) - Reclassification*

Advances previously included in receivables	**(9 792)**	(6 533)
Investments	**(23 716)**	(22 331)
Reclassified as cash and cash equivalents	**33 508**	28 864
Effect on reserves	**-**	-

The advances are cash on hand while the investments are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These are classified as cash and cash equivalents in accordance with GRAP 2.

24.2. *Revenue from Exchange Transactions (GRAP 9)*

Reclassification of expenses and distribution previously included as revenue:

Increase in revenue	**47 858**	136 845
Distribution of funds to the National Revenue Fund	**(53 986)**	(149 858)
Operating expenses decrease	**6 128**	13 013
Effect on reserves	**-**	-

The previous policy of the SDA was to recognise all credit movements of expenditure through revenue. In accordance with the new recognition policies for the recognition of expenses and revenue, these amounts need to be reclassified to expenditure. The distribution to the National Revenue Fund was previously presented as an off-set of revenue. The distribution is now recognised through net assets.

24.3. *Framework: Classification of Assets and Expenses*

Reclassification of receivables as expenses:		
Decrease in receivables	**(7 000)**	(1 132)
(Increase)/Decrease in operating expenditure	**(5 868)**	9 859
(Decrease) in opening reserves	**(1 132)**	(10 991)
Effect on reserves	**(7 000)**	(1 132)

The SDA previously classified urgent and similar payments made as receivables. The new policy requires these to be classified as expenses, unless the amount is recoverable and meets the definition of an asset.

Prepaid expenditure included in profit and loss:		
Increase in assets	**764 418**	846 629
(Increase)/Decrease in operating expenditure	**(26 777)**	371 522
(Increase) in capital expenditure	**(55 434)**	(163 486)
Increase in opening reserves	**846 629**	638 593
Effect on reserves	**764 418**	846 629

Previously, the SDA recognised payments made for the delivery of future goods and services as expenses. In accordance with SA Standards of GRAP, payments made for future delivery of goods and services are now recognised as a receivable (prepayments).

Notes to the Annual Financial Statements for the year ended 31 March 2011

	Note(s)	2010/11 R'000	2009/10 R'000
24.4. *The Effects of Changes in Foreign Exchange Rates (GRAP 4)*			
Reclassification of exchange differences			
Decrease in receivables from exchange transactions		**(98)**	(6 385)
Decrease in payables from exchange transactions		**27**	5
		(71)	(6 380)
(Decrease) in revenue		**(6 078)**	(12)
Decrease/(increase) in expenses		**12 387**	(7 043)
(Decrease)/increase in opening reserves		**(6 380)**	675
Effect on reserves		**(71)**	(6 380)

The SDA previously included unrealised foreign exchange losses in receivables and payables. GRAP 4 requires the exchange differences on monetary assets to be recognised in the statement of financial performance.

24.5. *Financial Instruments (GRAP 104)*

Previously, the SDA recognised receivables and payables at their nominal amounts. Receivables and other financial instruments are recognised initially at fair value, and subsequently at amortised cost, cost or fair value. Provision for impairment is made for receivables at cost or amortised cost when an impairment trigger exist and the carrying amount exceeds the fair value or value in use of the financial instrument.

Cumulative effect of change in measurement:			
(Decrease) in receivables from exchange and non-exchange transactions		**(689)**	(2 051)
(Decrease) in other financial assets		**(8 664)**	(5 131)
(Increase) in payables from exchange transactions		**(2 920)**	(4 590)
		(12 273)	(11 772)
(Decrease) in revenue		**(5 389)**	(2 841)
Decrease in operating expenses		**4 888**	561
(Decrease) in opening reserves		**(11 772)**	(9 492)
Effect on reserves		**(12 273)**	(11 772)

Notes to the Annual Financial Statements for the year ended 31 March 2011

Figures in Rand	*Note(s)*	*2010/11 R'000*	*2009/10 R'000*

24.6. *Presentation of Financial Statements (GRAP 1) - Presentation*

In order to comply with the presentation requirements, certain items have been reclassified. These reclassifications did not impact reserves.

(Decrease) in trade receivables	**(3 006 590)**	(3 090 308)
(Decrease) in advances	**(11 103)**	(1 559)
Increase in financial assets	**45 439**	39 171
Increase in receivables from exchange transactions	**2 957 254**	3 027 536
Increase in receivables from non-exchange transactions	**15 000**	25 160
(Decrease) in trade payables	**(279 505)**	(375 232)
Increase in payables from exchange transactions	**138 719**	168 521
Increase in payables from non-exchange transactions	**35 020**	34 690
Increase in funds to be surrendered to the National Revenue Fund	**82 228**	149 858
Increase in other financial liabilities	**23 538**	22 163
Effect on reserves	**-**	-

SOUTH AFRICAN NATIONAL DEFENCE FORCE FUND ANNUAL REPORT

for the year ended 31 March 2012

SOUTH AFRICAN NATIONAL DEFENCE FORCE FUND
ANNUAL REPORT
for the year ended 31 March 2012

General Information

Legal form of entity	Fund
Nature of business and principal activities	The aim of the Fund is to render emergency aid to members and former members of the South African National Defence Force and Auxiliary Services, and certain other catogories of military personnel and their dependants who suffer hardship or financial distress arising, directly or indirectly, as a result from any service or duties in terms of the Constitution, 1996 and the Defence Act 2002, (Act No. 42 of 2002) and also to provide facilities to such members and former members.
Members	Lt Gen DM Mgwebi (Full time member) *(Chairperson)* Lt Gen TM Nkabinde (Full time member) *(Chairperson)* Brig Gen N Yengeni (Full time member) R Adm (JG) AE Kuba (Full time member) R Adm (JG) G Mbulaheni (Full time member) Col R Pillay (Full time member) Col MJ Louw (Full time member) MCWO MV Kgaladi (Full time member) Ms FG Mabilane (Full time member) Prof DFS Fourie (Part time member) *(Deputy chairperson)* Lt Gen (Ret) DP Knobel (Part time member) Brig Gen A Maminza (Part time member) R Adm (Ret) LM Bakkes (Part time member) Lt Col (Ret) L Poorter (Part time member) Lt Col MA Thulare (Part time member) Ms M Tsotsi (Part time member) Brig Gen CV Geldenhuys (Co opted) Capt (SAN) RB Warrin (Co opted) Asst Dir PJ du Bois (Co opted)
Registered office	Armscor Bldg Erasmusrand Pretoria 0001
Business address	Armscor Bldg Erasmusrand Pretoria 0001
Controlling entity	Department of Defence
Bankers	ABSA
Auditors	Auditor-General South Africa

SOUTH AFRICAN NATIONAL DEFENCE FORCE FUND
ANNUAL REPORT
for the year ended 31 March 2012

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SOUTH AFRICAN NATIONAL DEFENCE FORCE FUND
ANNUAL REPORT
for the year ended 31 March 2012

Board's Responsibilities and Approval

The members are required to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the annual financial statements fairly present the state of affairs of the SANDF Fund as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The members acknowledge that they are ultimately responsible for the system of internal financial control established by the SANDF Fund and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the SANDF Fund and all employees are required to maintain the highest ethical standards in ensuring the SANDF Fund's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the SANDF Fund is on identifying, assessing, managing and monitoring all known forms of risk across the SANDF Fund. While operating risk cannot be fully eliminated, the SANDF Fund endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The members are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The members have reviewed the SANDF Fund's cash flow forecast for the year to 31 March 2013 and, in the light of this review and the current financial position, they are satisfied that the SANDF Fund has access to adequate resources to continue in operational existence for the foreseeable future.

The SANDF Fund is wholly dependent on the Interest on investments for continued funding of operations. The annual financial statements are prepared on the basis that the SANDF Fund is a going concern and that the Board has neither the intention nor the need to liquidate or curtail materially the scale of the SANDF Fund.

Although the Board are primarily responsible for the financial affairs of the SANDF Fund, they are supported by the SANDF Fund's external auditors.

SOUTH AFRICAN NATIONAL DEFENCE FORCE FUND
ANNUAL REPORT
for the year ended 31 March 2012

Board's Responsibilities and Approval

The external auditors are responsible for independently reviewing and reporting on the SANDF Fund's annual financial statements. The annual financial statements have been examined by the SANDF Fund's external auditors and their report is presented on page 356.

The annual financial statements set out on pages 362 to 373, which have been prepared on the going concern basis, were approved by the Board on 20 April 2012 and were signed on its behalf by:

Lt Gen TM Nkabinde
Chairperson

30 July 2012

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE SOUTH AFRICAN NATIONAL DEFENCE FORCE FUND

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the South African National Defence Force Fund set out on pages 362 to 373, which comprise the statement of financial position as at 31 March 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

The board of the South African National Defence Force Fund's responsibility for the financial statements

2. The board is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), and the requirements of the Fund-Raising Act, 1978 (Act No. 107 of 1978), and for such internal control as the board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the South African National Defence Force Fund as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the *General Notice* issued in terms of the PAA.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE SOUTH AFRICAN NATIONAL DEFENCE FORCE FUND

REPORT ON THE FINANCIAL STATEMENTS

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

7. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

8. I was unable to conduct the audit of performance against predetermined objectives as the fund is not required to prepare a report on its performance against predetermined objectives. The fund does not fall within the ambit of the PFMA and the entity-specific legislation does not require the reporting on performance against predetermined objectives.

Compliance with laws and regulations

9. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA.

Internal control

10. I considered internal control relevant to my audit of the financial statements, and compliance with laws and regulations. I did not identify any deficiencies in internal control which I considered sufficiently significant for inclusion in this report.

Auditor-General

Pretoria
30 July 2012

AUDITOR-GENERAL
SOUTH AFRICA
Auditing to build public confidence

SOUTH AFRICAN NATIONAL DEFENCE FORCE FUND
ANNUAL REPORT
for the year ended 31 March 2012

Board's Report

The members submit their report for the year ended 31 March 2012.

1. Establishment

The SANDF Fund was established in terms of the Fund Raising Act, 1978 (Act No. 107 of 1978) as amended.

2. Review of activities

Main business and operations

The aim of the Fund is to render aid to members and former members of the South African National Defence Force and Auxiliary Services, and their dependants who suffer hardship or financial distress arising, directly or indirectly, as a result of any service or duties in terms of the new Defence Act, 2002 (Act No. 42 of 2002) and to provide facilities and matters connected therewith to such members and former members who perform such services or duties.

The operating results and state of affairs of the SANDF Fund are fully set out in the attached annual financial statements.

Although the Fund is not fully operational, three applications for support were considered during the year. Two of the applications were not approved. The third application was approved but declined by the applicant before payment was made. During the 2012/2013 financial year marketing of the Fund will be introduced and it is anticipated that more applications will be received and considered.

An Audit Committee has not been appointed during the year under review. The Fund is negotiating with the Audit Committee of the Department of Defence to share the Audit Committee.

Net surplus of the SANDF Fund was R 616 077 (2011: surplus R 654 874).

3. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

4. Subsequent events

The members are not aware of any matter or circumstance, favourable or unfavourable, arising since the end of the financial year.

5. Members' interest

Board members do not have any interest in the SANDF Fund.

Board's Report

6. Board

Members of the Board were officially appointed by the Minister of Defence on 13 August 2010. Members appointed during the year under review are in the process of being officialy appointed by the Minister of Defence. The members of the Board during the year and to the date of this report are as follows:

Name	*Nationality*	*Changes*
Lt Gen DM Mgwebi (Full time member) (Chairperson)	RSA	Transferred 30 September, 2011
Lt Gen TM Nkabinde (Full time member) (Chairperson)	RSA	Designated appointed 01 October 2011
Brig Gen N Yengeni (Full time member)	RSA	
R Adm (JG) AE Kuba (Full time member)	RSA	
R Adm (JG) G Mbulaheni (Full time member)	RSA	
Col R Pillay (Full time member)	RSA	
Col MJ Louw (Full time member)	RSA	
MCWO MV Kgaladi (Full time member)	RSA	Designated appointed 01 September 2011
Ms FG Mabilane (Full time member)	RSA	
Prof DFS Fourie (Part time member) (Deputy chairperson)	RSA	Acting chairperson from 01 October 2011
Lt Gen (Ret) DP Knobel (Part time member)	RSA	
Brig Gen A Maminza (Part time member)	RSA	
R Adm (Ret) LM Bakkes (Part time member)	RSA	
Lt Col (Ret) L Poorter (Part time member)	RSA	
Lt Col MA Thulare (Part time member)	RSA	
Ms M Tsotsi (Part time member)	RSA	
Brig Gen CV Geldenhuys (Co opted)	RSA	
Capt (SAN) RB Warrin (Co opted)	RSA	
Asst Dir PJ du Bois (Co opted)	RSA	

7. Secretary

The minuting secretary of the Board is Col MJ Louw.

8. Member's emoluments/value of services

Part time members

	Expense allowance	*Total package 2012*	*Total package 2011*
Prof DFS Fourie	300	300	300
Lt Gen (Ret) DP Knobel	300	300	200
R Adm (JG) LM Bakkes	900	900	600
Lt Col L Poorter	300	300	2 400
	1 800	1 800	3 500

Board's Report

Controlling entity members

	Honorarium or Fee	*Salary paid by the DOD*	*Total package 2012*	*Total package 2011*
Full time members				
Lt Gen DM Mgwebi	-	-	-	2 389
R Adm Kubu	-	1 727	1 727	-
Maj Gen HA Bhembe	-	-	-	2 054
Brig Gen CV Geldenhuys	-	851	851	-
R Adm (JG) G Mbulaheni	-	876	876	798
Col R Pillay	-	2 440	2 440	2 464
WO1 MV Kgaladi	-	538	538	-
Col MF Dibetso	-	876	876	-
Brig Gen N Yengeni	-	-	-	1 278
Ms FG Mabilane	-	-	-	1 640
Secundus	-	-	-	3 335
	-	7 308	7 308	13 958
Co opted members				
Col MJ Louw	-	2 261	2 261	2 068
Capt (SAN) RB Warrin	-	2 061	2 061	1 452
Mr PJ du Bois	8 000	2 015	10 015	8 213
	8 000	6 337	14 337	11 733

9. Corporate governance

General

The Board is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Board supports the highest standards of corporate governance and the ongoing development of best practice.

SOUTH AFRICAN NATIONAL DEFENCE FORCE FUND
ANNUAL REPORT
for the year ended 31 March 2012

Board's Report

Board of directors

The Board:

- retains full control over the SANDF Fund, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the SANDF Fund;

Board meetings

The board has met on 3 separate occasions during the financial year. The board schedules to meet at least 4 times per annum.

Audit and risk committee

Internal audit

The SANDF Fund has outsourced its internal audit function to DOD IG who was the SANDF Fund's previous internal auditors.

10. Controlling entity

The SANDF Fund's controlling entity is Department of Defence incorporated in the RSA.

11. Part time members

The SANDF Fund's ultimate controlling entity is Parliament incorporated in the RSA.

12. Bankers

ABSA

13. Auditors

Auditor-General South Africa will continue in office for the next financial period.

SOUTH AFRICAN NATIONAL DEFENCE FORCE FUND
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2012

Statement of Financial Position as at 31 March 2012

Figures in Rand	*Note(s)*	*2012*	*2011*
Assets			
Current Assets			
Cash and cash equivalents	3	28 447	24 976
Non-Current Assets			
Other financial assets	2	12 635 823	12 021 035
Total Assets		**12 664 270**	**12 046 011**
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	5	600	419
Provisions	4	8 000	6 000
		8 600	**6 419**
Total Liabilities		**8 600**	**6 419**
Net Assets		**12 655 670**	**12 039 592**
Net Assets			
Accumulated surplus		12 655 670	12 039 592

SOUTH AFRICAN NATIONAL DEFENCE FORCE FUND
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2012

Statement of Financial Performance for the year ended 31 March 2012

Figures in Rand	*Note(s)*	*2012*	*2011*
Operating expenses	6	(43 738)	(38 729)
Operating deficit		**(43 738)**	**(38 729)**
Investment revenue from investments	7	659 815	693 836
Interest paid	8	-	(233)
Surplus for the year		**616 077**	**654 874**

SOUTH AFRICAN NATIONAL DEFENCE FORCE FUND
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for the year ended 31 March 2012

Statement of Changes in Net Assets for the year ended 31 March 2012

Figures in Rand	*Accumulated surplus*	*Total net assets*
Balance at 01 April 2010	**11 384 718**	**11 384 718**
Surplus for the year	654 874	654 874
Balance at 01 April 2011	**12 039 593**	**12 039 593**
Surplus for the year	616 077	616 077
Balance at 31 March 2012	**12 655 670**	**12 655 670**

SOUTH AFRICAN NATIONAL DEFENCE FORCE FUND
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2012

Cash Flow Statement for the year ended 31 March 2012

Figures in Rand	*Note(s)*	*2012*	*2011*
Cash flows from operating activities			
Receipts			
Interest income from investments	7	659 815	693 836
Payments			
Suppliers	16	2 183	804
Interest paid	8	-	(233)
Operating expenses	6	(43 738)	(38 729)
		(41 555)	(38 158)
Net cash flows from operating activities	10	**618 260**	**655 678**
Cash flows from investing activities			
Proceeds from sale of investments		(614 788)	(677 702)
Other cash item		(1)	-
Net cash flows from investing activities		**(614 789)**	**(677 702)**
Net increase/(decrease) in cash and cash equivalents		**3 471**	**(22 024)**
Cash and cash equivalents at the beginning of the year		24 976	47 000
Cash and cash equivalents at the end of the year	3	**28 447**	**24 976**

Notes to the Annual Financial Statements for the year ended 31 March 2012

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

The accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Held to maturity investments

The SANDF Fund assesses its held to maturity investments for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the Board makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

1.2 Financial instruments

Classification

The SANDF classifies financial assets and financial liabilities into the following categories:

Held-to-maturity investment

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

Initial recognition and measurement

Financial instruments are recognised initially when the SANDF Fund becomes a party to the contractual provisions of the instruments.

Held-to-maturity investment

The SANDF Fund classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.
Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Subsequent measurement

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Notes to the Annual Financial Statements for the year ended 31 March 2012

1.2 Financial instruments (continued)

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the SANDF Fund establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each end of the reporting period the SANDF Fund assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the SANDF Fund, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.
At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Notes to the Annual Financial Statements for the year ended 31 March 2012

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the SANDF Fund has the positive intention and ability to hold to maturity are classified as held to maturity.

1.3 Provisions and contingencies

Provisions are recognised when:

- the SANDF Fund has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

1.4 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.5 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.6 Budget information

SANDF Fund are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by SANDF Fund shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 15.

Comparative information is not required.

Notes to the Annual Financial Statements for the year ended 31 March 2012

Figures in Rand	*2012*	*2011*

2. Other financial assets

Held to maturity		
Term deposit Unsecured 62 days investment with maturity date 31 May 2012. Simple interest of 5.30% per annum.	1 081 780	1 071 878
Term deposit Unsecured 182 days investment with maturity date 28 September 2012. Simple interest of 5.75% per annum.	11 554 043	10 949 157
	12 635 823	**12 021 035**
Non-current assets		
Held to maturity	12 635 823	12 021 035

The SANDF Fund has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2012 and 2011, as all the financial assets were disposed of at their redemption date.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	-	31
Bank balances	28 447	24 945
	28 447	**24 976**

4. Provisions

Reconciliation of provisions - 2012

	Opening Balance	*Additions*	*Utilised during the year*	*Total*
Accounting fees	6 000	8 000	(6 000)	8 000

Reconciliation of provisions - 2011

	Opening Balance	*Additions*	*Utilised during the year*	*Total*
Accounting fees	5 000	6 000	(5 000)	6 000

The accounting fees relate to an honorarium fee for acccounting and reporting. The accounting fee and the timing of the payment are determined based on the discretion of the Board subsequent to the year end and preparation of financial statements. No fixed contract exists between the accountant and the Board.

SOUTH AFRICAN NATIONAL DEFENCE FORCE FUND
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2012

Notes to the Annual Financial Statements for the year ended 31 March 2012

Figures in Rand	*2012*	*2011*
5. Trade and other payables from exchange transactions		
Trade payables	600	419
6. General expenses		
Accounting fees	10 000	7 000
Auditors remuneration	29 386	26 816
Bank charges	1 792	1 194
Secretarial fees	960	419
Travel - local	1 600	3 300
	43 738	**38 729**
7. Investment revenue		
Interest revenue		
Investments	659 789	693 702
Bank	26	134
	659 815	**693 836**

The amount included in Investment revenue arising from exchange transactions amounted to R 659 815.

8. Interest paid		
Other interest paid	-	233
9. Auditors' remuneration		
Fees	29 386	26 816
10. Cash generated from operations		
Surplus	616 077	654 874
Adjustments for:		
Movement in provisions	2 000	1 000
Movement in payables	-	(196)
Changes in working capital:		
Trade and other payables from exchange transactions	183	-
	618 260	**655 678**

Notes to the Annual Financial Statements for the year ended 31 March 2012

Figures in Rand		*2012*	*2011*

11. Related parties

Relationships

Members	Refer to members' report
Ultimate controlling entity	Parliament
Controlling entity	Department of Defence

Related party balances

Amounts included in Trade receivable (Trade payable) regarding related parties		
PJ du Bois	(8 000)	(6 000)
DFS Fourie	(100)	-
D Knobel	-	(200)
LM Bakkes	(300)	-
	(8 400)	**(6 200)**

Related party transactions

Controlling entity (DOD) personnel or representatives serving on the Board who provide services to the SANDF Fund during DOD official working hours without compensation by the SANDF Fund - (non-cash).

Board members not remunerated by Government are entitled to a traveling allowance - (cash).

The accountant is paid a honorarium - (cash).

Total related party transactions for main catagories	*2012*	*2011*
Part time members	1 800	3 500
Controlling entity members	7 308	13 958
Co opted members	14 337	11 733
	23 445	**29 191**

12. Risk management

Capital risk management

The SANDF Fund's objectives when managing capital are to safeguard the SANDF Fund's ability to continue as a going concern in order to provide returns for beneficiaries and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the SANDF Fund consists of investments and cash and cash equivalents disclosed in note 3.

There are no externally imposed capital requirements.

There have been no changes to what the SANDF Fund manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Notes to the Annual Financial Statements for the year ended 31 March 2012

Figures in Rand	*Note(s)*	*2012*	*2011*

12. Risk management (continued)

Financial risk management

Liquidity risk

The SANDF Fund's risk to liquidity is a result of the funds available to cover future commitments. The SANDF Fund manages liquidity risk through an ongoing review of future commitments and credit facilities. Investment funds are invested for short terms.

Interest rate risk

The SANDF Fund's exposure to interest rate changes is limited to that of reputable financial institutions. Investment funds are invested for short terms.

Credit risk

Credit risk consists mainly of cash deposits and cash equivalents. The SANDF Fund only deposits cash with reputable banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

Financial instruments		
RMB	12 635 824	12 021 035
ABSA Bank	28 447	24 945
Cash on hand	-	31
	12 664 271	**12 046 011**

13. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

14. Events after the reporting date

The members are not aware of any matter or circumstance, favourable or unfavourable, arising since the end of the financial year.

15. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net surplus per the statement of financial performance		**616 078**	**654 874**
Adjusted for:			
Administration expenditure		(9 712)	(11 462)
Investment		(659 815)	(693 836)
Members aid		(392 951)	(653 278)
Net deficit per approved budget	17	**(446 400)**	**(703 702)**

Notes to the Annual Financial Statements for the year ended 31 March 2012

Figures in Rand	*2012*	*2011*

16. Reconciliation between budget and cash flow statement

Reconciliation of budget surplus/deficit with the net cash generated from operating, investing and financing activities:

Operating activities		
Actual amount as presented in the budget statement	616 077	654 874
Basis differences	2 183	804
Net cash flows from operating activities	**618 260**	**655 678**
Investing activities		
Actual amount as presented in the budget statement	616 078	654 874
Basis differences	(1 230 867)	(1 332 576)
Net cash flows from investing activities	**(614 789)**	**(677 702)**
Operating activities	618 260	655 678
Investing activities	(614 789)	(677 702)
Net cash generated from operating, investing and financing activities	**3 471**	**(22 024)**

17. Actual operating expenditure versus budgeted operating expenditure

	2011/2012			*2010/2011*		
	Budget	*Actual*	*Difference*	*Budget*	*Actual*	*Difference*
Audit fees	(29 451)	(29 386)	65	(27 784)	(26 816)	968
Accounting fees	(6 360)	(10 000)	(3 640)	(6 000)	(7 000)	(1 000)
Bank charges	(1 632)	(1 792)	(160)	(1 540)	(1 194)	346
Interest paid	-	-	-	-	(233)	(233)
Printing and stationery	(106)	-	106	(100)	-	100
Secretarial fees Finance Committee	(5 300)	(960)	4 340	(5 000)	(419)	4 581
Travel cost	(10 600)	(1 600)	9 000	(10 000)	(3 300)	6 700
Administrative expenditure	(53 449)	(43 738)	9 711	(50 424)	(38 962)	11 462
Members aid	(392 951)	-	392 951	(653 278)	-	653 278
Operating expenditure	**(446 400)**	**(43 738)**	**402 662**	(703 702)	(38 962)	664 740

ASSURANCE REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON COMPLIANCE WITH SECTION 4 OF THE NATIONAL CONVENTIONAL ARMS CONTROL ACT IN TERMS OF SECTION 12 OF THE NATIONAL CONVENTIONAL ARMS CONTROL ACT OF 2002, FOR THE YEAR ENDED 31 MARCH 2012

Introduction

I have performed my limited assurance engagement on the compliance by the National Conventional Arms Control Committee (NCACC) with section 4 of the National Conventional Arms Control Act, 2002 (Act No. 41 of 2002) (the 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.

NCACC's responsibility

The NCACC is responsible for compliance with the Act and related regulations.

Auditor-General's responsibility

As required by section 12 of the Act, my responsibility is to conclude on compliance by the NCACC with section 4 of the Act. I performed my assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE 3000), *Assurance Engagements Other Than Audits or Reviews of Historic Financial Information*. That standard requires me to comply with ethical requirements and 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

As the auditor of the NCACC, I have also audited the Department of Defence, which provides the secretariat to the NCACC, for the period ended 31 March 2012. My limited assurance procedures included the following specific procedures:

- Inspecting the processes and structures established by the NCACC for effective control of trade in conventional arms.

- Inspecting the guidelines, structures and processes established by the NCACC for the scrutiny and assessment of the application for a permit.

- Confirming that the committee liaises with relevant government agencies regarding the enforcement of the Act.

- Inspecting cases where the issue of a permit was refused by the NCACC and confirming that this had been done as required by section 14 of the Act.

- Inspecting on a sample basis permits issued to ensure that the conditions under which a permit is issued are complied with as detailed in the regulations.

- No compliance procedures were performed in the following areas of the NCACC's responsibilities:

  - The evaluation of end user certificates received.

  - Control evaluation at development and manufacturing companies.

  - Compliance visit reports, conclusion and recommendations.

- Inspecting the register that must be kept in the prescribed form, indicating persons involved in the trade in conventional arms.

- Inspecting the register for all permits issued and undertaking the following:

  - Selecting a sample of permits issued and following it through to the register.

  - Selecting a sample of entries in the register and following it through to the issued permits.

- Confirming that all reports issued had been issued as required by section 23 of the Act.
- An analysis to identify anomalies in reported data.
- Determining whether information supplied is relevant, reliable, comparable and understandable.

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.

I believe that the evidence obtained as part of my assurance engagement with the NCACC for the period ended 31 March 2012 is sufficient and appropriate to provide a basis for my conclusion expressed below.

Conclusion

Based on my work described in this report, nothing has came to my attention that causes me to believe that the NCACC did not comply with section 4 of the Act in all material respects.

Auditor-General

Pretoria
25 July 2012

AUDITOR-GENERAL
SOUTH AFRICA
Auditing to build public confidence

PART 6
OTHER INFORMATION

GLOSSARY OF ABBREVIATIONS AND ACRONYMS

AAD	African Aerospace and Defence
AACB	Armaments Acquisition Control Board
AASB	Auditing and Assurance Standards Board
FI5 AC	FI5 Aircraft
ACCORD	African Centre for the Constructive Resolution of Disputes
ACSA	AirPort Company South Africa
AFB	Air Force Base
ALFA	Advanced Light Fighter Aircraft
AMC	Accountability Management Committee
AMD	Aerospace, Maritime and Defence Industries Association
AMHU	Area Military Health Unit
ARMSCOR	Armaments Corporation of South Africa Ltd
ARV	Antiretroviral
ASB	Army Support Base
ASGISA	Accelerated and Shared Growth Initiative for South Africa
AU	African Union
BEE	Black Economic Empowerment
BOST	Basic Operational Sea Training
BPST	British Peace Support Training
BSC	Balanced Scorecard
C2	Command and Control
CAR	Central African Republic
C Def Mat	Chief Defence Matériel
CD HR	Chief Director Human Resource
CFO	Chief Financial Officer
C HR	Chief of Human Resources
CHATSEC	Combating HIV/Aids through Spiritual and Ethical Conduct
CI	Counter-Intelligence
C^4I^3RS	Command and Control, Communications, Computers, Information, Intelligence, Infrastructure, Reconnaissance and Surveillance
CJ Ops	Chief Joint Operations
C Log	Chief Logistics

GLOSSARY OF ABBREVIATIONS AND ACRONYMS

CMIS	Command and Management Information Systems
COP17	Council of the Parties 17
COTS	Commercial Off-the-Shelf
CPX	Command Post Exercise
C SANDF	Chief of the South African National Defence Force
CSIR	Council for Scientific and Industrial Research
CSND	Council for Support to National Defence
CSS	Core Service System
CTC	Combat Training Centre
DAFA	Department of Agriculture Forestry and Fisheries
DCAC I&A	Directorate Conventional Arms Control Audits and Inspections
DEIS	Defence Enterprise Information System
DEISM	Defence Enterprise Information System Management
DERI	Defence Evaluation and Research Institute
DFR	Defence Foreign Relations
DI	Defence Intelligence
DICTA	Defence information Communication Technology Architectures
DIMS	Directorate Integrated Management Systems
DISC	Defence Intelligence Standing Committee
DI Div	Defence Intelligence Division
DLSD	Defence Legal Services Division
DOD	Department of Defence
DPBEC	Departmental Programme and Budget Evaluation Committee
DPE	Department of Public Enterprise
DPSA	Department of Public Service and Administration
DPSP	Defence Policy, Strategy and Planning
DPW	Department of Public Works
DRC	Democratic Republic of the Congo
DRI	Defence-Related Industry
DSA	Defence Services Asia
DSC	Defence Staff Council
DST	Department of Science and Technology
DTI	Department of Trade and Industry
ECMS	Electronic Content Management System
EFQM	European Foundation for Quality Management
EIS	Enterprise Information System
ENE	Estimates of National Expenditure
ETD	Education, Training and Development
ENSP	Executive National Security Programme
EX	Exercise

GLOSSARY OF ABBREVIATIONS AND ACRONYMS

FARDC	Forces Armee's de la Republique Democratique de Congo
FAZSIO	Forces Armées de la Zone Sud de l'Océan Indien (French Armed forces in the Southern Indian Ocean)
FIFA	Fédération Internationale de Football Association
FMD	Financial Management Division
FMS	Financial Management System
FOSAD	Forum of South African Directors-General
FSE	Force Structure Element
FTX	Field Training Exercise
FY	Financial Year
GEPF	Government Employees' Pension Fund
GITO	Government Information Technology Officer
GOC	General Officers Commanding
HQ	Headquarters
HR	Human Resources
IBSA	India, Brazil and South Africa
ICS	Information and Communications System
ICT	Information and Communication Technology
ICTS	International Co-operation, Trade and Security Cluster
IFMS	Integrated Financial Management System
IG DOD	Inspector General Department of Defence
IGD	Integrated Geospatial Database
IP	Intellectual Property
ISDSC	Inter-State Defence Security Committee
ISS	Information Security System
IT	Information Technology
JCPS	Justice, Crime Prevention and Security Cluster
JFE	Joint Force Employment
JIM	Joint, Interdepartmental and Multinational
JIPSA	Joint Initiative for Priority Skills Acquisition
JPCDS	Joint Permanent Commission on Defence and Security
JSCD	Joint Standing Committee on Defence
LHD	Landing Helicopter Dock
LIALLS	Lessons Identified and Lessons Learned System
LIRP	Logistic Intervention and Realignment Programme
LPD	Landing Platform Dock

GLOSSARY OF ABBREVIATIONS AND ACRONYMS

MAAC	Military Attaché and Advisor Corps
MAB	Military Arbitration Board
MCC	Military Command Council
MDSMA	Military Discipline Supplementary Measure Act
MEDUNSA	Medical University of Southern Africa
MOD&MV	Minister of Defence and Military Veterans
MOU	Memorandum of Understanding
MP	Member of Parliament
MP Div	Military Police Division
MPSPO	Military Policy, Strategy and Planning Office
MRCC	Maritime Rescue Coordination Centre
MSDS	Military Skill Development System
MSF	Mission Success Factors
MTEF	Medium-Term Expenditure Framework
MTSF	Medium-Term Strategic Framework
NATO	North Atlantic Treaty Organisation
NB SMST	Naval Base Simon's Town
NCACC	National Conventional Arms Control Committee
NCAC	National Conventional Arms Control Act
NCACC	National Conventional Arms Control Committee
NCAGS	Naval Coordination and Guidance of Shipping
NDOT	National Department of Transport
NDPW	National Department of Public Works
NEPAD	New Partnership for African's Development
NICOC	National Intelligence Co-ordinating Centre
NIAID	National Institute of Allergy and Infectious Disease
NQF	National Qualification Framework
NSI	National System of Innovation
OBS	Operational Boat Squadron
OC	Officer Commanding
OHS	Occupational Health and Safety
OSD	Occupational Specific Dispensation
Para	Parachute
PCD&MV	Portfolio Committee on Defence and Military Veterans
PDSC	Plenary Defence Staff Council
PEPFAR	President's Emergency Plan for Aids Relief
PFMA	Public Finance Management Act
PME	Prime Mission Equipment
PMTC	Peace Mission training Centre

GLOSSARY OF ABBREVIATIONS AND ACRONYMS

POA	Programme of Action
PSO	Peace Support Operations
PXD	Post-Exercise Discussion
R&D	Research and Development
RAB	Religious Bodies and Advisor Boards
RAMP	Repair and Maintenance Programme
Regt	Regiment
RSA	Republic of South Africa
SAAF	South African Air Force
SABS	South African Bureau of Standards
SACAA	South African Civil Aviation Authority
SADC	Southern African Development Community
SADC BRIG	Southern African Development Community Brigade
SADESO	South African Defence Export Support Organisation
SADRI	South African Defence-Related Industry
SAI	South African Industry
SAMHS	South African Military Health Service
SAN	South African Navy
SANAD	South African Naval Armaments Depot
SANDF	South African National Defence Force
SANMWA	South African Military Veterans' Association
SAPS	South African Police Service
SAS	South African Ship
SAQA	South African Qualification Authority
SASSETA	Safety and Security Sector Education and Training Authority
SBP	Strategic Business Plan
SC	Secretariat Council
SCAMP	Strategic Capital Acquisition Master Plan
SCOA	Standard Chart of Accounts
Sec Def	Secretary of Defence
SG	Surgeon-General
SITA	State Information Technology Agency
SME	Small and Medium-Sized Enterprises
SMS	Senior Management Service
SMJ	School of Military Justice
SSR	Security Sector Reform
TBD	To Be Determined

GLOSSARY OF ABBREVIATIONS AND ACRONYMS

UK	United Kingdom
UN	United Nations
UNISA	University of South Africa
USA	United States of America
USAF	United States Air Force
UNSC	United National Security Council
VIP	Very Important Person
WAN	Wide Area Network
WATC	West African Training Cruise
WHO	World Health Organisation
YFTP	Youth Foundation Training Programme

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