

FY 2006-2007
ANNUAL REPORT



Renewing our Pledge. A National Partnership to
Build a Better Life for All.



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA



All enquiries with respect to this report can be forwarded to:

Mr T.A. Ratsomo
Tel: +27 (12) 355 6104
Fax: +27 (12) 355 6134
email: thabisor@mweb.co.za

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REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF DEFENCE

ANNUAL REPORT

ARCHIVE FOR JUSTICE

2006/2007

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

**Submission of the Annual Report for the FY2006/07 by the
Accounting Officer to the Executive Authority**

It is my pleasure and privilege to submit to you the Annual Report of the Department of Defence: 01 April 2006 to 30 March 2007, in terms of section 40 (1) (d), read together with Treasury Regulation 18.3 of the Public Finance Management Act, 1999 (Act No 1 of 1999).

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

a national
partnership
to build a
better life
for all

**DEPARTMENT:
DEFENCE**

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FOREWORD BY THE HONOURABLE M.G.P. LEKOTA, MINISTER OF DEFENCE

The Ministry wishes to present this Annual Report for the financial year ending 31 March 2007, as part of its accountability to the people of South Africa.

This year's review marks an important chapter in the history of the Department of Defence (DOD). We saw the affirmation of our commitment to the vision of ensuring a better life for all and an entry into the Age of Hope. This commitment has been realised through those activities which best equip the Department to pursue its strategic intent and, in so doing, support the consolidation of democracy in the country, the region and the continent.

This process has seen the achievement of a number of important milestones in diverse domains, all of which have been aligned with the thrust of ensuring effective defence for a democratic South Africa.

Our strategic focus has been directed at, inter alia, the enhancement and maintenance of comprehensive defence capabilities in order to defend and protect the sovereignty and territorial integrity of the Republic of South Africa. This remains our primary mission.

This has been given particular impetus through the delivery and integration into service of our strategic defence packages. Notable during the period under review

has been the commissioning of two MEKO Class frigates, the SAS ISANDLWANA and the SAS MENDI, as well as two Type-209 submarines, the SAS 'MANTHATISI and SAS CHARLOTTE MAXEKE. Furthermore, the air defence capability was strengthened with the arrival of sixteen Hawk Mk 120 lead-in fighter trainers from the United Kingdom and sixteen Agusta LUH 109 helicopters from Italy.

The integration of these force structure elements into the Department will considerably strengthen the country's maritime and air defence capabilities. It is our intention to further enhance our state of readiness through rejuvenating our landward defence capability in the forthcoming period, as well as consolidating our force design. These acquisitions will also contribute to our regional reach and to the provision of security in the Southern African Development Community, thereby contributing to the facilitation of peace and prosperity within the Southern African Development Countries (SADC) and the sub-Saharan region.

The delivery of this equipment and its capabilities have demonstrated the wisdom and the tenacity of the decision to equip our national defence force to be ready for the responsibilities and dedication in Defence of the RSA, its territorial integrity and its people in the promotion

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for all

DEPARTMENT:
DEFENCE

of world peace and a better world

The Department's contribution towards the promotion of peace, security and stability in the region and on the continent has steadily advanced the African Agenda. Of importance has been the contribution by our forces in the election processes of the Comoros, the Democratic Republic of the Congo, the Kingdom of Lesotho and Madagascar, as well as in peace support and post-conflict reconstruction operations in, inter alia, Burundi, Ethiopia, Eritrea, the Sudan and Côte d'Ivoire, as well as further afield, in Nepal.

Our peacekeeping operations also saw the first democratic elections following forty years of dictatorship and civil war in the Democratic Republic of the Congo. The accolades that we received from the international community convinced us that we are playing our rightful role in our region, the Southern African Development Community, and on the African Continent. With all the positives that we have achieved it is important that, in the next financial year, we improve where we fell short.

The period under review has also seen a further strengthening of our extra-continental participation, with South Africa's assumption of a non-permanent seat in the United Nations Security Council (UNSC), where we have endeavoured to support the relief of tension. The UNSC is an important instrument for the promotion, maintenance and upholding of global peace. Our election onto this important body means that the world has noticed, recognised, and acknowledged the role of our country in the promotion of world peace and for a better world.

Furthermore, we have progressed in the strategic objective of rendering support to the people on a number of fronts. Firstly, we are actively involved in the discussions, formulation and strategies for the implementation of the Accelerated Shared Growth Initiative of South Africa (ASGI-SA). As part of the DOD's contribution we have brought to the ASGI-SA table the Military Skills Development System (MSDS) in terms of which young people are trained to have the necessary basic military and life skills; and the Youth Foundation Training (YFT) which assists learners and youth to improve their mathematics and science symbols and thus contribute to widening access to higher education.

We are also active in assisting the National Youth Service (NYS) in designing and implementing youth development programmes. Consequently, we have undertaken study missions to a number of countries to learn about youth development programmes. In addition, we also studied their programmes aimed at alleviating the plight of former armed combatants and military veterans. The Centre for Advanced Training (CAT) has refocused these activities as a contribution to the lives of those who were prepared to put their lives at risk. Further, we are investigating and examining ways and means of increasing

training facilities for ASGI-SA and youth development in general by offering facilities that are underutilised or unutilised.

Accelerated service delivery, good governance and the institutionalisation of Batho Pele have been identified as important success factors in the attainment of our strategic intent, and accordingly clear plans of action have been generated and implemented in order to optimise these domains. In pursuit of the military objective of providing support to the people, a multitude of decisive interventions aimed at improving the quality of lives of all the peoples of South Africa, the region, the continent and the globe were successfully implemented and reported herein such as our involvement in the containment of swine fever in support of the Department of Agriculture.

After some years of grappling with the issues of transformation, the Department of Defence (DOD) can now state with a measure of confidence that the process to transform the Department is on course, both in terms of its human capital and its military hardware.

The DOD was faced with ageing human resource component, the majority of whom were in the lower ranks of private up to sergeant in the SA Army and their equivalents in the other services. With the introduction of the Military Skills Development System (MSDS), the South African National Defence Force (SANDF) was not only able to swell its numbers with a sizable number of young men and women, but also to acquire, through careful recruitment, able future soldiers who could be trained according to the requirements of the new defence challenges.

To a great extent the MSDS has also allowed the Reserve Force to get new and younger recruits, those that could not be retained in the regular force. The challenge of having to address the employment uncertainty of the MSDS members who are not contracted is adding impetus to the creation of innovative mechanisms to facilitate placement of graduates of the MSDS within the private sector. The SA Navy has led in this endeavour by ensuring that it places its exiting trainees in maritime-related industries. This will also benefit the SA Navy Reserve in the future through the skills and experience that these young men and women will acquire.

Within the context of our many achievements, the Department has continued to grapple with the complexities of transforming its logistic processes, and a number of initiatives have been embarked upon to optimise and align both the process and its interfaces with other associated organisational business processes.

The DOD was also faced with the challenge of reconfiguration of demographics in the middle management ranks of major to colonel. Through the introduction of the voluntary Mobility Exit Mechanism, this obstacle is gradually being addressed.

The training of pilots has also borne fruit at Langebaanweg Central Flying School, following the introduction of new trainers who have been added to the Langebaanweg personnel and also improved representivity figures among trainers.

It is important also to underscore the need to rise to the daunting challenge of ensuring that we have enough pilots in all categories to fly all our newly acquired aircraft. There is a definite need to accelerate our speed in acquiring new pilots. However, we have to be on guard against discarding our transformational goals while trying to reach the required numbers.

While we also qualified a sizable number of technicians, we experienced a high loss of experienced technical personnel to the commercial airliners. We need to continue to be innovative in introducing incentive schemes to retain our people instead of relying only on monetary improvements. One of the things we need to do is to re-examine ways in which we treat our personnel.

The financial year also saw implementation of decisive interventions to embrace gender mainstreaming within the Department, the outcomes of which will be registered and reported in the next financial year. However, there is still room for improvement, including the recruitment of quality young women into the MSDS, which will, in the long run, contribute to addressing this challenge.

Our reskilling programme for ex-combatants continues to bear fruit with a number of veterans having been trained through the National Skills Fund Support. We also had several government departments from all tiers coming on board with initiatives to support our efforts to deliver needed services, such as employment opportunities, housing and education to veterans. We expect to see a growth in these initiatives in the near future.

The dedication, loyalty and commitment of our men and women who serve our country are pivotal to the furthering of our strategic intent as a Department. We extend our considerable appreciation to all those who have so selflessly ensured that the year under review has been a notable success. I need to mention categorically that the Ministry consists of one integrated office. This report, therefore, represents the entire Ministry and touches on all activities that the Ministry undertakes.

The Ministry and the Department remains committed to protecting the integrity of the territory, its people and borders through diplomacy as well as fast tracking the establishment of African Standby Force for the SADC region, a strategy to resiliently promote the philosophy of collective defence as a means to resolve conflict within the SADC region. The Ministry and the Department will within the available resources, address the challenges presented by South Africa's assumption of the non-permanent seat in the Security Council in pursuit of further strengthening compliance with international law.

The Ministry will garner all the support possible to realise the requisite funds to prioritise the modernisation of the landward defence capabilities as part of its affirmation of core business while creatively dealing with the misalignment between the defence policy and resource allocation through securing Cabinet approval of the Update of the White Paper (1996) and the Defence Review (1998) and the aggressive implementation thereof.

In conclusion, I wish to acknowledge and thank the Deputy Minister for all his efforts throughout and for the collaborative manner in which we have conducted the business of the Ministry. We would not have progressed if it were not for the support and advice we have received from the management of the Department under the leadership of the Secretary for Defence working in close collaboration with the Chief of the South African National Defence Force (CSANDF).



M.G.P. LEKOTA
MINISTER OF DEFENCE







STRATEGIC OVERVIEW OF THE DEPARTMENT OF DEFENCE BY THE SECRETARY FOR DEFENCE (AS HEAD OF DEPARTMENT AND ACCOUNTING OFFICER) AND THE CHIEF OF THE SOUTH AFRICAN NATIONAL DEFENCE FORCE (AS COMMANDER)

The key focus for the DOD has remained the provision, preparation and employment of defence capabilities commensurate with the needs of South Africa, as regulated by the Constitution, national legislation, and parliamentary and executive direction.

Pivotal to the above, good governance and accountability is critical to ensure effective, efficient and transparent reporting. The DOD Annual report for the FY2006/07 provides comprehensive feedback to the people of South Africa on the achievements of specific measurable objectives as contained in the Estimate of National Expenditure and the Department's Strategic Business Plan for the FY2006/07 to the FY2008/09.

The Governance process has been significantly informed by ministerial guidelines addressing the domains of, inter alia, enhancement and maintenance of comprehensive defence capabilities, promotion of peace, security and stability in the region, consolidation of initiatives within the Southern African Development Community (SADC), rendering support to the people of South Africa, rendering of Defence cooperation and assistance.

Effective resource management predicated the enhancement and maintenance of comprehensive defence capabilities, with specific reference to human resources and equipment. Across this

period the Department has directed particular focus at the realisation of its Human Resource Strategy 2010. Furthermore, the sustained integration of the strategic defence packages has continued to address the modernisation of defence equipment to ensure compliance with Constitutional imperatives in order to improve maritime and air defence capabilities, with the renewal and upgrading of landward capabilities being addressed within the parameters of the medium-term expenditure framework. The SANDF has made significant progress in implementing the 'One Force' concept whereby regulars and reserves were deployed as an integrated force component.

The promotion of regional peace and security has continued to enjoy considerable status and a special tribute was paid by the AU's Head of Mission, Francisco Madera, commended our forces for the professional manner in which they performed their duties during the presidential election in the Union of the Comoros in May 2006. The DOD therefore has remained involved in supporting governmental diplomatic initiatives in support of internationally mandated peace support operations. Most notably the DOD was involved in peace support operations and provided assistance in disaster relief such as the ammunition explosion in Mozambique.

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Efforts to establish and implement the African Standby Force for the SADC region gained momentum as preparations for the launching of the SADC BRIG in 2007 commenced in Zambia in all earnest. In keeping with the philosophy of collective defence, it is envisaged that the SADC BRIG will support the resolution of conflict in a collective manner within the Southern African region.

Furthermore, in furthering our regional relations the 5th African Women's Peace Table Seminar was held in November 2006. This historic conference saw senior women officers serving in the defence forces of SADC countries come together to emphasise the need for women to engage in key defence roles.

With regards to defence diplomacy and increased support to government's diplomatic initiatives, the year under review saw increased defence diplomatic representation, as seven new defence missions were opened. Altogether, there is defence representation in 31 countries, of which more than half are defence missions in Africa.

Training remained a priority. During 2006 the SA Navy and SA Air Force participated in combined force training exercises. The SA Army conducted Exercise SEBOKA, which evaluated the conventional capabilities of the force. Through Exercise SEBOKA the Military Skills Development System (MSDS) members were put through rigorous evaluation procedures and met the standards, thus consolidating the formative stages of the human resources rejuvenation programme.

On the homefront, support to the people of South Africa was provided in the Western Cape for bird flu and in the Eastern Cape for swine fever and the SANDF has continued to ensure internal support to the people of South Africa by exercising borderline control and rural safeguarding in support of the SA Police Service.

With regards to performance management, we remain committed to empower the governing bodies of the Department in their strategic decision-making processes by means of a key initiative, the Balanced Scorecard (BSC) methodology, which was adopted as the foundation for performance measurement. A pilot sample has been concluded and a further roll-out will be underway in the next financial year.

Finally, as the Department, we would like to express our thanks to all organs of state that have provided support to the Department, in various forms by ensuring that the necessary resources are mobilised, utilised and accounted for in a manner that promote internal, external and allocative efficiency.

We want to specifically thank the parliamentary oversight structures, that continually and tirelessly interact with the Department to further deepen our commitment to our military objectives and to beat the drum of accelerated service delivery harder and louder.

Further, a word of appreciation goes to the Audit Committee, the National Treasury and the Office of Auditor-General, for providing professional expert advice and support to further strengthen accountability competencies of the Department to ensure that allocated funds are utilised in an efficient, effective, economic and equitable manner.

Sincere gratitude goes to the Honourable Minister of Defence, Mr Mosiuoa Lekota, the Honourable Deputy Minister of Defence, Mr Mluleki George, for their sustained and integrated leadership and command.

We extend our considerable appreciation to the DOD leadership, uniformed and Public Service Act Personnel (PSAP) members of the DOD who worked effortlessly in support of our collective vision as well as to the men and women of South Africa who tirelessly and resiliently offer their services to ensure the existence of national, regional and global sustainable peace and security through participation in peacekeeping missions.

Finally, we want to recommit to the South African citizens that the Department of Defence will resiliently embrace the Government's concerted effort of deepening the African Agenda. The Department will continue to raise its public image as an organ of state that "serves, belongs and cares" and as such an employer of choice.



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

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

INFORMATION ON THE MINISTRY

INSTITUTIONS REPORTING TO THE EXECUTIVE AUTHORITY

The following institutions report to the Minister of Defence:

- The Department of Defence (DOD).
- The Armaments Corporation of South Africa (Armscor).
- The National Conventional Arms Control Committee (NCACC).
- The Castle Control Board.

BILLS SUBMITTED TO THE LEGISLATURE DURING THE FINANCIAL YEAR

Prohibition or Restriction Of Certain Conventional Weapons Bill.

MINISTER LEKOTA'S VISITS ABROAD IN THE FY2006/07

The Minister of Defence and the Deputy Minister of Defence were engaged in a number of defence-related diplomatic activities involving the DOD. Details of the Minister of Defence's visits abroad are reflected in Table 1.1. The Deputy Minister of Defence's visits abroad are reflected in Table 1.2.

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Table 1.1: Minister's Visits Abroad in the FY2006/07

<i>Date</i>	<i>Country</i>	<i>Purpose</i>
20-21 April 2006	Côte d'Ivoire, Abidjan	Attending the International Working Group and follow-up on the preparations for the elections.
10-11 May 2006	Central African Republic and DRC	To conduct an on-site assessment of the situation and to consult with the authorities in the DRC
20-25 May 2006	London	Attending the SA/UK Bilateral Forum
12-15 June 2006	Turkey	To establish a formal relationship between ministries of the two countries
23-24 June 2006	Côte d'Ivoire, Abidjan	Attending an assignment on behalf of the Minister of Foreign Affairs
31 Jul-02 August 2006	Côte d'Ivoire	Attending to political issues relating to the country's transition on behalf of the President
21-24 August 2006	Belgium, Brussels	To have bilateral discussion with his counterpart
15 September 2006	DRC	Handover ceremony of the Rumangabo Camp to the Ministry of the National Defence of the DRC in terms of Operation Teutonic
25-27 September 2006	Côte d'Ivoire	To accompany the President
10-13 October 2006	Chile	To sign agreement on defence cooperation between our countries
16-17 October 2006	Ethiopia, Addis Ababa	To accompany the President
01-02 November 2006	Gabon	To sign a Cooperation Agreement between RSA and Gabon
22-24 November 2006	Zimbabwe	Attend the SA/Zimbabwe Defence Committee meeting
03 December 2006	CAR	Appraise the military situation in the area in the light of the threat from the rebel movements in the area
12-13 December 2006	Burundi and DRC	To conduct a goodwill visit to the deployed troops in Burundi and DRC
27-31 January 2007	India	To discuss issues pertaining to the bilateral and trilateral relationship
15 February 2007	Lesotho, Maseru	Instructed by the President of the Republic to meet with the Deputy Prime Minister of Lesotho to discuss issues relating to the upcoming elections.
13-14 March 2007	Saudi Arabia	To accompany the President

Table 1.2: Deputy Minister of Defence's Visits Abroad during the FY2006/07

<i>Date</i>	<i>Country</i>	<i>Purpose</i>
10-16 June 2006	USA	RSA-USA Defence Committee meeting
14-19 July 2006	France	90th Commemoration of the Battle of Delville Wood
July-August 2006	DRC	Leader of SA Observer Mission for the DRC Elections
October-November 2006	DRC	Leader of SA Observer Mission for the DRC Elections
19-27 October 2006	France	To attend a conference on military veterans
27 January 2007	Mozambique	To hand over equipment to the Defence Force
12-16 March 2007	Germany	To attend the commissioning of the SAS MODJADJI and SAS CHARLOTTE MAXEKE

Chapter One

STRATEGIC DIRECTION

INTRODUCTION

The Annual Report of the Department of Defence (DOD) for the FY2006/07 provides a comprehensive feedback to the public regarding the achievement of specific measurable objectives as contained in the Estimate of National Expenditure and the DOD Strategic Business Plan for the FY2006/07 to the FY2008/09 as tabled in Parliament in March 2006. Within the various Cabinet clusters, the DOD pursued the following outcomes:

- Peace, stability and security on the continent, advanced through the support to multinational organisations such as the United Nations (UN), the African Union (AU) and the Southern African Development Community (SADC);
- Strategic defence cooperation advanced by defence diplomacy;
- Broadening access to economic participation and investment within the defence-related industry and Strategic Defence Packages (SDP);
- Internal security; and
- Rejuvenation of the South African National Defence Force (SANDF) in its contribution to

the national objectives of youth development, job creation and alleviation of poverty, as well as reduction of unemployment through the Military Skills Development System (MSDS).

The DOD outcomes have been fully aligned with Government policy to enhance national, regional and global security through the existence of combat-ready, as well as deployable defence capabilities. Through force preparation exercises, the SANDF ensures the enhancement and maintenance of current capabilities. These exercises are key to combat preparedness. Furthermore, the integration of strategic defence packages ensures the modernisation of defence equipment to ensure compliance with constitutional imperatives and improve landward, maritime and air operational defence capabilities. Although modernising of our landward defence capability was not included in the SDP, the extensive and continuous deployment of such equipment in peace missions over the last few years has necessitated that the renewal and upgrading of particularly the vehicle fleet and reserve ammunition of the Army be undertaken. Additional funds have constantly been allocated to address and take this requirement into the future.

The DOD continues to fulfil its constitu-

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tional mandate whilst rendering extensive support to the enhancement of foreign policy through peace mission deployment, disaster and humanitarian support on the continent and strengthening solidarity in the region. These activities contributed towards the continuing stabilisation and normalisation of countries that are in support of NEPAD, AU and SADC activities, among them the Democratic Republic of the Congo (DRC), Burundi, the Sudan, Côte d'Ivoire, Ethiopia, Eritrea and the Comoros.

In pursuit of global peace and security, sound defence relations with countries were strengthened through an increase in defence representation at missions. Our defence attachés have become key instruments in defence diplomacy and building South African defence relations abroad. In meeting its internal obligations the DOD continued to support the people of South Africa through support to various Government departments and improving life of poor and vulnerable communities. Various missions in cooperation with the SA Police Service (SAPS) were conducted with the emphasis on borderline control and rural safeguarding operations. The disengagement from internal operations (borderline control and rural safeguarding) in support of the Department of Safety and Security continued according to a phased disengagement plan.

The DOD continues with the rejuvenation of the SANDF and its contribution to national objectives of youth development, job creation, alleviation of poverty and reduction of unemployment through the two-year voluntary service of MSDS which is driven by two imperatives, namely to enhance the operational readiness of the SANDF by rejuvenating its human resource composition, and to grant empowerment opportunities to the youth. Sustainable successes have been attained in respect of both imperatives.

Although the DOD, in the execution of its mandate, was confronted with numerous challenges that had severe effects on its constrained budget allocation, it continuously demonstrated its commitment, willingness and capability to comply effectively and professionally with all demands for international deployment, whilst ensuring the safety of people. This was done by the SANDF in pursuit of the Defence Strategy and the Military Strategic Objectives.

STRATEGIC PROFILE

LEGISLATIVE MANDATE

The DOD derives its constitutional mandate from section 200(2) of the Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996). Giving substance to this constitutional mandate is the Defence Act, 2002 (Act No 42 of 2002), the White Paper on Defence, 1996, Defence Review, 1998 and other national legislations that guide the execution of the defence strategy of the DOD.

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.

DEPARTMENTAL VALUES

The value system of the DOD is based on individual values, codes of conduct and unit cohesion.

Individual Values. The DOD has identified seven important individual values deemed essential to ensure organisational success. These are:

- patriotism;
- loyalty;
- human dignity;
- professionalism;
- integrity;
- leadership; and
- accountability.

ALIGNMENT WITH CABINET AND CLUSTER PRIORITIES

In pursuit of providing defence to South Africa, its territorial integrity and its people, the DOD ensures alignment of its priorities with Government priorities through its planning framework, as well as through its operations. The DOD planning framework is located within the Government's planning framework. The outcomes of the Lekgotla, articulated through the State of the Nation Address and the Budget Vote, serve as the basis for the development of the responsiveness trajectory articulated by the DOD through the Minister's priorities and guidelines. This trajectory is further expanded through the Minister's work session, which provides the broad policies and guidelines and the DOD work session, which provides specific objectives for the DOD. These objectives relate to how the DOD, within the context of Government objectives, will meet its constitutional mandate. The DOD objectives are translated further into specific outputs for the Defence Secretariat and the Chief of the SANDF. These outputs guide the plans, as well as the scope and scale of operations of the Services and Divisions.

The determinant clusters for the operational work and functions of the DOD are the International Relations, Peace and Security (IRPS) cluster, Justice, Crime Prevention and Safety (JCPS) cluster, Governance and Administration (G&A) cluster, and the Economic cluster.

The strategic plan of the DOD therefore makes provision for meeting such objectives and contributing towards the achievement of Government priorities articulated through these clusters.

The IRPS cluster is charged with the implementation of the African Agenda, NEPAD, as well as strategic activities pertaining to peace and security in the region and on the continent. Engagements within the UN, AU and SADC are coordinated, and economic regimes are collaboratively explored through this cluster.

Participation within this cluster accords the DOD an opportunity to provide direction and support to the realisation of the African agenda, the policy to guide international engagements, intensification of work to finalise the peace and security architecture of the AU, especially around the African Standby Force and the South African Development Community Brigade (SADCBRIG), as well as the challenges presented by the two-year, non-permanent membership of the United Nations Security Council (UNSC).

In addition, the DOD is participating in setting up the Maritime cluster as part of its mandate to protect the country, its people and the environment. This initiative is aimed primarily at optimising our resources along our extensive coastline and covering its full length.

The JCPS cluster addresses improving the integrated justice system, upholding national security, combating crime and managing major events. Specific DOD responsibilities located within this cluster include borderline patrol, joint crime combating operations, rural safety and the revision of the Foreign Military Assistance Act. Of particular note is the coordination of security during national events, inter alia the FIFA 2010 World Cup Tournament.

The G&A cluster has the mandate to improve efficiency and effectiveness within the Public Service through capacity building, service delivery, governance, as well as Government-wide monitoring and evaluation. The DOD contributes to the priorities of Government located within this cluster through the institutionalisation of Batho Pele principles, providing the necessary skills to young adults through the Military Skills Development System (MSDS), as well as improving achievement in Mathematics and Science through the Youth Foundation Programme. Within the DOD context, this includes the institutionalisation of Batho Pele principles and contribution to skills revolution agenda. Specifically during this period, the DOD has intensified its cooperation with the National Youth Service and provided guidance and national security.

The Economic cluster is charged primarily with widening access to, and maximising economic participation and investment within the first and second economies, as well as monitoring progress made with regard to ASGI-SA and infrastructure development projects. Within the DOD context, this cluster entails integration and location of policy

initiatives that relate to defence industry within the broader, Government-wide National Industrial Participation Policy and Strategy.

It is through initiatives within clusters that the DOD, in collaboration with other organs of State, has provided support to widen access to economic participation and investment within the second economy, whilst providing support to its people in pursuit of social cohesion, sustainable national, regional and continental peace, security and stability. The allocated resources have been strategically utilised to fulfil both the DOD priorities located within the Government Programme of Action and the distinctive DOD priorities.

DEFENCE OUTCOME

The DOD delivers all the outputs that are specified in the FY2006/07 Strategic Business Plan, in cooperation with other State departments, to achieve the following outcome:

'Effective defence for a democratic South Africa'

This outcome enhances national, regional and global security through the existence of defence capabilities that are balanced, modern, affordable and technologically advanced. The DOD has consciously decided that its vision and defence outcome should be identical.

OBJECTIVES OF THE MINISTER OF DEFENCE

During the FY2006/07, the objective of the Minister of Defence was to ensure the achievement of the mission of the Department through the execution of both the primary and secondary functions of the DOD. Furthermore the following goals were underscored:

- Defending and protecting the sovereignty and territorial integrity of the Republic, as well as supporting its people by maintaining cost-effective defence capabilities in order to be prepared and equipped to participate in operations as ordered and funded by Government.
- Contributing to global security through promotion of regional and continental security and Government diplomatic initiatives through regional and global defence cooperation and participation in peace missions.
- Ensuring good governance of the DOD through effective, efficient and economical management, administration and accounting within the regulatory framework and Government policy.
- Ensuring continuous improvement of defence capabilities by means of quality command and control, developing the people and improving the equipment and facilities of the DOD.



- Implementing the 'One Force' concept by adequately resourcing and utilising both the regular and the reserve components, as well as rejuvenating and rightsizing the human resource composition of the DOD.

STRATEGIC FOCUS

Over the next decade, the DOD will focus on acquiring the optimal level of competencies, technology and organisational structure as allowed for by the Medium-term Expenditure Framework (MTEF) allocation.

Over the medium term, the strategic focus of the DOD will be to

- create an affordable and sustainable force design and structure;
- introduce the new weapon systems into operation, bearing in mind the challenges posed by its cost and complexity;
- meet the approved and funded obligations of the DOD;
- provide support for diplomatic initiatives of the Government in Africa;
- promote regional security in the form of peace missions, including post-conflict reconstruction; and
- reduce systematically the internal deployments of the SANDF, which are to be completed by 1 April 2009.

The short-term focus of the DOD will be on

- preparing defence capabilities;
- employing defence capabilities to meet operations and commitments ordered by Government; and
- the restructuring of the DOD.

DEFENCE STRATEGIC OBJECTIVES

The success of the transformation of the DOD is measured through the following strategic objectives, which relate to the mission:

- The execution of defence commitments as ordered and funded by Government;
- The provision of contingency-ready and cost-effective defence capabilities as specified by approved policy;
- Sound management of the Department;
- The administration of the DOD within the pre-prescripts of the law, regulatory framework and Government policy;
- The assurance of sustainability, continuous

improvement of output quality and the reduction of the cost of DOD processes, as well as the accounting thereof;

- The assurance of the continuous quality improvement of people in the DOD;
- The assurance of quality command and management information in the DOD; and
- The assurance of continuous quality improvement of DOD equipment and facilities.

The strategic objectives have been analysed and the key duties and responsibilities necessary to ensure their achievement has been allocated to senior leaders and managers of the DOD. These strategic objectives are also reflected in their performance agreements, as well as their strategic business plans that include the in-year planning. These objectives are pursued through the Defence Secretariat and the SANDF.

DEFENCE OUTPUTS

The contribution the DOD makes to endeavours by the Government regarding the promotion of national, continental and international peace, security and stability is planned, evaluated and monitored through the following outputs:

- Defence commitments, which include:
 - operations that are ongoing in nature, and for which plans and financial provision can be made in advance;
 - operations that must be executed during the year and, if unforeseeable, for which no provision has been made; and
 - joint and multinational exercises required to prepare forces for operations.
- Landward Defence capabilities;
- Air Defence capabilities;
- Maritime Defence capabilities;
- Military Health capabilities;
- Defence Diplomacy, which includes defence attachés, the servicing of defence-related memoranda of understanding (MOUs) and participation in defence structures of the UN, the AU and SADC;
- The servicing of international agreements, which include search-and-rescue operations, hydrographic service, defence-related policy advice and ministerial services;
- Cryptographic security services for Government departments; and
- The National Codification Bureau.

POLICY DEVELOPMENTS

Cluster Munitions as a Valid Weapon of War. The DOD has determined a policy position, aligned to many other countries, to the effect that cluster munitions remain a valid weapon of war despite the contentious nature of the weapon where unreliable weapons have been mis-used/used in armed conflict by various countries around the world. The key aspect in their acquisition and use is proper design and construction for reliable function and proper targeting in accordance with the laws of armed conflict. The Department of Foreign Affairs has been accordingly advised of this position to guide its dealings with the international community on the subject, which is being debated in the UN and in related multinational talks.

End-use Controls. Policy guidelines are being developed for ratification by the Defence Ministry to steer the DOD and Armscor towards the management and full life cycle tracking of controlled items imported, subject to end-use obligations as demanded by supplying governments and manufacturers.

LEGISLATIVE CHANGES

The Strategic Business Plan FY 2006/07 alluded to some legislative changes, which are reflected below. **Prohibition of Mercenary Activities and Regulation of Certain Assistance in a Country of Armed Conflict Bill.** The bill was passed by Parliament and is awaiting consent by the President.

National Conventional Arms Control Bill. Proposed

amendments to the National Conventional Arms Control Act have culminated in a draft bill, which will be referred to the NCACC for approval during the current financial year.

Prohibition or Restriction Of Certain Conventional Weapons Bill. The bill was finalised and certified by the State law advisors and is currently before Parliament for consideration.

SERVICES RENDERED

The services rendered by the DOD are detailed in Chapters 2 to 11.

DISCONTINUED SERVICES

Discontinued activities and those to be discontinued are described in Chapters 2 to 9.

NEW AND PROPOSED SERVICES

During the period under review no new services were reported.

LOSSES AND DAMAGES

The information regarding the nature and value of losses and damages to State assets will be covered in the detailed financial statements.

EVENTS AFTER THE ACCOUNTING DATE

No significant events are reported.



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PROGRAMME PERFORMANCE

VOTE 21

Details of the DOD voted funds are reflected in Table 1.1

Table 1.1: DOD Voted funds for the FY2006/07

R Thousand	2006/07	2007/08	2008/09
METF allocations of which:	23 830 105	24 665 776	25 733 754
Current payments	14 896 326	16 172 446	17 430 149
Transfers and subsidies	8 635 529	8 134 953	7 909 877
Payments for capital assets	298 250	358 377	393 728
Statutory amounts	-	-	-
Executive Authority	Minister of Defence		
Accounting Officer	Secretary for Defence		

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DEPARTMENT: DEFENCE

AIM OF THE VOTE

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

PROGRAMMES AND PURPOSES

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

Programme 1: Administration for the

purpose of conducting policy development, management and administration of the Department.

Programme 2: Landward Defence for the purpose of providing prepared and supported landward defence capabilities for the defence and protection of South Africa.

Programme 3: Air Defence for the purpose of providing prepared and supported air defence capabilities for the defence and protection of South Africa.

Programme 4: Maritime Defence for the purpose of providing prepared and supported maritime defence capabilities for



the defence and protection of South Africa.

Programme 5: Military Health Support for the purpose of providing prepared and supported medical combat support elements and other services.

Programme 6: Defence Intelligence for the purpose of providing a defence intelligence and counter-intelligence capability.

Programme 7: Joint Support for the purpose of providing joint support capabilities and services of the department.

Programme 8: Force Employment for the purpose of providing and manage defence capabilities, including an operational capability of successfully conduct all operations and joint and multinational military exercises.

Programme 9: Special Defence Account for the purpose of providing for special defence activities and purchases.

OVERVIEW OF THE SERVICE DELIVERY ENVIRONMENT FOR THE FY2006/07

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

COMMENT ON THE OVERALL PERFORMANCE OUTLINING KEY OUTPUTS OF THE DOD

The actual performance against plan is reported in Chapters 2 to 10.

REASONS FOR ADDITIONS TO OR VIREMENT BETWEEN MAIN APPROPRIATION ALLOCATIONS

ADDITIONS TO MAIN APPROPRIATION

The Defence Vote was increased by Rm72, 799 to Rb23, 902 904 through the Adjustments Vote for the following:

- Self-financing expenditure amounting to Rm72, 799 for the sale of equipment procured through
 - the General Defence Account: Rm16, 621; and
 - the Special Defence Account: Rm56, 178.

VIREMENTS

Virements by National Treasury (NT). NT approved the increase of compensation to employees by Rm146 0.

Virements Exercised by the Accounting Officer. The Accounting Officer approved the following virements:

- Accounting for expenditure in respect of the human resource support satellites to the correct programme after transformation.

- Correcting the accounting of foreign allowances under goods and services for peace support operations.
- Defraying expenditure accrued in respect of transfers to households.
- Effecting the approvals granted by the Plenary Defence Staff Council iro the Departmental Programming and Budget Committee, for example to provide funds for the shortfall in peace support operations (PSO), SITA tariff increases, etc.
- Defraying expenditure accrued iro Regional Council levies.
- Balancing the financial system the final expenditure.

REPORT ON ROLL-OVERS FROM THE FY2005/06

No claim was submitted for roll-overs for the FY2005/06 since there was no under-spending.

SIGNIFICANT DEVELOPMENTS EXTERNAL TO THE DOD THAT MAY HAVE IMPACTED EITHER ON THE DEMAND FOR THE SERVICES OF THE DOD OR THE ABILITY OF THE DOD TO DELIVER THOSE SERVICES

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

- **Operation CORDITE (The Sudan).** A shortfall of Rm35 resulting from the request by the AU to increase deployed personnel.
- **Operation MISTRAL (DRC).** A shortfall of Rm27 as a result of the request by the UN to redeploy aircraft from Burundi to the DRC.
- **Operation TRITON IV (The Comoros).** A shortfall of Rm12 as a consequence of the AU request to deploy additional personnel for the elections.
- **Operation CURRICULUM (Burundi VIP Protection).** A shortfall of Rm12 as a result of changing the deployment from a UN to an AU mission.

DEPARTMENTAL REVENUE, EXPENDITURE AND OTHER SPECIFIC TOPICS

The NT was requested to augment the Defence allocation through the adjustments budget process. The request was not entertained and Defence had to reprioritise within the allocation.

SOURCES OF REVENUE FOR THE FY2006/07

Details of sources of revenue for the FY2006/07 are reflected in Table 1.2.

Table I.2: Sources of Revenue for the FY2006/07

Economic Classification R'000	2003/04	2004/05	2005/06	2006/07	2006/07	% Deviation from Target
	Audited	Audited	Audited	Target	Actual	
Tax revenue	0	0	0	0	0	
Non-tax revenue						
Sales of goods and services other than capital assets						
Goods and services produced by the Department	185 524	278 527	95 152	326 891	111, 723	-65%
Sales of scrap, waste and other used current goods	232 423	144 495	137 642	123 103	63, 789	-48%
Fines, penalties and forfeits	6 618	2 122	2 448	2 564	2, 272	-12%
Interest, dividends and rent on land	833	398	337	398	813	52%
Financial transactions in assets and liabilities (recovery of loans and advances)	43 055	40 200	493 557	40 293	314, 195	88%
Sales of capital assets (Capital Revenue)	0	0	0	0	0	0
TOTAL DEPARTMENTAL RECEIPTS	468 453	465 742	729 136	493 249	492, 792	-0, 1%

DEPARTMENTAL EXPENDITURE FOR THE FY2006/07

Details of Departmental expenditure for the FY2006/07 are reflected in Table 1.3.

Table I.3: Departmental Expenditure for the FY2006/07

Programme	Vote R'000	Total Additional Appropriation R'000	Adjusted Appropriation R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000
Administration	1 759 149	0	1 759 149	52 752	1 811 901	1 753 818	58 083
Landward Defence	4 055 575	5 472	4 061 047	(69 725)	3 991 322	3 989 521	1 801
Air Defence	2 504 488	0	2 504 488	9 405	2 513 893	2 513 893	0
Maritime Defence	1 319 173	0	1 319 173	(7 333)	1 311 840	1 311 840	0
Military Health Support	1 683 822	0	1 683 822	20 285	1 704 107	1 704 107	0
Defence Intelligence	143 662	0	143 662	3 832	147 494	147 494	0
Joint Support	2 729 531	11 149	2 740 680	(69 136)	2 671 544	2 646 108	25 436
Force Employment	1 410 145	0	1 410 145	59 920	1 470 065	1 470 065	0
Special Defence Account	8 224 560	56 178	8 280 738	0	8 280 738	8 280 738	0
Total	23 830105	72 799	23 902 904	0	23 902 904	23 817 584	85 320

TRANSFER PAYMENTS FOR THE FY2006/07

Details of transfer payments for the FY2006/07 are reflected in Table 1.4.



Table I.4: Transfer Payments for the FY2006/07

Name of Institution	Estimated Expenditure	Amount Transferred
Special Defence Account	8 280 738 000	8 280 738 000
Armscor	396 285 521	396 285 521
Social Benefits	191 374 052	191 374 052
Safety and Security Sector Education and Training Authority (SASSETA)	7 932 736	7 720 333
Regional Services Councils	3 967 375	3 967 375
Reserve Force Council	2 726 173	2 500 000
Permanent Force Medical Continuation Fund	275 000	211 570
St John's Ambulance Brigade	50 000	39 904
Household Employer Social Benefits		
Total	8 635 528 978	8 826 658 755

CAPITAL INVESTMENT, MAINTENANCE AND ASSET MANAGEMENT PLAN

CAPITAL INVESTMENT

Details of projects currently in progress for the FY2006/07 are reflected in Table 1.5.

Table I.5: Projects Currently in Progress for the FY2006/07

Location	Project Description	Planned Completion Date
Bloemfontein	3 Military Hospital: Upgrading	2009/10
Bloemfontein	Military Police Agency: Convert building into female detention facility	2007/08
Bloemfontein	Air Force Base Bloemspruit: Upgrading of hard stands, parking areas and taxiways.	2007/08
Bredasdorp	Test Flight and Development Centre: New aircraft rinsing facility	2007/08
Simon' s Town	Construction of office block	2007/08
Langebaan	4 Special Forces Regiment: Construction of boat facility	2008/09
Simon's Town	SA Navy Ammunition depot: Upgrading of water system	2008/09
Jan Kempdorp	93 Ammunition Depot: Upgrading of buildings	2007/08
Lohattha	SA Army Combat Training Centre: Construction of new sickbay	2007/08
Murray Hill	Special Forces School: Construction of Urban Training Facility	2008/09

The National Department of Public Works (DPW) acts as service provider for the DOD and as such is in an advanced stage of appointing contractors to address the above-mentioned projects.

Plans to Close Down or Downgrade Current Facilities.

The DOD is in the process of handing back leased and State-owned facilities previously utilised by Army Territorial Reserve Units and Group Headquarters to DPW and has to complete this by 2009. These facilities are being transferred to the SAPS for further utilisation.

The Current State of the Capital Stock of the DOD.

Percentages to indicate poor, fair or good have not been scientifically investigated. Owing to the huge maintenance backlog, it would be reasonable to indicate that most of the capital stock is in a poor condition (80%) and

that 20% is in a fair to good condition.

Maintenance Backlog. The DOD utilises a large number of State facilities to provide the outputs necessary to fulfil its constitutional obligations. Many of these facilities no longer conform to either the functional or minimum requirements of the Occupational Health and Safety Act. The current maintenance backlog is estimated at Rb12. The DOD approached National Treasury to make funds available to address this backlog during and beyond the next MTEF period. Funds made available to the DOD during the next MTEF period are as follows:

- Financial year 2007/08: Rm330.
- Financial year 2008/09: Rm480.
- Financial year 2009/10: Rm480.

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

MAINTENANCE

An amount of Rm50 was available for infrastructure maintenance during the reporting period. The DOD spent an amount of Rm49,71 (99,42%). Both the available amount and the amount spent were not sufficient in terms of property norms. It should also be borne in mind that a huge maintenance backlog exists and needs to be addressed before a meaningful amount can be spent on normal preventative maintenance. The DOD requested an amount of Rm440 from NT to be utilised during the FY2006/07. The amount of Rm50 made available was not sufficient to address the maintenance backlog. Without

sufficient funds, the backlog increased and the rate of progress to eliminate the backlog is therefore not according to plan. The DOD again approached National Treasury and stressed the importance of making sufficient funds available to address this thorny issue. An amount of Rm330 was made available for the FY2007/08. This is again not enough to address the maintenance backlog effectively.

ASSET MANAGEMENT

Projects Carried Forward

Details of projects carried forward in the FY2007/08 are reflected in Table 1.6.

Table 1.6: Projects Carried Forward to the FY2007/08

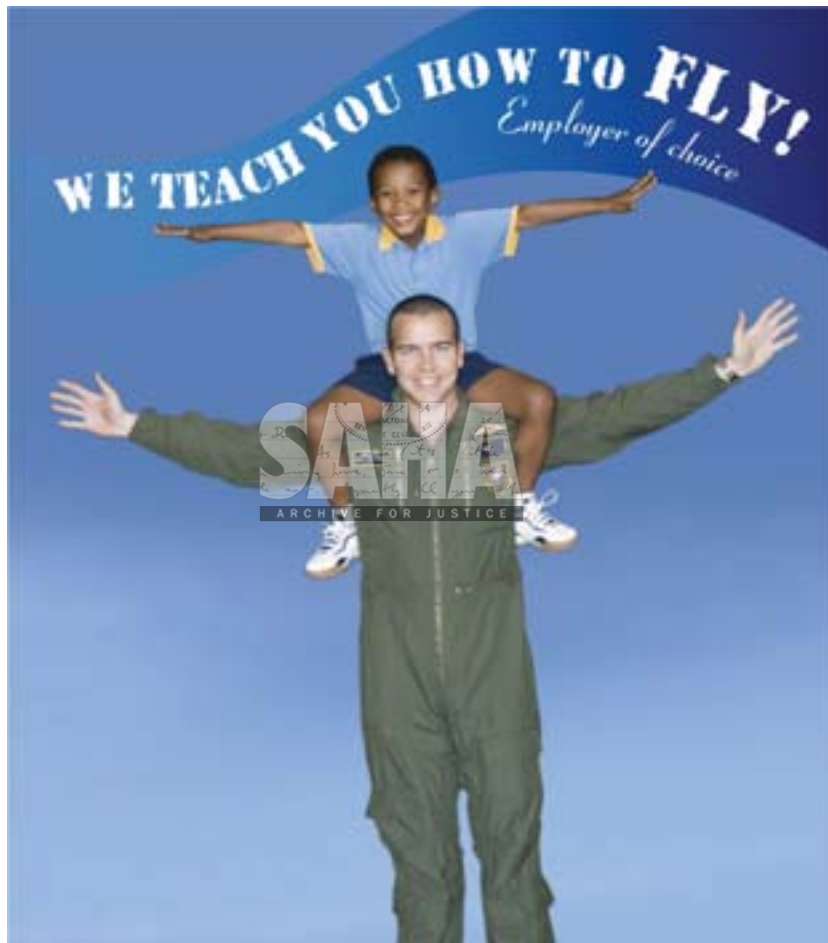
<i>Location</i>	<i>Project Description</i>	<i>Planned Completion Date</i>
Bloemfontein	3 Military Hospital: Upgrading	2009/10
Bloemfontein	Military Police Agency: Convert building into female detention facility	2007/08
Bloemfontein	Air Force Base Bloemspruit: Upgrading of hard stands, parking areas and taxiways.	2007/08
Bredasdorp	Test Flight and Development Centre: New aircraft rinsing facility	2007/08
Simon's Town	Construction of office block	2007/08
Langebaan	4 Special Forces Regiment: Construction of boat facility	2008/09
Simon's Town	SA Navy Ammunition Depot: Upgrading of water system	2008/09
Jan Kempdorp	93 Ammunition Depot: Upgrading of buildings	2007/08
Lohatla	SA Army Combat Training Centre: Construction of new sickbay	2007/08
Murray Hill	Special Forces School: Construction of Urban Training Facility	2008/09

New Projects

Details of projects that will commence in the FY2007/08 are reflected in Table 1.7.

Table 1.7: New Projects to Commence in the FY2007/08

<i>Location</i>	<i>Project Description</i>	<i>Planned Completion Date</i>
Bloemfontein	7 Mobilisation Centre: Tarring of access road	2007/08
Pretoria	1 Military Hospital: Upgrading of fire detection and prevention systems	2008/09
Phalaborwa	5 Special Forces Regiment: Construction of ammunition storage facility	2007/08
Pretoria	Wallmansthal: Erection of security fence	2007/08
Various Centres	Ramps for disabled personnel	2007/08



Chapter Two

PROGRAMME I - DEFENCE ADMINISTRATION

INTRODUCTION

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

Defence Administration provides services, which include issuing directives in the areas of political direction, which is the responsibility of the Minister of Defence. The Political direction is translated into the Departmental direction, which is the responsibility of the Secretary for Defence.

The following subprogrammes within the Defence Administration Programme fall within the responsibilities of the Secretary for Defence:

- Political Direction.
- Departmental Direction. *
- Government Information Technology Officer (GITO). *¹
- Policy and Planning. *²
- Financial Services. *
- Acquisition Services. *
- Inspections Services. *

The following subprogrammes within the Defence Administration Programme fall within the responsibilities of the SANDF:

- SANDF Command and Control.
- Corporate Staff Division:
 - Strategy and Planning Services.
 - Religious Services.
 - Corporate Communication.
 - Reserve Force Division.
 - Defence Foreign Relations.
- Human Resources Support Centre.⁴
- Property Management.⁵

¹ The Minister of Defence approved the establishment of the office of the GITO as a subprogramme on 17 January 2007.

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

³ The Minister of Defence approved the establishment of the Defence Legal Services Division on 3 October 2006, therefore the name changed from Military Legal Service to Defence Legal Service.

⁴ This subprogramme is reported in Chapter 9 under the Joint Support Programme.

⁵ This subprogramme is reported in Chapter 9 under the Joint Support Programme.

* Defence Secretariat.

a national
partnership
to build a
better life
for all

DEPARTMENT:
DEFENCE



PURPOSE

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

OUTPUTS

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

SUBPROGRAMME POLITICAL DIRECTION

OVERVIEW

The Minister of Defence has ensured that the mission of defending and protecting the sovereignty and the territorial integrity of Republic of South Africa as well as providing support to the people, has been fulfilled. This was done by maintaining cost effective defence capabilities, in order to be prepared and equipped to participate in operations as ordered and funded by government. The Minister's theme for the year under review was "are we ready". All Divisions and arms of Services were compelled to continually review their state of readiness. Where shortfalls were identified, these had to be addressed.

The period was also characterised by the implementation of the Minister's directive that a focused attention be given to the ongoing transformation of the Military Justice System, as well as the restructuring of the Department for

greater internal, external, allocative efficiency. The Minister of Defence in collaboration with the Minister of Public Enterprise gave direction to the Department on the transformation of the defence industry.

Contribution to global security was epitomised by The Minister of Defence's political direction to, and active participation in the peace processes in the Democratic Republic of the Congo, the peace process in Burundi and the Ivory Coast as well as provision of military observers in the Sudan, Ethiopia and Eritrea. Interventions pursued focused on further deepening democracy in Africa include the support provided to the elections in the Comoros, Madagascar and Lesotho.

The Minister of Defence is the Deputy Chair of the International Relations Peace and Security cluster of Cabinet. He also heads the South African Government delegation to the Inter State Defence and security Committee of the Southern African Development Community (SADC).

During the period under review the Minister paid working visits to a number of foreign Defence Ministers, thereby strengthening Government-to-Government relations in pursuit of peaceful and stable relations.

MEASURABLE OBJECTIVE

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

OUTPUT DETAIL

Details of Political Direction are reflected in Table 2.1.

Table 2.1: Output Details of Political Direction for the FY2006/07

Output	Performance Measure	Target	Actual Achievement
Political direction to the DOD	Translation of the Government's Programme of Action and Cabinet ' resolution into priorities and planning guidelines of the DOD	DOD Implementation of Minister's guidelines issued in September 2004	The realisation of the Minister's priorities issued in September 2004 for FY2006/07. Ensured that the DOD complied with national legislation and Government regulations and the ensuing imperatives as well as provided capacity for the Secretary for Defence and the Chief of the SANDF to discharge their statutory responsibilities. The Minister of Defence's work session held during the period under review. Parliamentary oversight was provided to intensify measures to ensure civil control. Departmental governance and accountability were institutionalised and improved. Planning guidelines were issued to the Department.
Defence policy advice to the Government	Policy updates, inputs and proposals to the Cabinet Makgotla, Portfolio Committee on Defence and Parliament	Finalisation of the White Paper on Defence as well as the Defence Review (Defence Update). Reports to the Minister on foreign visits to countries as specified in the DOD schedule on bilateral defence commitments	Provided strategic direction on the finalisation of the White Paper on Defence as well as the Defence Review (Defence Update). The Minister signed a Ministerial Directive (MODD.00002/2007) on 'South African National Defence Force Deployment Authorisation in Fulfilment of an International Obligation' on 27 February 2007. The Directive provided instructions and guidelines on the national approval process for the SANDF for all deployments. Reports on foreign visits were submitted as scheduled.

SUBPROGRAMME DEPARTMENTAL DIRECTION

OVERVIEW

During the period under review, the guidelines issued by the Minister of Defence were analysed and translated into clear DOD deliverables. Alignment of DOD priorities, plans and programmes, processes with broad Government priorities, trajectory, strategies and plans featured prominently during the interrogation and optimisation of DOD funding priorities which were subsequently submitted to the National Treasury for consideration during the MTEC hearings. Further support was solicited for funding of DOD shortfalls and options through engagements within the determinant clusters, notably the Justice, Crime Prevention, Peace and Security (JCPS) cluster. The Secretary for Defence spearheaded the implementation of systemic performance improvement measures in order to institutionalise economic, efficient, effective and equitable mobilisation and utilisation of resources thus optimising compliance with government prescripts. This decisive intervention assisted in the refocusing of the DOD activities to be in line with the DOD Strategic objectives.

Extensive progress was made in realising the Minister's directive on the transformation of the DOD to provide for optimal functionality. The Secretary for Defence has continually ensured alignment of the vision, mission and tasks of the DOD through the realisation of its mission statement. The DOD's strategy and plans are aligned to other broad strategies, programmes and the Government's objectives as set from time to time. Further efficient and effective utilisation of information and information technology as a strategic resource within the DOD has been profiled on a continuing basis. Lastly the planning, coordination and control of the operation of the Office of the Secretary for Defence has been executed within the principles of sound governance as articulated in the applicable Government policies and regulatory frameworks.

These activities were all executed within the allocated budget. Further institutionalisation of good governance within the DOD has been pursued through effective, efficient and economical management, administration and accounting located within the evolving regulatory framework and Government policy.

MEASURABLE OBJECTIVE

To provide departmental direction to the DOD to ensure the effective, efficient and proper conduct of defence activities in accordance with legislation and policy.

OUTPUT DETAIL

Details of Departmental Direction outputs are reflected in Table 2.2.

SUBPROGRAMME GOVERNMENT INFORMATION TECHNOLOGY OFFICER

OVERVIEW

The strategic objectives guiding the functioning of the Office of the GITO were managed in terms of the strategic business plan for the GITO approved for the FY2006/07.

The following results were achieved and will form the basis of continuing the work of the GITO with the emphasis on implementation and the realisation of improved strategic objectives:

- The GITO Office is fully capacitated with the appointment of the Director Enterprise Information Systems. The process of staffing is currently ongoing and will be finalised in June 2007.
- The Departmental Enterprise Information Systems (DEIS) Strategic Direction was formalised and approved and the DEIS Master Plan is now in the final stages of approval. This will guide the optimisation of the DEIS towards approved Defence objectives and requirements.

Table 2.2: Output Details of the Departmental Direction for the FY2006/07

Output	Performance Measure	Target	Actual Achievement
Defence policy advice to the Minister of Defence	Defence policies aligned with Government priorities; inputs to Budget Speech; inputs to Cabinet Makgotla	The Directorate Parliamentary Services in the Office of the Secretary for Defence must be strengthened to improve coordination of advice to the Minister and Parliament	Partial achievement. Directorate Integrated Management Systems (DIMS) undertook a work study and the proposed structure included the creation of a Chief Director Post, which is still under revision.
Departmental direction to the DOD	Analysed Minister of Defence's guidelines to the DOD 's Senior officials	Strengthen the Office of the Secretary for Defence with specialised personnel to enable proper coordination of DOD projects	Partial achievement. A work study was undertaken by DIMS and the proposed structure included the creation of a Chief Director Post, which is still under revision.

- The planning to fully review the DEIS-related regulatory framework was completed and the Review Plan is awaiting approval.
- The DOD is actively pursuing increased involvement in the GITO Council and other mechanisms

of the Government and Industry to ensure structured and focused participation.

OUTPUT DETAIL

Details of the GITO outputs are reflected in Table 2.3.

Table 2.3: GITO Output Detail for the FY2006/07

Output	Performance Measure	Target	Actual Achievement
DOD Information Strategy: DEIS Framework; DICTA	Sufficient knowledge transfer from GITO to DEIS GITO's role in the departmental management framework	Review and improve DEIS Strategic Direction for the DOD to implement appropriate management arrangements and mechanisms to ensure performance and compliance with the policy and strategic direction of the DOD.	Integration of comprehensive DEIS Regulatory Framework requirement in DEIS Master Plan and minor updates in current Version (2). Completed CMIS Regulatory Framework (Version 1) by the end of April 2006 to support the CMIS Policy Development and Maintenance Plan.
		Establish the roles, responsibility and participation whilst ensuring clarification of utility	Target partially achieved. The DOD CMIS Policy Development and Maintenance Plan is under continuous revision. Reviewed the 05/06 DOD ICS Policy and Maintenance Plan - Issued DOD Implementation Instruction 46/06 to migrate the ICS Policy Development and Maintenance plan to the area of the functional area specialists.

PERFORMANCE AND SERVICE DELIVERY IMPROVEMENT

Details of performance and service delivery of the GITO are reflected in Table 2.4.

Table 2.4: GITO Performance and Service Delivery Improvement for the FY2006/07

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement	Reason for Deviation
Aligning the ICS Planning with the departmental planning and that of the Government.	Synchronise the DOD's ICS strategic management processes of the DOD and the Government	Synchronisation with DOD Strategic Planning and Government initiatives	Ongoing	Attendance and participation in the Strategic Planning sessions of the DOD and those of e-Government.	
The investigation of an initiative to help populate the DEIS Regulatory Framework and support all other DOD stakeholders with a Governance Meta Model through the DEIS Master Plan.	Request the activation of the DEIS Master Plan to update the DEIS Regulatory Framework [a project to use external resources as part of the solution]	Compliance with governance and an excellent integrated performance management model.	In plan	Second presentation in respect of the development of a Meta Model for Governance that could support the request by the DOD.	Lack of DOD Regulatory Framework development process that could support the DEIS Regulatory Framework development process.
The implementation of a new Integrated ICS Policy Development and Maintenance Plan on level 3 by May 2007 Functional area specialist involvement (Determine the requirement of new or urgent CMIS policy to be developed.)	Formulate new ICS Policy Requirements and issue new DOD ICS implementation guidelines to the CMIS Division, System integrator with functional area specialist involvement.	Progress to a workable DOD ICS Policy Development and Maintenance Plan.	Ongoing	Well-defined and executable ICS Policy Development and Maintenance Plan.	Poor involvement of policy writers and team leaders (functional area specialists) to write and review ICS policies as tasked - serious shortage of resources.

SUBPROGRAMME SANDF COMMAND AND CONTROL

The Chief of the SANDF executes command and control over the SANDF through this subprogramme. The Chief of the SANDF has the ultimate responsibility of providing strategic direction to the SANDF in preparing capabilities and ensuring the operational efficiency and effectiveness

of the SANDF during military operations and exercises.

MEASURABLE OBJECTIVE

To provide command and control for the SANDF.

OUTPUT DETAIL

Details of the SANDF Command and Control are shown in Table 2.5.

Table 2.5: SANDF Command and Control Outputs for the FY2006/07

Output	Performance Measure	Target	Actual Achievement	
Military policy advice to the Minister of Defence Strategic direction to the SANDF	Quality of military advice	Full client satisfaction	The target was fully achieved. The Chief of the SANDF provided advice on military matters as required.	
	Operational readiness of the SANDF	Readiness maintained in accordance with the force employment guidelines through the Military Command Council	Through Military Command Council meetings, the Chief of the SANDF directed the maintenance of readiness in accordance with force employment guidelines. The SANDF could comply with meeting readiness levels for peace support operations as well as internal deployments in support of the SAPS and other State departments. Force preparation for comprehensive defence capabilities continued by means of service-unique joint and multinational military exercises. See detailed reports in Chapters 2 to 8.	
	Degree of success of ordered operations	Operations conducted successfully	This objective was successfully achieved. Deployment of mission-ready SANDF forces in compliance with the regulatory framework took place as ordered and within the time frame. The SANDF deployed more than 3 000 members on peacekeeping operations. The AU for excellent support commended the SANDF during the elections in the Comoros. President Mbeki praised the SANDF for excellent performance during deployments.	
	The degree to which the allocated resources satisfied achievement of planned force levels and readiness states	Maintenance of force structure and design	Force design and force structure were maintained at a level that met operational requirements. Resource requirement and expectations of the Government exceeded actual resources. Supported by a multidivisional Force Design/Force Structure Work Group, the Chief of the SANDF and members of the Military Command Council deliberated on the capability requirement and sustainability of the SANDF. A 'viable' force design was accepted as the strategic way forward. The SANDF resource requirements were made visible to the Secretary for Defence and the Minister of Defence.	
	Degree of sustainability of the SANDF	Resource allocation in terms of force deployment requirements and status of readiness required		The degree of sustainability of SANDF capabilities is demonstrated by the approach of the DOD to selectively engage military resources during the conduct of operations in support of peace missions. The DOD has reached a situation where military capabilities required for peace missions are approaching subcritical levels of sustainment.
		100% attendance at the Forum of South African Directors General (FOSAD) and Cluster meetings		The Chief of the SANDF or his representative attended all FOSAD and cluster meetings. Departmental activities, originating from FOSAD and cluster meetings were incorporated into the DOD Strategic Business Plan.
Pledges towards the African Standby Force plans completed			The African Standby Force, through its regional enabling mechanism, SADC BRIG, determines that pledges are regularly updated. The DOD has, in preparation for the launch of the SADC BRIG during the 2007 SADC Summit in Lusaka, verified and submitted its pledge.	



SUBPROGRAMME POLICY AND PLANNING

OVERVIEW

During the period under review, the Policy and Planning Division provided defence policy, strategy, plans and departmental instructions for the DOD that are fully aligned with Government policy and defence needs of South Africa.

Subprogramme Policy and Planning has piloted many ideas, management planning and institutionalisation of quality promotion processes. Various interventions that were aimed at improving the quality of reporting were introduced. This involved monitoring and evaluation, which focussed on a multipronged approach to ensure a qualification-free audit.

Policy and Planning provides administrative support and professional advice to the Secretary for Defence on matters relating to prudent development of strategic plans and the accounting thereof. The subprogramme rendered policy advice to the Department, as well as drafted, negotiated, and concluded bilateral and multilateral defence agreements with other states. It was also in the process of developing operations policy and monitoring implementations so that the SANDF could ensure operational deployment that is consistent with existing and merging policies. Research and analytical support to defence poli-

cy and planning activities have been provided during the period under review.

The Division was actively involved in all work groups under the DOD Development Steering Committee for the restructuring of Human Resources, Defence Matériel, Defence Foreign Relations, Inspector General DOD, Military Police Agency, Policy Strategy and Planning, Finance Management Division, Service Corps, Head of Communication, Office of the Secretary for Defence, Information Liaison Office, Chief of Defence Staff and Chaplain General. All reports with the aforementioned entities have been completed and submitted for approval. Three reports have already been approved by the Minister of Defence and implemented on the Structure Management Control System (SMCS), namely Legal Services, Military Police Agency and Human Resources.

MEASURABLE OBJECTIVES

To advise on national security policy matters, coordinate strategic policy matters and coordinate the 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.

OUTPUT DETAIL

Details of Policy and Planning are reflected in Table 2.6.

Table 2.6: Policy and Planning Output Details for the FY2006/07

Output	Performance Measure	Target	Actual Achievement
Defence Strategy	Department 's Strategic Framework aligned to Government planning cycle	Staff all the vacant posts	The DOD has complied with the regulatory framework as detailed in Chapter 1, thereby aligning the Department with the National Planning Framework and Government planning cycles. Adequate staffing was achieved to monitor the alignment of DOD processes with the planning cycle and framework of the Government. DOD objectives are aligned with the Medium-term Strategic Framework (MTSF) and the Government Programme of Action (POA) as promulgated after the January Lekgotla of each year.
Strategic Business Plan	Planning and Reporting reflecting the intentions of the Department and the Government	Complete the departmental policies on planning	The Minister of Defence tabled the DOD Strategic Business Plan FY2007/08 in Parliament on 22 March 2007. DOD instructions guiding planning were issued jointly by the Secretary for Defence and the Chief of the SANDF, namely <i>DOD Planning Instruction 36/06: Medium-term Strategic Guidelines for the DOD FY2008/09-FY2010/11</i> and <i>DOD Implementation Instruction 17/06: Requirements for Planning for the FY2008/09</i> .
Quarterly and Annual Reports	Reporting reflecting the intentions of the Department and The Government.	Complete the departmental policies on reporting	DOD Quarterly reports for the FY2006/07 were submitted to the Accounting Officer and Executive Authority. The DOD Annual Report for the FY2005/06 was submitted to the Minister of Defence. The DOD Annual Report was presented to the Parliamentary Committee on Defence who commended the Department on a good report. The Minister of Defence tabled the Annual Report in Parliament on 12 September 2006. The DOD End-of-Year Report was submitted to the Presidency on 9 November 2006.

Table 2.6: Policy and Planning Output Details for the FY2006/07 (Continued)

Output	Performance Measure	Target	Actual Achievement
Defence Policy	Finalisation of the review on the review on defence policy to meet the changing demands of the defence landscape	To ensure that defence policy is reviewed and finalised	On 07 December 2006, the Minister approved that the Defence Update be forwarded to structures outside the Department for engagement. Consequently, the Director-Generals of the IRPS and JCPS were engaged and recommended the Update to the Director's General of the National Security Council. Once this approval has been obtained, Cabinet and Parliament can be engaged. Policy guidelines have been developed to provide the DOD input on various defence-related matters. For example, a DOD policy position on cluster munitions was established to the effect that cluster munitions are a valid weapon of war provided they are constructed for a reliable function and used according to the laws of armed conflict.
Structure Management Services	Approved structures of services and divisions corresponding with the Strategic Business Plan	Acquisition of integrated enterprise architecture solution (IEAS) and establish corresponding repository	The planned acquisition of the Integrated Enterprise Architecture Solution toolset and repository were acquired outside Project LOQUACIOUS by CMIS Div and will be operational from September 2007. The outcome will be an integration of business process architecture and ICT architecture to enable the development of ICT systems that directly support business processes. Currently, 90% of the objectives have been achieved in preparation for roll-out of the toolset and repository in the DOD. 68% of Business Architecture (work study) reports were completed and 32 reports are awaiting approval from various approving authorities. A User Requirement Statement to renew the Departmental Organisation Structuring System (DOSS) was fully completed and handed to SITA for development.
	Implementation of Performance management through the application of the Balanced Score Card (BSC)	Finalise the feasibility study on the implementation of the BSC; roll-out the BSC DOD-wide	Target achieved. Implemented BSC at 2 pilot sites in the DOD. Balanced Scorecard (BSC) Project has shown good progress in completing of the pilot project(s) in the SA Navy and the Financial Management Division. The Plenary Defence Staff Council has approved the high-level plan for implementation of the BSC in the DOD. Actions are currently under way to ensure that the Department is able to undertake the roll-out.
HR Strategy: Plans and Labour Policy	Reviewed and updated HR Strategy 2010	Reviewing process of HR Strategy 2010, which includes analysis of surveys and reviewing of inputs and reports on proposed amendments	HR Strategy input for Defence Update completed and approved. DOD Planning Instruction promulgated for the review of the DOD HR Strategy. Stage 1 of HR Strategy Review completed (input reports compiled). HR Planning and Budgeting Guidelines for the 2008/09 MTEF approved and promulgated. HR Strategy 2010: The combination of MSDS, selective appointments in the Core Service System, and the effective and efficient implementation of the MEM will enable the DOD to rejuvenate the SANDF HR component.
		Improve the coordination and collation of DOD HR policies and their alignment in relation to legislation and national policies	Defence Update. The Chief Directorate HR Strategic Direction and Policy coordinated the HR inputs for Chapter VI (Defence Resources) of Defence Update 2006. The Minister of Defence has approved the document. DOD policies on service delivery are being aligned with Government prescriptions.

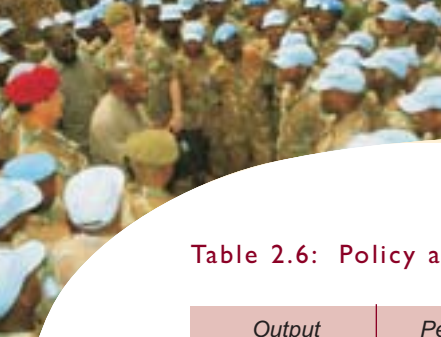


Table 2.6: Policy and Planning Output Details for the FY2006/07 (Continued)

Output	Performance Measure	Target	Actual Achievement
	HR plans and budgets: published HR delegations for the DOD in terms of the regulations framework	Appropriately assigned HR delegations	The HR section of 2007 DOD Environmental Analyses completed and approved. DOD Planning Instruction promulgated for the FY2008/09 DOD HR Support Plans completed. HR functionaries were empowered through presenting HR planning modules at Personnel Services School during October 2006 and March 2007. The FY2007/08 HR EOE was completed.
Closed Army Territorial Reserves (ATR/Commando's)	Refer to table 3.1		Monthly representation of Chief Directorate on the National Joint Operational and Intelligence Structure (JOINTS) Task Team to manage closing-down process. Continuous monitoring of the implementation of SANDF Exit/SAPS Entry Strategy.
Cluster Reports	Monthly JCPS Cluster Reports	DOD inputs into and DOD actions related to the Makgotla	Prepared inputs to Government clusters, specifically the IRPS and JCPS Cluster, on behalf of Chief of Policy and Planning to Secretary for Defence. The IRPS cluster objectives inform the external deployments of the SANDF in fulfilment of an international obligation. Participated in all policy papers developed by the IRPS and JCPS clusters for the Cabinet Makgotla and FOSAD.
		Participate fully in all cluster and FOSAD meetings with approved DOD input and interventions	The DOD translated the programme of action into its programmes as reflected in the Strategic Business Plan. The required End of the Year Report was submitted for the Programme of Action (POA). In alignment with Government POA priorities, DOD international defence Commissions were conducted. An example was the Zimbabwe/SOUTH AFRICA Joint Permanent Commission of Defence and Security Cooperation talks held at the Victoria Falls, Zimbabwe, from 22 to 24 November 2006. Emanating from the discussions, the Secretary for Defence and other Directors General from the JCPS Cluster undertook a successful exploratory visit to Musina/Beit Bridge. The visit was a joint effort by the JCPS and their counterparts in Zimbabwe.
Multilateral security policy	Implemented the relevant policies with regard to the deployment. Continued monitoring of external deployments as per SBP FY2006/07.	Monitored and ensured that defence policy is aligned with National and departmental goals and international obligations	Ensured that all international SANDF deployments enjoyed an international mandate from the UN/AU and the domestic mandate was obtained by means of Presidential Minutes and Cabinet Memoranda. An example is the thirty-one (31) SANDF members, one (1) Dakota C-47TP aircraft and two Oryx helicopters that were deployed to the Republic of Madagascar in support of the presidential election held on 3 December 2006 (Presidential Minute 697 of 2006 dated 28 November 2006).
Defence Materiel Resource Policy	Render policy advice to the Government and the DOD on defence material resources	Provided advice on specific matériel resources policy related matters.	Provided DOD inputs on review of National Conventional Arms Control (NCACC) Act, 2002 (No 41 of 2002). Prepare Ministerial guidelines to the DOD and Armscor for the management of end-use controls on imported equipment of the DOD that is subject to DOD obligations to the supplying country and manufacturer.

Table 2.6: Policy and Planning Output Details for the FY2006/07 (Continued)

Output	Performance Measure	Target	Actual Achievement
Multi and Bilateral engagements	Participation in AU, SADC and other global forums	Participated in various interdepartmental meetings and provided input and advice on key Defence foreign relations policy issues	<p>Eleven (11) draft agreements were drafted during the period under review. These include MOUs with the AU, Peru, the Sudan and Burundi on defence cooperation. Included are also agreements with Ghana, Gabon, Malawi and Congo-Brazzaville. Nine (9) agreements were finalised during the period under review. These agreements include MOUs with Spain, Korea, Namibia, Lesotho and Jordan. Also included are agreements with Tanzania, Ghana and Zimbabwe.</p> <p>Cooperation agreements with the governments of the following countries:</p> <p>A Letter of Assistance with the UN on the provision of air transport services to ONUB (UN Mission in Burundi) signed on 10 June 2006.</p> <p>Agreement on military technical cooperation with Belarus on 29 August 2006. Agreement on Reciprocal Protection of Intellectual Property Rights Used and Established in the Course of Bilateral Defence Industry Cooperation with Russian Federation on 5 September 2006.</p> <p>MOU on Defence Cooperation with Chile on 11 October 2006 and with Gabon on 01 November 2006. MOU on Defence Cooperation with the Central African Republic on 11 February 2007. MOU concerning building of O.R. Tambo School of Leadership with Uganda on 06 March 2007.</p> <p>A Letter of Assistance with the UN regarding MONUC (UN Mission in the DRC) on provision of helicopter services in the DRC in January 2007.</p> <p>Agreement with Namibia concerning the treatment of Commonwealth war graves in February 2007.</p>
Defence operational commitments	Signed memoranda of understanding: correct procedures of deployment for peace-keeping missions	Participated in various interdepartmental meetings and provided input and advice on key operations policy issues	<p>Obtained Minister of Defence and Presidential approval regarding the various international SANDF deployments. Examples include:</p> <ul style="list-style-type: none"> The DRC National Observer Mission as requested by SADC. The expansion of the SANDF's MONUC deployment with personnel and aircraft. The expansion of personnel and equipment to the AMIS deployment in the Sudan. Deployment in support of the elections in Lesotho, Madagascar and the Comoros. Deployments to Nepal and Burundi. Deployments to Mozambique for support with the floods and ammunition explosion. Deployments in support of the 2007 World Cricket Cup in the West Indies. <p>The Ministerial Directive (MODD/0002/2007) on <i>SANDF Deployment Authorisation in Fulfilment of an International Obligation</i> was signed on 27 February 2007.</p> <p>Participation in SADC Organ and ISDSC Ministerial Committee meetings with regard to MOU on the establishment of the SADC BRIG.</p>

PERFORMANCE AND SERVICE DELIVERY IMPROVEMENT

Details of performance and service delivery improvement are reflected in Table 2.7.

Table 2.7: Performance and Service Delivery Improvement for the FY2006/07

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement
Affordable structure alignment of the DOD's core and support processes	Organisational development and restructuring of the DOD through Project LOQUACIOUS. To establish business process management in the DOD as the most appropriate management philosophy to align core and support processes with PFMA imperatives	Effective, efficient and affordable structure through the utilisation of shared staffs. Business processes are aligned to the organisation's strategic and policy framework which will lead to the continuous performance improvement of the organisation	To be finalised and implemented in the FY2006/07	An integrated Enterprise Architecture Solution toolset and repository have been acquired to assist with the designing, executing and optimisation of enterprise-wide business operations, which will be operational from September 2007.
Updating the White Paper on Defence and the Defence Review	Finalise the update of the White Paper on Defence and the Defence Review	Better alignment between Government expectations and resources allocation which will lead to realistic strategic planning within the DOD	Still in process but to be finalised and implemented during the FY2006/07	The Credible Force Design was completed and approved by the PDSC and the MOD. Similarly, the Defence Update 2007 enjoyed the support of the MOD, and the clusters and the National Security Council were engaged and supported the document with certain amendments. Once the amendments have been completed, the MOD can engage the Cabinet and Parliament in the document.
Streamlining of multilateral and bilateral agreements, as well as activities in support of the Department of Foreign Affairs	Reprioritisations in line with IRPS Cluster guidelines	Maximum benefit for the country through proper servicing of bilateral and multilateral agreements	Ensuring alignment with stakeholders	Participated in DFA-led bilateral engagements and operationalised existing and new international agreements through the holding of Defence Committees.
	Capacity building and competency enhancement of relevant role players	Savings will be effected		All international agreements are aligned with domestic law through the Department of Justice and with international law with the Department of Foreign Affairs.
Improve the DOD's strategic management capacity	Continuation of benchmarking with best practice and adjust the approach where required	Improved planning and management expertise, as well as better reporting	Strategic management learning opportunity planned for May 2006	The Senior Executive Course in Defence & Security Management was presented at Wits University from 9-12 Oct 06 and 15-19 Jan 07. The purpose was to deepen understanding of the issues associated with governance, policy frameworks and management of defence in South Africa.
DOD human resources planning	Enhance PERSOL through Project LEGADIMA	An information system that enables planning	Initiated	Accurate Human Resource budget in support of the HR Plans and business plans of the services and divisions.



SUBPROGRAMME FINANCIAL SERVICES

OVERVIEW

The Financial Services has entered the third phase of a long-term strategy to improve the financial management of the Department substantially. The Financial Management Division was re-engineered for cost-effective service delivery as a first phase and the public finance regulatory framework implemented in the Division within the constraints of the existing old information systems as a second phase.

The old information system poses serious challenges in complying with National Treasury's ongoing reporting and accountability initiatives. During the period under review the division participated in the Integrated Financial Management System (IFMS) project and inputs given have been beneficial in specifying requirements.

The current phase consists of broadening the scope of implementation of the public financial management framework to other functions affected by public financial management such as personnel, matériel and information management. The initiatives include ensuring promulgation of legally enforceable instructions, implementing an integrated financial management information system supporting generally recognised accounting practices and related standards, building of departmental capacity and reinforcing accountability arrangements.

As part of the division's public information and awareness campaign, the division has developed a training module focussing on section 45 of the PFMA, 1999. This module has been incorporated in DOD courses.

During the period under review, the DOD has implemented a project aimed at cleaning the audit report. Notwithstanding the short to medium-term gains that may be realised from this project, the serious challenge that the Department faces in achieving its goals, is the dependency of this project on the IFMS, the roll-out of which is scheduled for 2010. As a result, the DOD will not be able to achieve unqualified financial statements, unless National Treasury authorises exemptions.

The division successfully provided financial management services to its clients according to the strategic business plan and related service agreements.

MEASURABLE OBJECTIVE

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

OUTPUT DETAIL

Details of Financial Services output are reflected in Table 2.8.



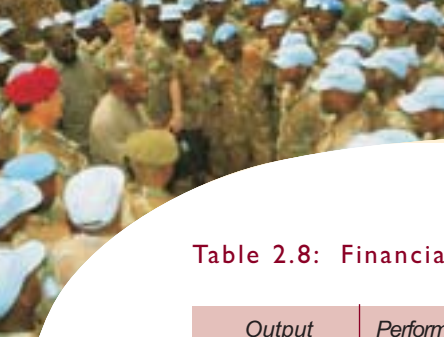


Table 2.8: Financial Services Output Details for the FY2006/07

Output	Performance Measure	Target	Actual Achievement
Budget management (Service to the DOD as directed by the Chief Financial Officer)	Cost-effective service delivery compliance with regularity framework; sound Defence financial decisions; unqualified audit reports	A budget management service to the Department according to the current regulatory framework and programme/budget structure	<p>Service delivery by Budget Management Offices according to service agreements with clients and within budget constraints. Unqualified audit report for Budget Management Services. Budget fully expended by 31 March 2007.</p> <p>Other outputs achieved through the corporate DOD budget preparation service were the issuing of DOD budget guidelines by 1 October 2006, the Affordable Estimate of Expenditure by June 2006, the Approved Special Defence Account by 1 April 2006 and the Estimate of National Expenditure by January 2006.</p> <p>Other outputs achieved through the corporate DOD budget control service were the Defence in-year programme adjustments budget by 1 November 2006, Monthly Early Warning Reports, Virements as required and funded unfunded mandates as directed by section 64 of the PFMA,1999.</p>
Financial accounting (Service to the DOD as directed by the Chief Financial Officer)		A financial accounting service to the Department according to the current regulatory framework and programme/budget structure	<p>Regulatory framework largely complied with; audit report qualified iro travel and subsistence - corrective measures implemented. 99% of clients were paid accurately. A payment record of 85% is maintained from delivery date to payment date. Service delivery by FASCs and FASOs according to service agreements with clients.</p> <p>Outputs achieved through the corporate financial asset and annual reporting service were all collectable debt collected, Irrecoverable debts written off, accurate cash-flow projections, managed DOD bank account, accurate books of account and annual financial statements.</p> <p>Outputs achieved through stores, services and related services were revenue collected and accounted for, cash service rendered to clients as specified, State monies safeguarded and correctly accounted for.</p> <p>Outputs achieved through the personnel remuneration service were timely and accurate creditor, personnel and personnel-related payments.</p>
Financial control and support (Financial Control and Service to the DOD as directed by the Chief Financial Officer)		A financial control and support service to the Department according to the current regulatory framework and programme/budget structure	<p>Effective and efficient Financial Management System support service provided. A total of 883 FMD officials administered effectively, with a total of 353 FMD officials trained with a 93% pass rate. Corporate systems of risk management, loss administration and audit report management in place.</p> <p>Outputs achieved through the PFMA compliance service were: Audit Steering Committee meetings held as required.</p> <p>Secretariat services provided as per Accountability Management Committee (AMC) constitution. Revised financial management delegations as required. Monthly loss /improper expenditure reports provided to AMC and annually in the financial statements. Claims against the State reported where required. Legal representation submissions to Accounting Officer and Chief Financial Officer provided as required.</p>

PERFORMANCE AND SERVICE DELIVERY IMPROVEMENT

Details of performance and service delivery improvement reflected in Table 2. 9

Table 2.9: Financial Services Performance and Services Delivery for the FY2006/07

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



SUBPROGRAMME ACQUISITION SERVICES

OVERVIEW

The mandate of the Acquisition and Procurement Division, which is referred to as 'Defence Matériel Division', is to acquire both defence and commercial matériel and services for the DOD. Defence matériel and services are acquired through Armscor as prescribed by the Armscor Act, 2003 (Act No 51 of 2003), DOD policies and procedures. The DOD also acquires commercial matériel and services in compliance with the Public Finance Management Act, 1999 (Act No 1 of 1999), Treasury Regulations and DOD policies and procedures.

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

During the period under review, a number of important visitors were hosted by the Chief Matériel, which has led to concrete arrangements that culminated in the DOD leading South African Defence Industry (SADRI) to China and Algeria to explore possible partnerships and business deals in general.

From a DOD procurement perspective, the division prides itself on having made some inroads in so far as in-service procurement, improved turnaround times at the two procurement centres, increased utilisation of the public private partnership within the various arms of services as well as 93,3% authorisations of applications for outsourcing through Alternative Service Delivery.

In-service Procurement. The Mirage F1 package was successfully sold and a 5-year purchase contract was signed. The first two aircraft have been delivered to Gabon, subject to the MOU. The first payment and second payment have been received.

Procurement Centres. There are two corporate procurement service centres; the Central Procurement Service Centre (CPSC) in Thaba Tshwane and the Simon's Town Procurement Service Centre (SPSC) in Simon's Town.

Together these two procurement service centres are responsible for all corporate procurement in the DOD. At CPSC, eleven members were staffed during the reporting year, which alleviated some of the challenges faced by a severely understaffed procurement centre that handled more than 3 000 orders totalling more than Rb1,4 for the financial year.

At SPSC more than 11 000 orders were processed totalling more than RM 467 for the financial year. The Office of the Auditor General, as well as the office of IG DOD, carried out four audits on SPSC and the reports received were favourable, with no major audit queries reported.

Public Private Partnership (PPP). During the period under review, four (4) public private partnerships were considered. These PPP's include the SA Navy's Sea Safety training which is in its feasibility phase, the co-use of the private hospitals with the SANDF through SAMHS whose feasibility study has been approved and the PPP is to be completed, the co-use of the Ysterplats Air Force Base as well as the PPP on the fleet management system which is also in its advanced stages.

Public Public Partnership. A Public Public Partnership with Armscor for the transfer of the Naval Dockyard has been finalised and the handing over will take place in September 2007.

Alternative Service Delivery (ASD). With regard to conventional outsourcing where the DOD will no longer deliver the service, but an approved service provider will execute the service, 30 requests for outsourcing were received and 28 approved.

From the acquisition perspective, division achieved the following milestones:

- Delivery of eleven fully certified A109 light utility helicopters to the SA Air Force.
- Production on all four maritime helicopters has been completed and all aircraft are currently being utilised as part of the training schedule in the UK, with delivery to South Africa scheduled for July 2007.
- Delivery of the first Gripen aircraft to the Test Flight and Development Centre at AFB Overberg to enable SAAB to continue the remaining portion of the Development Test and Evaluation Phase in South Africa as part of its contracted DIP obligation.
- Delivery of the first production Hawk aircraft to 85 Combat Flying School at Air Force Base Makhado during the first quarter of the period under review. By year-end, a total of sixteen HAWK 120 lead-in fighter training aircraft were in operation at the unit.
- Achievement of contracted certification milestones on the avionics suite and delivery of the fully qualified new engine.
- Delivery of the seventh C130 aircraft to 28 Squadron took place during the year under review.
- Arrival of the first submarine, SAS 'MAN-THATISI, in Simon's Town on 7 April 2006 and acceptance of the second submarine in Germany during March 2007.
- Handing over of the frigate SAS ISANDLWANA to the SA Navy and its commissioning on 27 September 2006 in Durban as well as the handing over of the SAS MENDI in Port Elizabeth during

February 2007.

- A successful surface-to-air missile salvo firing took place on 17 August 2006, leading to the achievement of the final performance acceptance milestone for the UMKHONTO missile system.
- The successful roll out of the electrically driven (ROOIKAT) technology demonstrator vehicle was successfully rolled out at GEROTEK on 21 June 2006.
- Six projects completed their commissioning during this period, namely the Mamba vehicle system, SS77 Machine-gun system, 40mm automatic grenade launcher system, Hornet vehicle system for Special Forces, Gecko vehicle system for 44 Parachute Regiment and the 5-axle tank transporter system.
- The handing-over ceremony of the first squadron of Olifant Mk2 Tanks was held in February 2007 at the School of Armour, with full commissioning to be completed over the next 12 months
- Finalisation of the full systems architecture development for tactical telecommunication capabilities of the SANDF. Ten prototype radios were delivered and surpassed expectations in the first field trials. With only minor changes required to the presented technical baseline, production will probably commence in the next financial year.
- The request for proposals to acquire a certifiable and fully integrated tactical brigade-level command and control capability was issued, with formal proposals and technical demonstrations to follow during the first quarter of the FY2007/08.
- The design of a biochemical defence system for both urban and conventional employment progressed well during the year, with the project on track to meet operational requirements set to support requirements during the 2010 World Cup.

Ground-based Air Defence System (GBADS). The factory acceptance test for the Air Defence Control (ADC) software at Reutech Radar Systems (RRS) was successfully completed. The ADC functionality achieved was of a high standard. Denel tabled a short-term management schedule for the completion of the Local Warning Section critical design review, which is an indication that tighter schedule control is being implemented to recover lost performance after a period of persisting late deliveries. The Modelling and Simulation Phase under the auspices of contracted acquisition decision support has been concluded. Excellent results were achieved by the experiment in 'Determining the Contribution and Effectiveness of the various Mobile Air Defence System combat troops against Defined Threats'.

Notwithstanding the achievements made during the period under review, the division faced some challenges,

which are indicated below.

A lack of competent human resources allocated to the Defence Matériel Division and Armscor to execute holistic acquisition management exists, while scarcity of human capital and manufacturing capacity in the local industry as well as foreign contractors lead to consistent delays in contract performance.

The delay in the establishment of the Defence Matériel Division, the lack of structure and capacity impacts negatively on the division's ability to address policy, strategy and emergent tasks emanating from DEFCOMs, marketing support requests and assigned interdepartmental liaison tasks.

Problems identified in the tender process of new logistic vehicles for the SANDF have halted the planned acquisition process. Special audits were conducted to quantify the perceived deviations, while legal opinion also had to be sought to inform the Secretary for Defence on possible recourse to be sought by the participating industry. To ensure that the tender process can continue as soon as the identified anomalies have been addressed, the validity of tenders has been extended repeatedly, with the final date extended to 30 April 2007.

Ground-based Air Defence System (GBADS). Non-performance by the main contractor remains a serious problem that has led to a delay of some three years in contractual deliveries and a major deviation from planned cash flow thus resulted.

Procurement Centres. At Simon's Town Procurement Service Centre (SPSC) delays in getting suppliers timeously allocated with codes via the DOD Logistic Agency Codification remains problematic. The effect is unintended delays in payments and placing of urgent orders in compliance with the regulatory framework. The rotational database of suppliers at the SPSC needs to be correctly populated with only accredited suppliers so as to provide just in time and fit for purpose service to the end users.

Alternative Service Delivery. No formal Public Private Partnerships (PPPs) have yet been concluded in the DOD, however various projects are registered with National Treasury and the DOD for possible PPPs.

MEASURABLE OBJECTIVE

To manage the DOD acquisition and procurement processes and policies.

OUTPUT DETAIL

Details of Acquisition Services' outputs are reflected in Table 2.10.

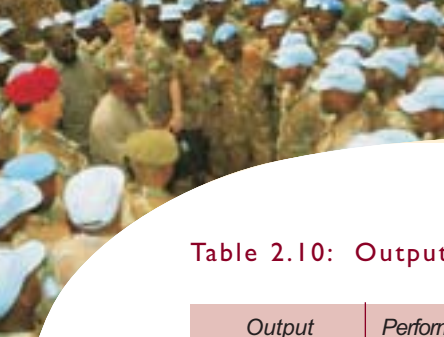


Table 2.10: Output Details of Acquisition Services for the FY2006/07

Output	Performance Measure	Target	Actual Achievement
Armament requirements according to force design	Shortened turn-around time of armaments and equipments acquisition for services and divisions that will meet users' specifications	Improve supply chain systems and filling of vacancies	<p>Corporate Budget Allocation. An amount of Rm42,09 was allocated to the Defence Matériel Division (Def Mat Div). Although an amount of Rm41,09 was paid by the end of the financial year, the implementation of the Def Mat Div could not be initiated due to a significant shortfall on the allocated personnel budget. Staffing of proposed structures will only commence once ministerial authority has been obtained and an appropriate budget allocation has been made to realise the Minister's intent.</p> <p>Roll-out of the electronic procurement system (E procure) through 31 sites. 11 post staffed at CPSC and 2 post staffed as SPSC.</p>
			<p>Special Defence Account. Under the global Special Defence Account (Vote 21 of 2006 allocation plus roll-over funds), an amount of Rb7,882 was allocated to address Strategic Defence Package (SDP) programme obligations, while an amount of Rb3,119 was allocated to the Def Mat Div for the authorised acquisition of other Category 1 matériel requirements. Of the authorised SDP allocation, an amount of Rb2,1 was not paid, inclusive of a rate of exchange contingency amounting to Rm945 under National Treasury control.</p>

PERFORMANCE AND SERVICE DELIVERY IMPROVEMENT

Details of the performance and service delivery improvement are reflected in Table 2.11.

Table 2.11: Performance and Service Delivery Improvement for the FY2006/07

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement	Comments
Full installation of modern electronic-based bidding/price quotation system at all Procurement Service Centres and GSBs within the DOD	Improve structure	Improve service delivery to clients	End of December 2006	System Administrator structure is in the process of design and will be registered at DIMS in near future	Target date December 2007
	Roll-out E-Proquire within the DOD	Reductions in transactions	End of March 2007	All units have been successfully rolled out	
	Already commenced in 2004, but must be fully implemented by Dec 2006	Transparent and shared system	End of December 2006	Additional funds were obtained through the DPBEC of Nov for roll-out of the last two sites	Last two sites completed March 2007
Improve the process for authorisation of projects in Acquisitions	Control of achievement of time and cost goals on all projects	Maximised operational capabilities with extended technological life available to defence	100% roll-out by 31 December 2006	Refer to feedback given on Chapter 12 Special Defence Account (Par 15).	

SUBPROGRAMME INSPECTION SERVICES

OVERVIEW

The mission of the Internal Audit Division (Defence Inspectorate Division) is to provide independent, objective assurance and a consulting service designed to add value and improve the organisation's operations. It assists

the DOD accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Independence and Functional Control. The internal audit activity must be free from interference in determining the scope of internal auditing, work performance and communication results to provide for the independence of the

DOD and its personnel report functionally to the Chief Audit Executive (CAE), who is also the Inspector General of the Department of Defence (IG DOD). The Services Inspectors General are functionally under control of the CAE/IG DOD, but they are under administrative control of their respective Service Chiefs.

The Defence Inspectorate draws its mandate to conduct its functions from the following regulatory frameworks:

- Inspections - Defence Act, 2002 (Act No 42 of 2002), as amended.
- Internal Audit - PFMA, 1999 (Act No 1 of 1999), as amended, and National Treasury Regulations.
- Anti-corruption and Anti-fraud Services - Prevention and Combating of Corrupt Activities Act, 2004 (Act No 12 of 2004), the PFMA and the Treasury Regulations.

The purpose of the inspection function is to provide the C SANDF with verified and veracious information and advice regarding combat and mission readiness of the SANDF and the attainment of strategic military objectives.

The purpose of the Internal Audit activities is to provide independent, objective assurance and a consulting service designed to add value and improve the organisation's operations. It helps the DOD accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management control and the governance process.

The purpose of the Anti-corruption and Anti-fraud Services is to assist budget holders, including management, to prevent corruption and fraud in the DOD.

Significant Achievements

The establishment of the SADC Defence Inspectors General arm of the Association of Defence Auditors Conference (ADAC) was a significant step in the DOD's involvement in the SADC Organ and the Interstate Defence and Security Committee (ISDSC). The Defence Inspectorate Division hosted the consultative conference from 3 to 7 July 2007 in Pretoria.

AUDIT COMMITTEE

The Audit Committee provided guidance in the FY2006/07 to the Internal Audit Division. Amongst many issues, it included the identification of shortcomings in the Internal Audit Plan and the lack of expertise by internal auditors. The audit plan, the Auditor-General's audit report and the quarterly reports revealed that financial statements were not addressed adequately, which was ascribed to the lack of expertise. The external members of the Audit Committee made their services available to assist the DOD in identifying suitable candidates that

could assist the DOD in bridging the gap. The Audit Committee also approached the Secretary for Defence to provide assistance to the Chief Audit Executive in empowering the internal audit function in the DOD. The Defence Inspectorate Division provided the secretarial services for the Audit Committee.

Composition of the Audit Committee. During the year under review, the Audit Committee for the Department of Defence (DOD AC) was duly constituted according to the section 77 of the PFMA, 1999. The external members to the DOD were as follows with their appointment dates indicated in brackets: Dr D. Konar (Chairperson) (27 May 2005), Mr D.S. Molapo (27 May 2005), Mr K.A. Ross (27 May 2005) and Mr G.R. Witthöft (7 June 2005). The internal representatives were Lieutenant General J.L. Jansen van Rensburg (DOD: Chief of Corporate Staff) (1 February 2006), Mr T.E. Motumi (DOD: Chief Policy and Planning) (7 February 2006). The ex officio members from the Department of Defence were Mr J.B. Masilela (Secretary for Defence), Chief Financial Officer Mr Grundling, later Ms D Mutloane and Major General M.E. Petane (IGDOD). The invitees were the Auditor General and the National Treasury.

Responsibilities. The Audit Committee complied with its responsibilities arising from Section 38(1)(a) of the PFMA and Treasury Regulation 3.1.13. Four scheduled and two special meetings were held. Special in-committee meetings were held between the Audit Committee members. Activities of the Audit Committee were formalised into a plan, allowing the coverage of the total spectrum of risk areas that needed to be assessed and monitored, in accordance with the PFMA and National Treasury Regulations dated March 2005. The Terms of Reference, which guide the activities of the DOD's Audit Committee, were reviewed by the Audit Committee during the FY2006/07 and approved by the Accounting Officer. The external and internal members, ex-officio officers, the Auditor-General, Chief Audit Executive and the Accounting Officer formally assessed the DOD Audit Committee.

Activities. Audit Committee members had an opportunity in 2006/07 to be exposed to the DOD's units through a physical visit and also accompanied audit team members in conducting audits. The Audit Committee had direct access to the Auditor-General, the Secretary for Defence and the Chief of the SANDF.

MEASURABLE OBJECTIVE

To ensure the validity and veracity of the management information of the DOD.

OUTPUT DETAIL

Details of the outputs of Inspection Services are reflected in Table 2.12

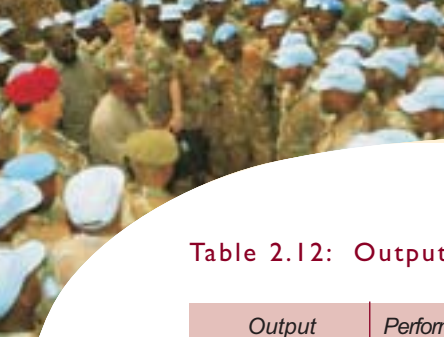


Table 2.12: Output Details of Inspection Services for the FY2006/07

Output	Performance Measure	Target	Actual Achievement
Internal audit (Performance and regulatory) and anti-fraud services to minimise corruption	Increased reliance on the information system in the DOD	Align audit schedule with that of the Auditor General	Administration to train our members in financial statement auditing has commenced and the training will commence in the 1st quarter of the FY2007/08. Funds had to be made available to outsource the training, as the expertise is not available in the DOD. Members will do in-service training. Plans are in place to ensure that the auditors of the Defence Inspectorate Division are able to audit FSEs before members of the AG arrive. Our audit landscape has been aligned with that of the AG.
	Increased reporting on fraud and corruption in the DOD	Increase awareness campaign	Nine regional workshops were held in which more than 14 749 members of the DOD participated. These workshops culminated in a Departmental Fraud Conference held in Pretoria in which more than 152 senior members of the DOD participated in committees to help identify ways and means of combating corruption and fraud.

PERFORMANCE AND SERVICE DELIVERY IMPROVEMENT

Details of the performance and service delivery improvements of the Inspection Services are reflected in Table 2.13.

Table 2.13: Performance and Service Delivery Improvement for the FY2006/07

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement	Comments
Audit/Inspection	The quality of service delivery by the directorates has been maintained and the fact verified by the December 2006 external assessment. Continuous improvement and updating of the quality manual improved the quality of service delivery.	A more streamlined audit process and effective customer feedback	Ongoing	100%	
Reporting to Corporate Management	Implementation of TeamMate, which is automated reporting software, will allow for a superior audit reporting and the analysis of audit findings to determine and report on trends.	Verified and validated information to Corporate Management	Ongoing	80%	Full implementation of the audit system is proving to be a challenge.

SUBPROGRAMME EQUAL OPPORTUNITIES AND AFFIRMATIVE ACTION (EO AND AA)

OVERVIEW

During the period under review, the former Equal Opportunity Chief Directorate (EOCD) was incorporated into the HR Division and renamed the Transformation Management Chief Directorate (TMCD). This move has resulted in equity issues being mainstreamed into all HR planning processes and procedures. As a result equity issues are no longer on the periphery. However, the desired end state is to have this issue incorporated as one of the key areas of performance in the PAS of SMS mem-

bers from level 12-16. Furthermore, the purpose of the new Chief Directorate was also reviewed and it now seeks to address the following:

- Providing strategic direction and support to the DOD so that the promotion of human rights principles become an integral part of mission readiness and thereby contribute to the building of a new DOD identity.
- Providing strategic direction and support to the DOD in order to develop exemplary leadership, which would bring the best from subordinates and portray the DOD as a caring and people-centred organisation.
- Providing strategic direction and support to the

DOD so that the rights of members and those populations where the DOD serves are protected during internal and external deployments.

- Providing strategic direction and support to the DOD in order to promote equity

In pursuit of the monitoring and enhancement of the implementation of affirmative action and employment equity within the DOD, the chief directorate issued guidelines to services and divisions, stipulating that the training and development of members from the designated groups should be accelerated and linked with their career pathing. A review of the HR2010 Strategy was also conducted and it resulted in equity issues being incorporated as one of the components highlighted as a criterion for the rejuvenation of the SANDF. Major General N.E. Motumi was appointed as the Chief Director Equal Opportunities with effect from 1 April 2006. This has led to various achievements, of which the following can be highlighted:

Mission Readiness Training. During the period under review, EOCD increased its visibility at the Mobilisation Centre by presenting human rights lectures consistently in order to ensure the promotion of human rights and the rights of communities in which the DOD deploys.

Gender Audit. A reliable database reflecting women's military and academic qualifications is now available.

2nd National Conference on Women in Defence. EOCD hosted the Second National Conference on Women in Defence at the Kopanong Hotel Conference Centre from 24 to 26 May 2006. The conference brought together 300 representatives from the DOD, other security services, including the SAPS, Correctional Services and Intelligence Services, as well as experts on women security issues from the Academia and Safer Africa to deliberate on 'The Status of Women in the Transformation of the Security Sector in South Africa'. The objectives of the conference were twofold: firstly, to raise awareness of the importance of involving women in all decision-making structures and processes and, secondly, to build consensus on how to redress the current gender imbalances

within the DOD and set realistic targets for the achievement of gender equity.

The DOD 2006 Gender Mainstreaming Action Plan. The outcome of the above-mentioned conference resulted in the formulation of a Gender Mainstreaming Action Plan, which was then presented on 5 June 2006 at the DSC, highlighting key activities directed towards the furtherance of this agenda. The Action Plan was endorsed by the Council with the understanding that the Equity Advice posts will have to be extended to levels 3 and 4. Guidelines given by the Sec Def and the C SANDF were that Services and Divisions would have to incorporate this need into their restructuring processes.

SADC Women Peace Table. The EOCD also hosted this seminar from 27 to 29 November 2006 in Tshwane. Ten countries participated and best practices were shared on the promotion of gender equity in the regional armed forces.

PURPOSE

The purpose of the Equal Opportunities and Affirmative Action Chief Directorate was to provide an EO and AA advice and monitoring function to the Secretary for Defence. With the incorporation of the Chief Directorate into the HR Division, its purpose has subsequently been redefined to address the process of institutionalising the human rights and equity imperatives through programmes and guidelines, thereby contributing towards mission readiness of the organisation. This Chief Directorate also monitors the implementation of affirmative action and advises the Sec Def and the Chief of the SANDF on the human component of transformation issues.

MEASURABLE OBJECTIVE

To provide EO and AA advice and a monitoring function to the Secretary for Defence.

OUTPUT DETAIL

Details of the EO and AA outputs are reflected in Table 2.14.

Table 2.14: Output Details of Equal Opportunities and Affirmative Action (EO and AA) for the FY2006/07

<i>Output</i>	<i>Performance Measure</i>	<i>Target</i>	<i>Actual Achievement</i>
Racial and gender represented work force in the DOD	Achievement of representivity quotas as prescribed by the Department of Labour	50% achievement Senior level by March 2007	An improvement of 3,77% was achieved in terms of race representivity figures of black members and 1,41% in terms of gender by the end of the financial year. As a result a total of 53,78% of blacks are now at Senior Management level. The set target has been reached in terms of race, but gender representivity remains a serious challenge.

PERFORMANCE AND SERVICE DELIVERY IMPROVEMENT

Details of performance and service delivery improvements reflected in Table 2.15.

Table 2.15: EO and AA Performance and Service Delivery Improvement for the FY2006/07

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement	Reasons for Deviation
Timeous submission of equity reports annually to the Department of Labour.	Equity plan to form part of GEJIMA. Sensitise them about the DOD's peculiar environment in terms of structure and core musterings.	Reliable data available in order to recommend appropriate intervention. Enhanced understanding of the military institutions.	Develop and test HR Plan format.	Report submitted and accepted by the Dept.	Currently busy with technical evaluation.
Implementation of AA Strategy	To bring to attention of the DOD leadership the deviation in the application of policies.	Improved awareness and buy-in.	Change to suit the DOD environment	DOD representative at macro-level	Exit packages not attractive enough
Gender Mainstreaming.	To formulate and implement a gender strategy.	The full participation of women in decision-making so that women's needs move from the margins to the centre of development, planning and resource allocation.	One-on-one discussions held with Service Chiefs Formulate Strategy	Draft strategy formulated.	

SUBPROGRAMME CORPORATE STAFF DIVISION

OVERVIEW

The Corporate Staff Division continued to provide a sound centralised staff capability and service to Chief of the SANDF. The service includes, inter alia, strategic direction, policy and strategic advice and support by the Strategy and Planning Office, Defence Legal Service Division, Corporate Communication, Defence Foreign Relations, Defence Reserves and the Chaplain Service. In addition, control was exercised to ensure the provision of support services from the Command and Management Information Services, Logistics Services and the Chief Military Police to the Chief of the SANDF as contained in the Joint Support Programme.⁶

The Division achieved its planned objectives and targets despite some legacy challenges that were experienced. These difficulties were mainly as a result of inadequate structures, a lack of capacity and a loss of skills. Various corrective actions were also taken and strategies developed to address the challenges faced in the Joint Support Subprogrammes, such as the DOD ammunition management deficiencies, the turnaround times with regard to the maintenance of D-vehicles, the slow pace in the finalisa-

tion of restitution claims and the challenge to reduce effectively the backlog of facility maintenance. Notwithstanding these difficulties, the morale of the personnel remained high throughout and a high standard of discipline was maintained.

Effective direction was provided to all the Corporate Staff Subdivisions located within the Defence Administration Programme, to such an extent that the expectations of all the Chiefs of the SANDF, including some new challenges, were met. Some of these challenges were capacity building in accordance with priorities in terms of the Government's Programme of Action, some cluster objectives and military cooperation at the international level. The outputs of the Divisions were constantly exposed in the international environment where the quality of its activities and inputs had a direct impact on the image of the DOD and SANDF. Refer to individual subdivisional reports for subprogramme detail.

SUBPROGRAMME CORPORATE STAFF OFFICE

OUTPUT DETAIL

Details of the outputs of the Corporate Staff Office are shown in Table 2.16.

⁶ These subprogrammes are reported in Chapter 9 under the Joint Support Programme.

Table 2.16: Outputs of the Corporate Staff Office for the FY2006/07

<i>Output</i>	<i>Performance Measure</i>	<i>Target</i>	<i>Actual Achievement</i>
Corporate Staff capability and service for Chief of the SANDF	The degree to which direction provided to the corporate staff divisions ensures that Chief of the SANDF's expectations are met	Direction provided ensures that expectations of the Chief of the SANDF are met	All the required outputs were achieved. Coordination meetings and one-on-one performance control sessions took place as scheduled. All the SANDF corporate plans, reports and inputs were submitted as required by the Chief of the SANDF. Presentations were made and questions answered that were raised by Parliament, the Minister of Defence, and the Secretary for Defence. In addition, staff coordination and control were executed to ensure the provision of support services.
	The degree to which the Corporate Staff Division policy and strategic advice meet the requirements of the Chief of the SANDF	Relevant and timeous advice	All the requirements of the Chief of the SANDF in terms of policy and strategic advice within the various corporate staff specialised fields were met. Notwithstanding progress made with the rejuvenation of the Reserve Force, some challenges in this regard are being addressed. The operationalising of the 'Credible Force Design' as approved by the Minister of Defence receives attention.

SUBPROGRAMME STRATEGY AND PLAN OFFICE

OVERVIEW

During the FY2006/07, Major General V.L. Sindane was appointed Chief Director Strategy and Planning. The Strategy and Planning Office successfully achieved its objective to provide a military, strategic and planning capability, advice and services to the Chief of the SANDF. The refinement of the electronic planning tool under Project GEJIMA resulted in improved provision of performance management information to the DOD com-

mand cadre. The Strategy and Plan Office also played a leading role in the (Defence Update 2006) Force Design development process.

MEASURABLE OBJECTIVE

The Strategy and Plan Office is responsible for providing a military strategy and planning capability, advice and services to the Chief of the SANDF.

OUTPUT DETAIL

Details of outputs of the Strategy and Plan Office are shown in Table 2.17.

Table 2.17: Outputs of the Strategy and Plan Office for the FY2006/07

<i>Output</i>	<i>Performance Measure</i>	<i>Target</i>	<i>Actual Achievement</i>
Military strategy and planning capability, advice and services for Chief of the SANDF	The degree to which the objectives and targets of the Chief Director Strategy and Planning are achieved	Plans and reports are completed as prescribed by the planning cycle and instructions	Plans and reports were completed as prescribed by the planning cycle and instructions in full alignment with the Government's timeline. The electronic planning tool improved management of performance information. Further development and refinement of the GEJIMA planning tool are in process.
		The degree of validity, alignment with National Security Strategy and implementation of the Military Strategy	Fully achieved. The Military Strategy was updated. The mismatch in force design and force structure and the recourse allocation severely hampers and complicates inputs of the Strategy Planning Office into the strategic planning process, which has as its main product a logical force design and force structure.
	The effective functioning of an operational crisis management organisation and centre	Fully operationalised and functioning	The Crisis Management Centre is in the process of being relocated to the Joint Operations and Defence Intelligence Divisions.
	The degree of accuracy of the minutes and maintenance of a credible Decision Register	Full acceptance of all the minutes at meetings and the availability of decisions taken	All minutes were accepted and decisions are available for reference.



PERFORMANCE AND SERVICE DELIVERY IMPROVEMENT

Details of performance and service delivery of the Strategy and Planning Office are shown in Table 2.18.

Table 2.18: Performance and Service Delivery Improvement during the FY2006/07

<i>Activities</i>	<i>Planned Management Intervention</i>	<i>Anticipated Benefit</i>	<i>Status</i>	<i>Actual Achievement</i>
Design and development of an electronic planning tool	Project GEJIMA; an electronic tool to capture planning and reporting	Align planning and reporting and provide easier access to management information for decision making	Ongoing	The management electronic tool was reprogrammed to allow for easier front-end user inputs. The reprogramming was completed

SERVICES SCALED DOWN, SUSPENDED OR ABOLISHED DURING THE FY2006/07

The Crisis Management Centre is in the process of reassignment to the Joint Operations and Defence Intelligence Divisions.

SUBPROGRAMME LEGAL SERVICES

OVERVIEW

On 3 October 2006 the Minister of Defence approved the establishment of the Defence Legal Services Division. The newly established Division emanated from the integration of existing legal structures in the DOD. The Division achieved most of its objectives and targets as planned, despite various challenges. The Defence Legal Service Division participated in the execution of 20 exercises and provided optimal law support and legal advice to 24 operations and 26 shorter deployments. A total of 14, mainly

Reserves, were recruited as military law practitioners into the regular component. Concerted efforts are constantly made to recruit and staff experienced legal practitioners and support personnel and representative Reserve members with required legal experience in the regular component of the Division to ensure a high level of expertise to execute the required service delivery outputs effectively and efficiently. In-service training and utilisation of Reserve Force members will continue to address the shortage of scarce skills within the Defence Legal Service Division in the short to medium term.

MEASURABLE OBJECTIVE

The Defence Legal Services provide professional, legitimate and deployable defence legal services and support commensurate with the needs of the DOD.

OUTPUT DETAIL

Details of outputs of Defence Legal Services are shown in Table 2.19.

Table 2.19: Outputs of Defence Legal Services for the FY2006/07⁷

<i>Output</i>	<i>Performance Measure</i>	<i>Target</i>	<i>Actual Achievement</i>
Defence Legal service capability and services	The quality and availability of the legal support provided to the DOD. The degree to which military justice inputs have been provided as prescribed in the Military Discipline Supplementary Measures Act, 1999 (Act No 16 of 1999), the Defence Act, 2002 (Act 42 of 2002) and other applicable legislation.	All required inputs are delivered on time and accurately. 95% of the defence legal service output to the entire DOD, ie legal advice, completed litigation, valid trials, prosecution decisions, deployed operational support, evaluated investigations, law personnel and Courts of Military Appeals sittings are delivered on time and accurately as prescribed.	The target was achieved as planned despite the late assignment of Acting/Director Prosecution and other Statutory directors within the Defence Legal Service Division, as well as structural limitations in relation to service rendering obligations that include the shortage of scarce skills (military law practitioners). Continuous liaison with Prosecution and Defence Counsel soon after judgements assisted with the speedy finalisation of cases. Non-availability of interpreters due to no interpreters' posts available on the Division structure resulted in delays in finalising cases. A total of 23 part-time interpreters attended the interpreter's training course that was developed in June 2006, thereby ensuring optimum service delivery to the DOD. The Defence Legal Service Division participated in the execution of 20 operational exercises and provided optimal law support and legal advice to 24 operations and 26 shorter deployments. The Defence Legal Services Division Reserve component was managed and utilised optimally within the allocated budget and guidelines. The shortage of scarce skills (military law practitioners) and the non-availability of members of courts of military appeal, as well as insufficiently trained interpreters are serious challenges.
	Optimisation of Defence Legal Service's Head Office together with the legal satellite offices	Seven directorates and five legal satellite offices executed the required legal services throughout the DOD	Seven directorates and five legal satellite offices contributed to the achievement of the objectives of the Defence Legal Services Division as planned within the allocated budget, and 100% of the budget was spent during the FY2006/07.
	Completed litigation within the DOD	95% of facilitated litigation must result in optimum outcome for the DOD	The target was changed from 95% to 75% through the Project GEJIMA refinement process and the target is managed accordingly.

SUBPROGRAMME RELIGIOUS SERVICES

OVERVIEW

The Religious Services Division continued to support the strategic objectives of the Government and the DOD during the FY2006/07. The focus of its ministry was on a holistic religious approach to all members and their dependants. It concentrated on the moral regeneration and ethical conduct of the military community in support of the Moral Regeneration Movement programme of the Government. It maintained a healthy relationship with religious bodies and faith groups in order to better support all members of the DOD.

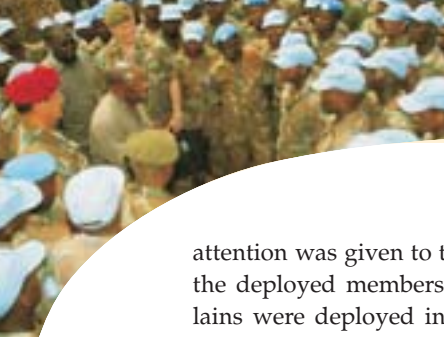
These measures greatly enhanced the morale and conduct of all members of the DOD. The Division held a successful Moral Regeneration Conference in Cape Town from 28 January to 01 February 2007. Leaders from various religious faiths attended the conference, where the Deputy President, Ms Phumzile Mlambo-Ngcuka, delivered the

keynote address. For the first time in the history of South Africa, leaders from various religious groups shared the same podium to address moral and ethical issues.

The Religious Services Division hosted two international events. The Combating of HIV & AIDS through Spiritual and Ethical Conduct (CHATSEC) programme of the Chaplain Service was extended to chaplains of the SADC countries. A total of 20 chaplains from Botswana, Lesotho, the RSA, Zambia, Zimbabwe and Namibia attended a course in Pretoria during May 2006. These SADC chaplains will now run the programme in their own defence forces. Through these measures, the Chaplain Service plays an important role in limiting the spread of HIV/AIDS in Africa and promoting peace, security and stability within the region.

The Inter-state Defence and Security Committee Spiritual and Moral Work Group met during February 2007. This Division proudly supported our members on all deployments - internally and externally, where chaplains served with their units. In the wider African context, special

⁷ Performance measures and targets were adjusted after 3 October 2006 to meet the requirements of the new Defence Legal Service Division.



attention was given to the spiritual and moral support of the deployed members and their families. Seven chaplains were deployed in peace support operations in the DRC, Burundi, the Comoros and the Sudan. These chaplains initiated various support programmes with local churches and communities and built up good relationships with local pastors and community leaders.

The Chaplain General Division has launched a major effort to revitalise the Reserve component of the Chaplain Service. Four Reserve Chaplain workshops were held in various regions. Reserve chaplains, as well as church and local government representatives were briefed on the role

of the Reserves and the Chaplain Service. A National Reserve Chaplains' Conference was held in November 2006.

MEASURABLE OBJECTIVE

The Religious Services Division provided a chaplain's service that cares for all DOD members and their dependants, and promotes spiritual growth, social support and ethical conduct.

OUTPUT DETAIL

Details of outputs of the Religious Services Division are shown in Table 2.20.

Table 2.20: Religious Services Outputs for the FY2006/07

Output	Performance Measure	Target	Actual Achievement
Religious policy advice and chaplain capability and service to the SANDF	Number of units in the SANDF with appointed chaplains to secure advice and religious services	A chaplain at each unit in the SANDF Vacancies filled within three months	The target was 90 % achieved. Although most Level 4 units are staffed with chaplains, some posts need to be approved and staffed. Delays in filling posts are caused by the lengthy process of acquisition.
	Degree of availability and relevance of religious policies and guidelines	DOD Religious Policy updated	The target is fully achieved. The policy is the framework for all religious activities in the DOD. It is supported by all the major faith groupings and is the basis of value-adding and cost-effective spiritual support to the SANDF. The reviewed policy will be approved in 2007.
	Number of chaplains trained to correct level to ensure satisfactory performance	All chaplains to be fully trained within two years of appointment	Four chaplains were appointed and trained to operate as chaplains in the SANDF during the FY2006/07. Only one chaplain was withdrawn from basic military training because of health reasons.

SUBPROGRAMME CORPORATE COMMUNICATION

OVERVIEW

The strategic function of Corporate Communication is an integral part of the capabilities of the DOD to support management processes and functions in achieving the DOD mission and vision. Corporate Communication achieved most of its set objectives of providing communication direction and strategy to the DOD during the past year. Corporate Communication received guidelines to increase and improve its corporate communication efforts in order to ensure stronger public awareness, understanding and support of Defence, and to develop and refocus corporate communication to be able to support operations effectively in the African region.

The management of relationships between the DOD and its key stakeholders will focus communication efforts to address the credibility of the Department with regard to financial management and defence spending. Corporate Communication is, however, still experiencing a major lack of capability to be able to fully achieve its set objec-

tives. This is mainly due to a lack of skilled and experienced corporate communication specialists and posts. Expanding its communication efforts in support of departmental objectives, therefore, remains a challenge.

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

Research in terms of the perception of the public of the DOD was done on a quarterly basis through the Government Communication Information Service (GCIS). Findings broadly show increased levels of support to SANDF peacekeeping initiatives and agreement among the majority of the adult population that the SANDF needs weapons to do a good job. Furthermore, perceptions have risen over time with approximately two-thirds of the population indicating that the SANDF is giving

value for money in defending the country and has the required readiness levels to defend the country. While agreement is high on all aspects in which the SANDF should be involved, especially issues 'closer to home', inter alia protection of RSA borders and its independence, support for international commitments is slightly declining. However, opportunities exist for the Department to increase communication efforts in order to address that part of the population that remains in the 'don't know' or 'uncertain' brackets.

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

Corporate Communication continues to focus its communication efforts on the achievement of consensus on

defence among all its key stakeholders, ie to promote the role of the DOD and the SANDF in its commitment to peace and stability on the continent. The overarching communication challenge for Defence Corporate Communication related to this objective remains to promote the role of the DOD, in particular the SANDF, in a peacetime scenario, given its low level of visibility internally.

MEASURABLE OBJECTIVE

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

OUTPUT DETAIL

Details of outputs of Corporate Communication are shown in Table 2.21.

Table 2.21: Outputs of Corporate Communication for the FY2006/07

<i>Output</i>	<i>Performance Measure</i>	<i>Target</i>	<i>Actual Achievement</i>
Strategic direction in respect of corporate communication to the DOD providing defence communication advice, policy, strategy and plans in accordance with DOD policy and Government Communication Information System (GCIS) policy	The degree to which the DOD's Corporate Communication policy, strategy and plans are aligned with and support DOD and national (GCIS) communication plans and policies	Full compliance with DOD expectations and planned targets	Most of the DOD expectations and planned targets were achieved. Defence Corporate Communication succeeded in the alignment and integration of communication with the Government Communication and Information System (GCIS), the Ministry of Defence, as well as Services and Divisions by means of proactive and joint strategic planning. Development of a Corporate Communication Policy was not achieved due to a lack of skilled communication functionaries
Corporate communication capability, products and services	The degree to which the defence communication needs of the DOD and its stakeholders are met	Full 24-hour media support service with a high degree of credibility	A 24-hour media support service was delivered for the DOD with a high degree of credibility. The services comprised the provision of inter alia media analysis, media briefings and media visits
		High standard of reaching 90% of the targeted population	The target of reaching the full proportion of target publics was achieved. Identified internal and external stakeholders were reached through written products such as South African Soldier, info bulletins and the DOD Internet/Intranet. One internal advertising campaign was done in support of the Human Resources 2010 Strategy. This campaign is continuing in the next financial year. Once again there was a high demand for graphic design and art products, as well as video productions. Fewer visits and events than planned took place as a result of reasons beyond the control of Defence Corporate Communication. The industrial theatre capability was not utilised due to a lack of funds and skilled personnel.

PERFORMANCE AND SERVICE DELIVERY IMPROVEMENT

Details of performance and service delivery of Corporate Communication are shown in 2.22.

Table 2.22: Performance and Service Delivery Improvement during the FY2006/07

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement
Access to DOD Information	Improve the DOD website	Improved access to DOD information on the Internet	Initiated	The DOD Internet Website (www.dod.mil.za) is maintained satisfactorily. Ongoing interaction with GCIS, the Head of Communication, the Government Information Technology Officer, and Services and Divisions takes place to ensure effective access to DOD information

SERVICES SCALED DOWN, SUSPENDED OR ABOLISHED DURING THE FY2006/07

Corporate Communication did not present any industrial theatre performances during the year under review due to a lack of resources (finances and skilled personnel).

SUBPROGRAMME RESERVE COMPONENT

OVERVIEW

The Defence Reserve Office has had a successful year in terms of the attainment of its objectives. Many of these have and will contribute to the establishment of a viable system and climate within which the Reserve Force may operate.

The development of the Reserves into a transformed, viable and combat-ready component of the SANDF rests with the Services and Divisions which command these Reserve elements. However, the Defence Reserve Office is charged with coordinating and monitoring the execution of the Reserve Strategy, including Project PHOENIX, which is aimed at the renewal and transformation of the Reserves. The process has maintained momentum and the Reserves have continued on a path towards becoming a viable and employable component of the conventional capability of the SANDF. This is confirmed by the fact that, during the period under review, the Reserves were increasingly successfully deployed in external missions as counterparts of the regulars.

The Defence Reserve Office contributed to the Defence Review Update 2006 process, which confirmed the role of the Reserves as providing the majority of the landward defence conventional capability, supplementing regulars in peace support operations and homeland defence. In the education, training and development environment, much has changed. The number of qualifying young officers and non-commissioned officers is growing and representation in education, training and development plan-

ning, and alignment forums is improving.

A senior Reserve officer successfully completed the Executive National Strategic Programme in 2006 at the SA Defence College. Great strides have been made with ceremonial events, as the focus is shifting towards improving Reserve participation, for example at the Bhambatha Rebellion Ceremony. During the period 24 April to 2 May 2006, the SANDF Reserves participated in the New York Adjutant General Combat shooting matches at the Camp Smith Peek Skill in New York, facilitated by the New York State Partnership Programme.

The Defence Reserve Office hosted the Reserve Force Symposium on 13 to 15 March 2007, the first in the history of the SANDF. The aim was to provide a platform for a meaningful debate on the future role, function and utilisation of the Reserve component of the 'Core Growth One Force' of the SANDF. The Defence Reserve Office participated in briefings to the Minister of Defence and the Parliamentary Defence Committee on the state of the Reserves and the Reserve Force Strategy. The Defence Reserve Office continues to engage the business community in pursuit of its voluntary support to the Reserve system. To this end, extensive work has been done to prepare proposals for amendments to the Defence Act in order to facilitate call-ups in times other than war. These proposals have been tabled at the Defence Reserve Board and are currently with the legal environment for assessment and refinement before submission to Parliament.

In marketing the Reserves, a total of 30 000 copies of the *Reserve Force Volunteer 2007* were distributed nationally. The Reserves were marketed at the Africa Aerospace and Defence Exhibition (AAD) in September 2006. Business, labour and decision makers were reached through a total of 17 advertisement that were published in 10 leading publications such as *SA Medical Journal*, *Black*, *Business Quarterly* and *Top 300*.

Some challenges remain that are being addressed. The rejuvenation of the Reserve Component through the Military Skills Development System as feeder base has

proved to be problematic as most are seeking permanent employment. The Council for Support to National Defence is inactive. The Minister of Defence is to provide further guidance on this matter. The FY2006/07 has been the Defence Reserve Office's most active year yet in terms of providing advice and input to DOD staff on Reserve matters. The office will be actively involved in the review process of the Human Resource Strategy 2010, which will ensure sustainable incorporation of the Reserves in the transformation and rejuvenation processes.

MEASURABLE OBJECTIVE

The Defence Reserve Office directed the development and maintenance of the Reserve system to provide specialist advice on Reserve Force matters and promote/market the Reserves and the volunteer system.

OUTPUT DETAIL

Details of outputs of the Defence Reserve Office are shown in Table 2.23.

Table 2.23: Outputs of the Defence Reserve Office for the FY2006/07

Output	Performance Measure	Target	Actual Achievement
Strategic direction to the development and maintenance of the Reserve Force system by providing specialist advice, policy, strategy, plans and doctrine, as well as promotional/ marketing products and services	The degree of implementation of Reserve Force Strategy	Advice on Reserve Force strategy (30% based on weighted scale) implementation	Implementation of the Reserve Strategy was monitored and reported on by the Defence Reserve Board. The Office actively participated in the Defence Review Update 2006 process, which confirmed the role of the Reserves.
	Degree of improvement of Reserve policies	Improved Human Resource, training and preparation-related Reserve policies	The Reserve Force Office was actively involved in the formulation and updating of all Human Resource policies.
	Degree of relevancy and robustness of Reserve legislation and regulations	Finalised revised pay, allowances and S&T policies, as well as revised call-up delegations	Submissions have been made to the Chief of Human Resources
		Update of Chapter 4 of the General Regulations and publication of the new enrolment form for Reserve service contracts	General Regulations have been finalised and submitted for promulgation. The enrolment form for Reserve service has been submitted for legal scrutiny and will be published thereafter.
	Extent and level of information being provided to internal and external stakeholders and support by employers	An information and marketing capability established	The capability is established at the Reserve Force Office. However, a lack of staff in the Reserve Force Office's regional offices poses a challenge to facilitate marketing activities at regional level. Services and Divisions must be educated regarding the use of marketing opportunities in the Reserves.
		The role of Reserves fully communicated within the SANDF, including MSDS members transferring to the Reserves	Activities were directed at informing the DOD, such as the publishing of the SA Reserve Force Volunteer 2007 and special events at 1 Military Hospital and the Navy week in Simon's Town. The Reserve website is a useful tool to reach internal and external target publics. Communication with serving MSDS members remains a challenge and will receive attention in the next year.
		The need for employers' support communicated by addressing the CEOs of the top 40 companies	Various events were hosted in the provinces. The SA Navy successfully hosted an event for 65 employers of the Eastern Cape on the SAS MENDI. The Reserves were marketed at the Africa Aerospace and Defence Exhibition (AAD) in September 2006. The Council for Support to National Defence is inactive, pending a decision to be asked of the Minister of Defence.
		Advertising directed at business, labour and decision makers	A total of 17 advertisements were published in 10 publications, such as the <i>SA Medical Journal</i> , <i>Black Business Quarterly</i> , <i>Top 300</i> and the <i>Pan African Parliament</i> .



PERFORMANCE AND SERVICE DELIVERY IMPROVEMENT

Details of performance and service delivery of Defence Reserves are shown in Table 2.24.

Table 2.24: Performance and Service Delivery Improvement during the FY2006/07

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement
Reserve Force representation at all key decision-making fora in all Services and Divisions	Engage Joint Operations Division to ensure approval of Reserve structure, as well as staffing of posts within Joint Operations Division	Optimal Reserve employment and representation within Joint Operations Division	Process initiated	Progress has been made in appointing more Reserves in the available posts at all levels. This aspect is monitored by the Defence Reserve Board

SUBPROGRAMME DEFENCE FOREIGN RELATIONS

OVERVIEW

Defence Foreign Relations contributed towards the government plan of action by increasing representation, with the emphasis on Africa, by opening seven additional Military Offices in Kenya, the Sudan, Côte d'Ivoire, Algeria, United Arab Emirates, Saudi Arabia and Belgium. The designated defence attachés and advisors were deployed to these new offices from January to March 2007. Arrangements have also been put in place to open the defence office at the South African High Commission in Kampala, Uganda, in the FY2007/08.

African Aerospace and Defence Exhibition, AAD 2006, was presented in Cape Town from 19 to 24 September 2006. Defence Foreign Relations coordinated the activities of official foreign guests, in cooperation with Armscor.

The subdivision is constantly and constructively involved in the arrangements of bilateral international meetings and the continental and regional multinational organisations' defence and security structures, with special emphasis on the activities of the Southern Africa Development Community (SADC) Organ and the Interstate Defence and Security Committee (ISDSC). Defence Foreign Relations established defence cooperation plans for all countries with which relations are maintained. These regularly updated plans provide the DOD members going abroad or receiving guests from abroad with the required background on the state of relations of the DOD with a specific country.

A DOD Very Important Person (VIP) Lounge facility at the O.R. Tambo Airport has been negotiated with the Airports Company of South Africa (ACSA), and building will commence in 2007 with planned completion in 2008.

A Defence Foreign Relations Course was presented from 25 July to 25 August 2006 for 17 officers nominated to be considered as defence attachés and advisors. Extensive use was made of high-level personnel from within the DOD, the Department of Foreign Affairs and academic institutions to orientate these officers regarding the defence foreign relations' function and the aspects of defence diplomacy.

During the period under review, the groundwork has been done in the past year to produce policy and strategy documents that guide operations as well as the evaluation of existing policies and the ensuing value addition proposition as well as impact assessment as it relates to Defence Foreign Relations' function. These documents will all be submitted for promulgation and approval in the FY2007/08.

The Defence Foreign Relations structure has not been aligned since the transfer in 2001 from Defence Intelligence to the Corporate Staff Division. This implies that the current organisational structure does not empower the organisation to deal with the exponential increase in defence diplomacy of the Department. Even though the Minister has already approved the Defence Foreign Relations Division as part of the Central Staff, the Departmental Organisational Development Work Group has not yet finalised the final organisational structure of the division.

MEASURABLE OBJECTIVE

Defence Foreign Relations provided a Defence foreign relations capability and services as directed by the Chief of the SANDF.

OUTPUT DETAIL

Details of outputs of Defence Foreign Relations are shown in Table 2.25.

Table 2.25: Outputs of Defence Foreign Relations for the FY2006/07

<i>Output</i>	<i>Performance Measure</i>	<i>Target</i>	<i>Actual Achievement</i>
Defence foreign relations' capability and services as directed by the Chief of the SANDF	The degree to which DOD foreign relations targets are achieved	To manage 24 Defence Attaché offices abroad	The target was fully achieved. New Defence Attaché offices were opened in seven countries in line with the strategic business plan and to align the DOD with the government's plan of action. These countries are Algeria, Belgium, Côte D'Ivoire, Kenya, Saudi Arabia, the Sudan and the United Arab Emirates. There are now 31 Defence Attaché offices to manage. A DOD VIP lounge facility at the O.R. Tambo Airport has been negotiated with the Airports Company of South Africa to be completed in 2008. This facility would enhance the image of the DOD.
	The degree to which consular and other defence diplomacy services are managed successfully	95% of all consular and other defence diplomacy services are delivered on time and accurately	The target was achieved. Defence Foreign Relations processed 8 879 passports and 2 344 visas. Visit services for 38 visits were rendered to the DOD top structure.
	The satisfactory management of the annual programme and activities of the Military Attaché and Advisor Corps	95% of the activities in the Military Attaché and Advisor Corps programme are executed to the satisfaction of the Military Attaché and Advisor Corps members	The target was achieved. Relations in terms of communication and interaction improved during the year. Defence Foreign Relations is still challenged with requests by the Military Attaché and Advisor Corps for courtesy calls to top management, mainly due to the unavailability of members due to busy schedules.
	The degree of satisfaction with foreign relations advice by stakeholders (Ministry of Defence, Secretariat and SANDF)	Foreign relations advice is timeous and useful for DOD decision-makers	90% of Foreign Relations advice is timeous and useful for DOD decision-makers. Cooperation plans for all countries with which the DOD has bilateral relations were regularly updated to ensure professional advice to top structure stakeholders. Full representation of service and division representatives at the relevant preparation forums prior to bilateral meetings to ensure maximum achievements of objectives.

POLICY DEVELOPMENTS

A draft policy on the defence attaché and advisor selection process has been developed. An overarching Defence Foreign Relations Strategy has also been developed. This

strategy will provide long-term guidance with respect to the defence foreign relations function in the Department. These documents will all be submitted for promulgation and approval in the FY2007/08.



Field engineers erecting a Medium Girder Bridge (MGB) during field operations.

Chapter Three

PROGRAMME 8 - FORCE EMPLOYMENT

OVERVIEW

The Force Employment Programme is the primary programme of the DOD tasked with command and control and coordination of all SANDF forces employed in the various missions.

The SANDF successfully employed mission-trained joint forces for all missions ordered by the Government. This employment of forces is conducted in accordance with South Africa's national and international policies and obligations in order to promote national, regional and continental peace, safety, security, stability and cooperation.

Over the period under review more than 3 000 members were deployed in external peace support operations in the DRC, Burundi, Ethiopia, Eritrea, the Sudan and Côte d'Ivoire. In the DRC, the SANDF continued to support the ongoing peace operations led by the UN. SANDF members played a major role during the DRC election process, consisting of two rounds of elections. A small contingent of forty-two (42) members continued with support in the registering and integration of the DRC Armed Forces. A post-conflict reconstruction operation was also concluded. In Burundi minimum force levels were deployed as the mission was successfully changed over from a UN to an AU mission in December 2006. In sup-

port of the AU mission a total of 1 110 members were deployed as protectors for Burundian leader elements returning from exile. In Ethiopia and Eritrea SANDF military observers were and remain deployed along the zone between the two states. A contingent of 648 SANDF members was deployed in an AU mission in the Darfur region of the Sudan (AMIS), while in Côte d'Ivoire the SANDF contingent that was fully prepared to assist with the disarmament, the demobilisation and reintegration process was to be withdrawn as ordered.

The SANDF was also actively engaged in various missions in cooperation with the SAPS in internal operations. Support to other Government departments was conducted largely in the area of borderline control and rural safeguarding operations. The disengagement from internal operations (borderline control and rural safeguarding) proceeded as planned. The responsibility for borderline control of the international borders pertaining to Namibia, Botswana and Lesotho was handed over to the SAPS. This reduced the number of internally deployed SANDF members. The phasing out of the Army Territorial Reserve Units continued in accordance with the approved SANDF Exit/SAPS Entry Strategy. The Army Territorial Reserves will in part continue to support the SAPS Rural Safety Plan during the period of transfer.

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Steady joint and multinational force preparation planning and exercises continued throughout the year. The next major exercise to test and evaluate the integrated conventional capabilities will only be held in 2009. This is a full-scale joint exercise in the same category as the 2005 Exercise NDLOVU. The joint planning process was initiated during the past year.

Force preparation addressed the force requirements for the medium-term framework, as well as the mission training needs for the rotation of forces for current missions. SANDF Forces deployed in support of the UN Mission in the DRC faced equipment serviceability and logistics sustainment challenges. A number of interventions have taken place to address these challenges. In the Sudan the future of AMIS is unsure. The Government of the Sudan imposed restrictions on AMIS that negatively affect movements to and from the mission area which, in turn, delay operational sustainability and deployment of forces. Furthermore, the gap between the allocation of resources received by the DOD and the expected DOD readiness levels, particularly for peace support operations, necessitated certain reprioritisation in order to meet the current maintenance of essential reserves, which may have implications for the future. The cumulative effect of this situation is that future resource allocation may not be in time to achieve the required force levels and readiness states. The degree of sustainability of SANDF capabilities is demonstrated by the DOD's approach to engage military resources selectively during the conduct of operations in support of peace missions. The DOD has reached a situation where military capabilities required for peace missions are approaching critical levels in terms of sustainment.

The SANDF will continue to strive towards the vision of defending South Africa and employ forces in support of South Africa's national policies and international obligations to promote national, regional and continental peace, safety, security, stability and cooperation.

PURPOSE

The Force Employment Programme stipulates how operations and joint and multinational military exercises should be conducted, and defence capabilities managed.

MEASURABLE OBJECTIVE

Contribute to national and regional security by initiating, planning, commanding and coordinating support for all operations and joint and multinational exercises as directed, and meeting Government requirements.

OUTPUTS

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

- Strategic Direction;
- Operational Direction;
- Special Operations;
- Regional Security;
- Support to the people; and
- Defence capability management.

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

Table 3.1: Force Employment Programme Outputs for the FY2006/07

Output	Performance Measure	Performance Against Target	
		Target	Achievement
Subprogramme Strategic Direction			
Internal Support, planning and operations development	Degree of compliance with support requirements	Full support	Full support was provided as required in spite of critical posts not being staffed. The staffing of posts will be addressed through departmental processes. All policies were complied with.
	The degree to which force employment requirements are met	Successful planning of all operations and exercises	Planning commitments for 30 existing and new operations were maintained/developed, resulting in effective employment of forces. A number of joint emergency evacuation contingencies were successfully revised. Strategic direction provided resulted in the Draft Joint Force Employment Concept being approved in principle by the Military Command Council and Joint Force Employment because guidelines for planning combat-ready force structure elements and capabilities were available.
	The degree to which joint doctrine is developed to optimise operational readiness requirements as determined by C SANDF	Joint doctrine according to the C SANDF requirements	Joint doctrine was developed according to requirements. Five joint doctrine publications have been submitted for command approval.

Table 3.1: Force Employment Programme Outputs for the FY2006/07 (Continued)

Output	Performance Measure	Performance Against Target	
		Target	Achievement
	The degree to which compliance with battle space development is researched and analysed	Review of the environment	The target was fully achieved. The African Battle Space publication was approved by the Military Command Council (MCC) and will be implemented.
Subprogramme Operational Direction			
Command and control capability Internal support capability	Degree of compliance with DOD policies, strategies and plans in respect of operational matters	Effective command and control of all operational matters	Effective command and control of operations was conducted. Full compliance with DOD policies, strategies and plans in respect of operational matters was maintained. All the requirements for external and internal operations, as well as ad hoc tasks were met in spite of challenges such as unserviceability of equipment, lack of junior leaders and the health status of troops.
	Degree of compliance required for operational readiness of the Operational Headquarters	Full support in accordance with requirements	Support to operations was provided as required. Reserve members filled critical posts to ensure service delivery. Challenges such as over-flight clearances for sustainment flights were experienced. The realignment of the Joint Operations Division structure will enhance the interoperability during joint operations, as well as joint and multinational exercises.
Subprogramme Special Operations			
Special Operations direction capability	Percentage compliance to C SANDF requirements /Degree of success to special operations	Effective direction of all special operations	Target fully achieved. All planned operations were successfully executed according to requirements.
Training Capability	Degree to which training is presented as planned Number of learners qualifying	Training in accordance with requirements and course schedule	During cycle 1/2006, 19 members qualified as special forces operators. Cycle 2/2006 was cancelled owing to a lack of learners. In spite of special efforts made during the year, recruitment of members for special forces remains a challenge.
Subprogramme Regional Security			
Operation MISTRAL Support to UN mission in the DRC	The number of members deployed to comply with the MOU Memorandum of Understanding and Letter of Assistance in providing structure elements/individuals as stipulated	1 214 members deployed	The deployment was effectively maintained with an average of 1 214 members deployed. Continuous replanning was conducted to adjust to the changing situation of the mission, hence the repatriation of the Ferry and Well Drill units. One successful rotation was completed in October/November 2006.
Operation FIBRE Support to UN mission in Burundi	The number of members deployed to comply with the MOU Memorandum of Understanding and Letter of Assistance in providing structure elements/individuals as stipulated	1 319 members deployed	Operation FIBRE was terminated in December 2006 when the objective of establishing a peace agreement allowing for further political development was achieved. Minimum force levels were maintained. In December 2006 a successful changeover took place from a UN to an AU mission. RSA Forces under the UN structure redeployed into Operation CURRICULUM, the AU mission in Burundi.
Operation PRISTINE Support to UN mission in Côte d'Ivoire	The number of members deployed to comply with the MOU Memorandum of Understanding and Letter of Assistance in providing structure elements/individuals as stipulated	45 members deployed	The planned 45-member complement as approved was prepared but not deployed from July 2005 before termination in December 2006. This mission was terminated for reasons associated with the peace process in Côte d'Ivoire.



Table 3.1: Force Employment Programme Outputs for the FY2006/07 (Continued)

Output	Performance Measure	Performance Against Target	
		Target	Achievement
Operation ESPRESSO Support to UN mission in Ethiopia and Eritrea	The number of members deployed to comply with the MOU Memorandum of Understanding and Letter of Assistance in providing structure elements/individuals as stipulated	6 members deployed	Six staff officers/military observers were deployed according to UN/AU requirements.
Operation TEUTONIC I Support of multi-lateral arrangements in the DRC	The number of members deployed to comply with the MOU Memorandum of Understanding and Letter of Assistance in providing structure elements/individuals as stipulated	56 members deployed	The available force levels fluctuated throughout the year and on average 47 members were deployed. Two Brassage Centres were established, assisting with the integration of 147 000 former belligerents. During the operation, African Renaissance funds for post-conflict reconstruction were expended.
Operation TEUTONIC II Support of multilateral arrangements in the DRC (financed by the Netherlands)	The number of members deployed to comply with the MOU Memorandum of Understanding and Letter of Assistance in providing structure elements/individuals as stipulated	63 members deployed	On average 63 members were deployed in line with the MOU. Two training facilities were constructed. The mission was concluded in September 2006.
Operation TEUTONIC III Support of multilateral arrangements in the DRC	The number of members deployed to comply with the MOU Memorandum of Understanding and Letter of Assistance in providing structure elements/individuals as stipulated	2 members deployed	Two senior members were deployed to coordinate all SANDF assistance required by the Congolese Defence Force.
Operation TRITON IV Support to the AU in respect of elections in the Comoros	The number of members deployed to comply with MOU	371 members deployed	The AU appointed South Africa as lead nation in the AU Mission to the Comoros (AMISEC). A total of 318 of the planned 371 members was deployed owing to non-availability of forces. The mission was commended and received recognition for its work from the Peace and Security Council of the AU.
Operation CORDITE Support to AU mission in the Sudan (AMIS)	The number of members deployed to comply with the MOU Memorandum of Understanding and Letter of Assistance in providing structure elements/individuals as stipulated	334 members deployed	As requested by the AU, force levels were increased from two companies to battalion strength resulting in 648 members being deployed. Two successful rotations were completed. Sustainment flights were and remain a problem because Sudanese authorities do not give over-flight and landing clearances.
Operations SOLITAIRE I, II, III and IV Distribution of ballot papers for the DRC elections. Deployment of military and civilian observers for the elections	The number of members deployed to comply with the MOU Memorandum of Understanding and Letter of Assistance in providing Force Structure Elements/individuals as stipulated	Successful distribution of ballot papers. Successful deployment of military and civilian observers	A total of 2 165 tons of ballot material was distributed in the DRC by the SANDF. Altogether 26 SANDF members and 200 observers from Department of Foreign Affairs were successfully deployed and supported by the DOD.

Table 3.1: Force Employment Programme Outputs for the FY2006/07 (Continued)

Output	Performance Measure	Performance Against Target	
		Target	Achievement
Operation CURRICULUM Agreement between South Africa and Burundian Government. Protect the returning leader element	The number of members deployed to comply with the MOU Memorandum of Understanding and Letter of Assistance in providing Force Structure Elements/individuals as stipulated	1 110 members deployed	1 110 members were deployed and successfully protected the Burundi leader element returning from exile. Operation CURRICULUM is a new mission with a temporary time frame and anticipated to end in 2008.
Operation MARINER Election support to Madagascar	The number of members deployed to comply with the MOU Memorandum of Understanding and Letter of Assistance in providing Force Structure Elements/individuals as stipulated	Successful support during the elections	A total of 30 members were deployed from 29 November to 12 December 2006. All objectives with regard to transportation and general assistance were achieved. The mission was commended and received recognition from the international community.
Operation INDAWO Election support to Lesotho	The number of members deployed to comply with the MOU Memorandum of Understanding and Letter of Assistance in providing Force Structure Elements/individuals as stipulated	Successful support during the elections	All ballot papers for the Lesotho election were successfully distributed and collected by the SA Air Force from 15 to 20 February 2007. A total of 27 members was deployed. The SANDF used its own air capabilities for the deployment, thereby contributing to the efficiency of the election process.
Operation LITCHI II Humanitarian assistance to Mozambique in the Zambezi valley as a result of cyclones and torrential rain	The number of members deployed to comply with the MOU Memorandum of Understanding and Letter of Assistance in providing Force Structure Elements/individuals as stipulated	Successful support during the floods	A total of 80 members were deployed reflecting full compliance with the MOU. A total of 630 tonnes of food and 2.5 million litres of purified water were distributed. Three SA Air Force aircraft, as well as water purification plants were deployed. The SANDF support directly contributed to alleviating an adverse humanitarian situation. Deployment commenced on 6 March 2007 and remains current.
Operation BAPISA Support to Mozambique Government in alleviation of the disaster situation resulting from the explosion of the ammunition dump	The number of members deployed to comply with the MOU Memorandum of Understanding and Letter of Assistance in providing Force Structure Elements/individuals as stipulate	Successful support during the disaster	A total of 53 SANDF and six SAPS members were deployed from 26 March 2007. The successes of the Operation will be made visible in the FY2007/08 report.



Table 3.1: Force Employment Programme Outputs for the FY2006/07 (Continued)

Output	Performance Measure	Performance Against Target	
		Target	Achievement
Subprogramme Support to the People			
Operation INTEXO Borderline control	Degree of compliance with standing agreement for borderline control operations	100%	The target was fully met. Borderline control was executed along the Zimbabwean, Mozambiquean, Swaziland and Lesotho borders. Three companies (on average 1 111 members) were deployed. Successes include inter alia 46 weapons found, 15 676 kg marijuana confiscated and 727 criminals arrested.
	Landward borderline base reduction	Reduce landward borderline bases from 12 to 3	The target was met. The available force is decreasing on a continuous basis in accordance with the agreed SANDF Exit and SAPS Entry Strategy between the SANDF and the SAPS.
	Landward borderline company reduction	Reduce landward borderline sub-units from 12 to 9	The target was fully met. Landward borderline subunits were reduced from 12 to 9 as planned.
Operation STIPPER Rural safeguarding in support of the SAPS	Degree of compliance with SAPS requirements	100%	The target was fully met in compliance with SAPS requirements. Five Army Territorial Reserve platoons, on average 197 members, were deployed. Successes include: 170 weapons found, 2 657 kg marijuana confiscated and 2 742 criminals arrested.
	Number of Army Territorial Reserve units (commando units) units phased out	Reduce Army Territorial Reserve units (commando units) units from 113 to 52	The SA Army is busy closing down Army Territorial Reserve units. The phasing out of these units will be completed by the end of the FY2008/09.
Operations HUMAN Support to the Government	Degree of compliance with ad hoc approved Government departments' requests	100%	All requirements received were complied with. The Department of Agriculture was assisted in the containment of classical swine fever. 84 SANDF members (mostly Reserve elements supplemented by Regular members) were deployed in the Eastern Cape, KwaZulu-Natal and the Free State. A total of 13 352 pigs were killed. The SANDF supported the Marine and Coastal Management by conducting coastal patrols to curb abalone poaching and to carry out routine fishery patrols. A total of 40 abalone poachers were arrested. The SA Air Force patrolled the maritime coast of South Africa (Operation NEPTUNE-RSA West Coast and Operation ORCA-RSA East Coast).
Subprogramme Defence Capability Management			
Joint and multinational exercises	Degree of compliance with preparation requirements for joint exercises	Full compliance Number of joint exercises	Three exercises were presented. One exercise was integrated with the other exercises in order to test and improve communication procedures. Of the remaining three exercises, two were cancelled. One was not executed due to unavailability of French Forces. See table 4.2 for detail.
	Degree of compliance to force preparation requirements for multinational exercises	Full compliance Number of multinational exercises	Seven exercises took place. Exercise BOURBON was conducted as part of Exercise INTEROP EAST. One exercise was cancelled and two maritime exercises were combined. See Table 4.3 for detail.
Defence capability requirement	The degree to which required defence capabilities are identified and developed	According to requirements	The target was fully met as the plan for the FY2006/07 was executed. Five high-level scenarios were developed and analysed in terms of objectives, military tasks, required effects, functional attributes and required defence capabilities. The Defence Staff Council approved the reprioritised SANDF Capital Acquisition Plan.

Table 3.1: Force Employment Programme Outputs for the FY2006/07 (Continued)

Output	Performance Measure	Performance Against Target	
		Target	Achievement
Defence Capability Command and Control capability	The degree to which command and control is developed (Project ERABUS)	According to requirements	Most of the requirements were met. The cost-effective management of the command and control programme was ensured through coordination with the ARMSCOR Project Manager, close supervision of the service provider and liaison with key role-players in the SANDF Command and Control community. The required level of integration with other environments was ensured through active participation in, for example, the reprioritisation of the capital needs. Continuous research was conducted and consultation provided by the Defence Institute.

JOINT AND MULTINATIONAL EXERCISES FOR THE FY2006/07

Details of SANDF joint exercises are reflected in table 3.2 and multinational exercises in Table 3.3. Training support to foreign forces is reflected in Table 3.4.

Table 3.2: Joint Exercises for the FY2006/07

Exercise Name and Type	Achievement
SA Special Forces Exercises Rehearsal of Special Forces contingencies	Three exercises to rehearse action related to contingencies were executed as planned.
SANDF Communication Exercise To enhance high-frequency (HF) communication skills throughout the SANDF utilising joint and multinational exercises as a vehicle	This exercise was integrated with other planned exercises to ensure effective communication skills and radio procedures.
EXERCISE MATHOLE A command post exercise (CPX) to test rapid reaction capability and develop SANDF doctrine and procedures in peacekeeping. Prepare forces training exercise in 2007	The exercise was cancelled owing to the non-availability of force structure elements. The focus will be placed on planning and preparing of forces for Exercise NDLOVU planned for 2009.
EXERCISE MATHOLE SANDF joint Peacekeeping Operations exercise (Field Training Exercise) to test and evaluate doctrine on Peace-support Operations	The exercise was cancelled owing to non-availability of force structure elements. The focus will be placed on planning and preparing of forces for Exercise NDLOVU planned for 2009.
EXERCISE OXIDE (GERANIUM) To enhance the preparedness of the SANDF to render support to the Department of Transport in search and rescue operations in conjunction with French Forces based in La Reunion as per MOU	The exercise was cancelled due to unavailability of French Forces. The last exercise was conducted in May 2005.
EXERCISE EMEX To render support to the National Nuclear Regulator in dealing with a nuclear incident at Koeberg Nuclear plant as required by legislation	Military observers attended the exercise at Koeberg Nuclear plant in March 2006. Different scenarios were simulated whereby types of contingencies were confirmed and action to be taken rehearsed.
EXERCISE AFFIX To render support to the Airports Company of South Africa in dealing with aircraft disasters at SA airports, as required by legislation	Military observers attended the exercise at O.R. Tambo International Airport in March 2006. Different scenarios were simulated and contingencies were confirmed and rehearsed.



Table 3.3: Multinational Exercises for the FY2006/07

<i>Exercise and Type</i>	<i>Achievement</i>
Exercise AIR BORNE AFRICA Airborne forces competition	This exercise was cancelled as no host nation for the exercise could be found.
Exercise BELL BUOY Military (naval) control of merchant shipping in times of emergency (Indian Ocean)	The maritime exercise was conducted with the Navies of Uruguay, Brazil and Argentina. All the objectives for the exercise were met. The exercise took place in Brazil in September 2006.
Exercise TRANSOCEANIC Military (naval) control of merchant shipping in times during emergencies in participation with South American countries (South Atlantic Ocean)	Exercise TRANSOCEANIC took place from 14 to 25 August in South Africa. Participating countries were Brazil, Argentina, Uruguay and SA. SA Navy Reserve teams stationed at the six main ports of SA participated in this exercise. All objectives were met.
Exercise INTEROP EAST and WEST Naval exercise with Africa countries on the East and West coast of Africa to build trust, capacity and capability in the Navies in the SADC Region	INTEROP EAST was conducted as part of Exercise BOURBON from 28 October to 14 November 2006. Owing to the operational commitments of the SA Navy the force structures were changed at very short notice. No helicopters were deployed as originally planned owing to the SA Navy's operational commitments. INTEROP WEST took place in 2006. SAS AMATOLA visited four African countries: Nigeria, Cameroon, Gabon and São Tomé. Participated in Nigerian Navy Presidential Fleet Review to mark their 50th anniversary. All objectives were met.
Exercise BOURBON A combined search and rescue exercise between the DOD, Departments of Tourism and Environmental Affairs, as well as French Forces in La Reunion	This exercise was conducted as part of Exercise INTEROP EAST. The exercise took place at Reunion from 29 September to 14 November 2006 with the French Indian Ocean Navy. The objectives of the exercise were achieved. The same vessels were utilised in both exercises.
Exercise COMBINED ENDEAVOUR Partnership for peace communications and information systems' technical demonstration	The multinational interoperability exercise took place during March, May, September and November 2006, and January and March 2007. The exercise was executed in Georgia, Germany, the Netherlands, Armenia, Slovakia and the Ukraine. 24 members of the Command Management and Information System Division were involved in the planning and execution of the exercise. All objectives were met.
Exercise AFRICA ENDEAVOUR African communications and information systems interoperability exercise	The Command Management and Information System (CMIS) Division conducted the African interoperability exercise in July 2006 at Wonderboom Military Base. Planning was done in November 2006 and January 2007 to host the second Exercise AFRICA ENDEAVOUR in South Africa in July 2007. The United States European Command (USEUCOM) invited most SADC countries to participate. The result was to establish the SADCBRIG interoperability.
EXERCISE ATLASUR Maritime exercises between SA Navy and South American countries to enhance multinational conventional naval warfare capabilities in the South Atlantic Ocean	The maritime exercise took place in Uruguay from 28 October to 7 November 2006. The SA Navy, as well as Uruguayan, Brazilian and Argentinean Navies participated. All the objectives for the exercise were met.
Exercise BLUE RUVUMA A humanitarian relief exercise based on a flood disaster scenario in one of the SADC member states	The SA Air Force conducted the exercise in Tanzania supported by other Services and Divisions. The exercise took place from 9 to 13 October 2006. All objectives were met.

Table 3.4: Training Support to Foreign Forces during the FY2006/07

<i>Exercise Name and Type</i>	<i>Achievement</i>
Exercise ACE 06 Parachute training by the United Kingdom Armed Forces	This exercise was cancelled. The UK Armed Forces indicated that they did not have a requirement for the continuation of this exercise. The SANDF's role in the exercise was to provide logistical support to the UK Forces.
Exercise DORSAY Artillery precision guided missile training with Singapore Armed Forces	The SA Army successfully supported the Singapore Armed Forces from 10 August 2006 to 12 February 2007. A total of 298 Singapore Armed Forces and 50 SANDF members were involved. The support was provided against repayment.
EX Diamond Cutter/African Thorn Support to UK Armed Forces exercise at Lohattha	The SA Army successfully supported UK Armed Forces in January 2007 at the SA Army Combat Training Centre. The support was provided against repayment.

PERFORMANCE AND SERVICE DELIVERY IMPROVEMENT

Detail of the Force Employment Programme performance and service delivery improvement reflected in Table 3.5.

Table 3.5: Performance and Service Delivery Improvement for the FY2006/07

<i>Activities</i>	<i>Planned Management Intervention</i>	<i>Anticipated Benefit</i>	<i>Status</i>	<i>Achievement</i>
Increasing number of operators qualified per year by introducing a second training cycle	Introduce an additional training cycle per year	Achieve targets for qualified operators	Two training cycles per year	Only one cycle was completed. One cycle was cancelled owing to a lack of learners. The lack of learners was the result of the non-availability of recruited members.
Transfer responsibilities to other State Departments to ensure a smooth transition of functions where the DOD plays a support role	To use existing forums to improve interdepartmental cooperation and to ensure reimbursement where support was provided	Ensure that forces are employed optimally without strain on resources	Ongoing First phase of exit of 17 Army Territorial Reserve units completed	The Joint Operations Division is part of the team addressing the phased withdrawal. Detailed report under the Landward Programme.



SERVICES SCALED DOWN, SUSPENDED OR ABOLISHED

Details of the Joint Operations Division's services that were scaled down, suspended or abolished during the FY2006/07 are reflected in Table 3.6.

Table 3.6: Services Scaled Down, Suspended or Abolished during the FY2006/07

<i>Reduction in Output (Quantity and Quality)</i>	<i>Reason for Scaling down/Suspension/ Abolishment</i>	<i>Implications</i>	<i>Achievement</i>
Subprogramme Operational Direction			
Disengagement from the Internal security environment	SANDF Exit/SAPS Entry Strategy Disengage from ordered commitments in support of the Department of Safety and Security	Savings in the medium term	Regular Forces are redirected according to the Force Employment Strategy.
Subprogramme Regional Security			
Decrease of force levels in Burundi (Operation FIBRE)	UN mission in Burundi was conducted successfully and is currently reaching conclusion	Resources to be utilised in new operations	Operation FIBRE was terminated after the objectives were reached as set by the UN. Main RSA Forces remained in Burundi after an agreement between South Africa and the Government of Burundi through a Letter of Assistance. The new operation will be known as Operation CURRICULUM.



Chapter Four

PROGRAMME 2 - LANDWARD DEFENCE

OVERVIEW

The FY2006/07 was characterised by tremendous challenges for the SA Army, but was also a year of achievements. The SA Army is the largest contributor of forces to the various missions by the SANDF to support Government initiatives. Landward forces were thus in the forefront of South African efforts to promote peace, security and stability to the region, our continent and to support the people of our country.

The changing nature of demands and the associated challenges for the SA Army to meet the expectations of Government and society are ever increasing. These challenges have been thoroughly explored and examined in the Strategic Profile of the SA Army as defined in the SA Army Future Vision, which was completed during the period under review. The SA Army Future Vision is a key strategic document as it defines the posture of the SA Army, its strategic profile, the strategic desired effects and the capabilities required.

In terms of operations, the SA Army successfully provided forces for 11 external operations, while simultaneously providing forces for three internal operations. The forces reflected the "Core-Growth-One-Force Concept" as two Reserve companies and combat support elements were deployed externally to enhance the

required force levels. Furthermore, two Reserve companies were employed in internal operations. A total of 4 638 Infantry Army Conventional Reserve members were utilised for external and internal deployments, administration and guard duties.

Force preparation of landward capabilities remains the core business of the SA Army and in this area the SA Army also achieved remarkable results. The force preparation cycle of new recruits from the January 2005 Military Skills Development System (MSDS) intake, was successfully concluded in two force training exercises, namely Exercise SEBOKA, a brigade-size conventional exercise, and Exercise YOUNG EAGLE, a brigade minus size airborne exercise. The SA Army also supported the SA Military Health Service with Exercise LANCET, the Singapore Armed Forces with Exercise DORSAY and the British Armed Forces with Exercise AFRICAN THORNE.

The first phase of modernisation of the SA Army was embarked upon. In the process of rejuvenating the SA Army, 2 421 members of the January 2005 MSDS intake were appointed into the Core Service System as Regular members. A significant number of the members now successfully participate in external deployments. The SA Army, notwithstanding tremendous pressure on its

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available resources, also commenced with the rejuvenation of the Army Conventional Reserve by transferring more than a 1 000 volunteers from the Army Territorial Reserves to the Army Conventional Reserve. Of the allocated 288 members of the January 2005 MSDS graduates, 61 signed contracts and the SA Army Engineer Corps recruited and trained 56 members for the Army Conventional Reserve. The Force Structure/Force Design was adapted to be aligned with the Defence Update 2006 and the SA Army Future Vision. Regarding the equipment of the SA Army, the SA Army has commissioned a simulation system for the upgraded Armoured Car. The Artillery Target Acquisition System is in the process of commissioning. The SA Army has also positioned itself in this regard by concluding the plan for the modernisation of landward systems.

The SA Army experienced tremendous challenges. During the year under review the personnel budget of the SA Army continued to absorb the budget so that only approximately 11 per cent of the budget was available for Chief of the Army to utilise at his discretion as operating funds. As a consequence, the SA Army had to adopt a survival strategy. The SA Army has depleted its reserves and as a source of spare parts, is currently cannibalising some equipment to sustain forces. Consequently, the above practice has resulted in standards of proficiency being decreased. Deteriorating facilities have resulted in non-compliance with the applicable Occupational Health and Safety Regulations. This impacts negatively on the planned MSDS intakes. The overutilisation of certain scarce skills in external and internal deployments has led to a decline in job satisfaction and morale. The demand for technical skills from the private sector also attracted members to the private sector, thus exacerbating the problem. The SA Army has developed an incentive scheme to retain some of these scarce skills. However, the scheme could not be implemented owing to lack of financial resources. The shortage of ammunition also contributed to a decrease in SA Army output.

Notwithstanding the above challenges, the SA Army has to a certain extent succeeded in minimising the down-

ward spiral of the SA Army regarding the maintenance and sustainment of equipment by the judicious utilisation of its resources and reserves, limited rejuvenation of the Regular and Reserve components of the SA Army and, most importantly, positioning itself for the future by completing the SA Army Future Vision. In this regard, certain concepts like 'Train as we Fight' were introduced.

PURPOSE

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

MEASURABLE OBJECTIVE

Defend and protect South Africa by providing prepared and supported landward combat forces, services and facilities that meet Government's requirements.

OUTPUTS

The Landward Programme provides landward defence capabilities for South Africa in the areas covered by its ten subprogrammes, namely:

- Strategic Direction;
- Infantry Capability;
- Armour Capability;
- Artillery Capability;
- Air Defence Artillery Capability;
- Engineer Capability;
- Operational Intelligence Capability;
- SA Army Command and Control Capability;
- Support Capability; and
- General Training Capability.

OUTPUT DETAIL

During the period under review some amendments to the performance measures and targets were effected. Details of the Landward Defence Programme outputs are shown in Table 4.1.

Table 4.1: Landward Defence Programme Outputs for the FY2006/07

<i>Output</i>	<i>Performance Measure</i>	<i>Target</i>	<i>Achievement</i>
Subprogramme Strategic Direction			
An Army Office comprising C Army and personnel plus one chief directorate for Force Structure, Force Preparation, Corporate Services and Inspector General Army	Effective and efficient strategic direction of the SA Army timely promulgation of strategy, operational concepts and guidelines for planning	Promulgated strategy, operational concepts and guidelines for planning	Target fully achieved. Strategic guidance towards achievement of SA Army missions given time. The Strategic Profile of the SA Army as defined in the SA Army Future Vision was completed.
		Formulated strategic business plans, 'in-year' business plans and expenditure schedules	Target fully achieved. Plans and expenditure schedules were executed as required.
		Approved quarterly, annual and state of readiness reports	Target fully achieved. Reports were submitted as required.

Table 4.1: Landward Defence Programme Outputs for the FY2006/07 (Continued)

Output	Performance Measure	Target	Achievement
Subprogramme Infantry Capability			
Command and Control Capability	Degree of achievement during internal evaluation in Formation Headquarters on all administrative aspects	Formation Headquarters Required standard of 80% during all evaluations	The Formation Headquarters achieved 85% during all internal evaluations on all administrative aspects.
Training Capability	Degree to which training is presented as planned Number of learning opportunities Number of learners qualified	One School of Infantry 129 7 073	The School of Infantry presented 131 learning opportunities. A total of 6 719 learners qualified. As a result of increased training requirements in the formation, two more courses were scheduled and presented. The non-availability of members for training owing to operational deployments internally and externally resulted in the training of fewer members than planned, hence the difference between the target (7 073) and the actual achievement (6 719).
	Degree to which training is presented as planned Learning opportunities Number of learners qualified	One Mechanised training wing 15 1 125	Ten of the 15 planned learning opportunities were presented. Five (5) learning opportunities were cancelled owing to a lack of nominations. Only 1 025 members qualified.
	Degree to which training is presented as planned Learning opportunities Number of learners qualified	One parachute training wing 90 3 936	44 Parachute Regiment (Parachute Training Wing) presented 61 of the planned 90 learning opportunities. A total of 29 learning opportunities were cancelled owing to a lack of nominations, the weather and availability of aircraft. Only 2 755 members qualified.
Mechanised Infantry Capability	The degree to which the required force preparation requirements, state of readiness and force employment requirements are achieved	1 SA Infantry Battalion	Achieved required state of readiness.
		61 Mechanised Battalion/8 SA Infantry Battalion (Must reorganise at Upington)	61 Mechanised Battalion is closing down and in the process of reorganising at Upington.
		Four mechanised battalions (Reserves - leader group training)	Leader group training was done successfully as planned at SA Army training institutions. This included a section leaders course at 1 SA Infantry Battalion and an officers' and non-commissioned officer training course at SA Army Gymnasium. In general these regiments have less than 25% of their personnel and no equipment.
Parachute Capability	The degree to which required force preparation requirements, state of readiness and force employment requirements are achieved	44 Parachute Regiment Headquarters	The required state of readiness was not fully achieved. The marshalling team has not yet been fully established.
		One Parachute Battalion	The required state of readiness was not fully achieved. However, the peace support requirements were met. The Battalion deployed in the Comoros for the elections and was on standby as Chief of the SANDF Reserve.
		One air-landed Battalion (6 SA Infantry Battalion)	6 SA Infantry Battalion was incorrectly indicated as airborne infantry. It is part of the motorised infantry battalion, multiroled as an air landed battalion. Achievements are reflected under Motorised Infantry.
		One Parachute Battalion (Reserves)	The Reserve Parachute Battalion did not meet the required readiness levels owing to shortages of personnel and equipment.



Table 4.1: Landward Defence Programme Outputs for the FY2006/07 (Continued)

Output	Performance Measure	Target	Achievement
		One Air-landed Battalion (Reserves)	The air-landed Reserve battalion is incorrectly indicated as airborne infantry. It is part of the motorised infantry battalion multi roled as an air landed battalion. Achievements reflected under Motorised Infantry.
Motorised Infantry Capability	The degree to which required force preparation requirements, state of readiness and force employment requirements are achieved	Eight motorised infantry battalions	Achieved readiness requirements. 6 SA Infantry Battalion regular component did multirole training in preparation for peace support deployment. The battalions deployed in peace support operations. Both 4 and 14 SA Infantry Battalions. deployed in the DRC, 5 SA Infantry Battalion in Burundi (Operation FIBRE) and 9 SA Infantry Battalion in Operation CURRICULUM. 8 SA Mechanised Infantry Battalion deployed in a motorised role in the Sudan, while 6 and 2 SA Infantry Battalions also deployed in the Sudan.
		14 motorised infantry battalions (Reserves - leader group training)	Achieved readiness requirements. No multirole training has yet been done by the Reserve component owing to resource limitations.
Light Infantry Capability	The degree to which required force preparation requirements, state of readiness and force employment requirements are achieved	Three light infantry battalions	118 SA Infantry Battalion is in the process of closing down. The other two battalions are to convert to motorised infantry battalions to be used as multirole battalions for internal safety and security as well. Requirements were not fully achieved. However, readiness requirements for peace support operations were met.
		Three light infantry battalions (Reserves - leader group training)	The Reserve battalions achieved set requirements. The leader group training was done as planned at SA Army training institutions. In general, these regiments have less than 10% of its personnel and no equipment.
Subprogramme Armour Capability			
Command and control Capability	Degree of achievement during internal evaluation in Formation Headquarters on all administrative aspects	Formation Headquarters Required standard of 80% during all evaluations	The Formation Headquarters achieved 80% during all internal and external evaluations and administrative aspects.
Training Capability	The degree to which training is presented as planned Number of members qualifying	One School of Armour 88 learning opportunities 2 809 qualified	The School of Armour presented 83 of the planned 88 learning opportunities. Five were cancelled owing to the lack of ammunition. A total of 1 851 learners qualified. To improve quality, adjustments were made in terms of the ideal student - instructor's ratio, which reduced the number of training slots per course.
Tank Capability	The degree to which required force preparation requirements, state of readiness and force employment requirements are achieved	One regiment minus One regiment (Reserve - leader group training)	The Regular Tank Regiment achieved 50% of the requirements. No continuation training for primary function took place owing to a lack of funding and ammunition The Reserve regiment achieved 30% of the target owing to a lack of Reserve members. There is no feeding system for Reserves.



Table 4.1: Landward Defence Programme Outputs for the FY2006/07 (Continued)


Output	Performance Measure	Target	Achievement
Armoured Car Capability	The degree to which required force preparation requirements, state of readiness and force employment requirements are achieved.	One regiment minus Two regiments (Reserve - leader group training)	The Regular armoured car regiment achieved 50% of the requirements. One armoured car squadron was deployed for borderline protection on the Free State-Lesotho border. The Reserve regiments achieved 30% of the requirements owing to a lack of Reserves, as there is no feeding system for Reserves. The two regiment's leader group underwent formal and continuation training at Armour units.
Armoured Reconnaissance Capability	The degree to which required force preparation requirements, state of readiness and force employment requirements are achieved.	One regiment (Reserve - leader group training)	The Reserve regiments achieved 30% of the requirement owing to a lack of Reserves. There is no feeding system for Reserves. The leader group underwent formal and continuation training at Armour units and continuation training at Armour units.
Subprogramme Artillery Capability			
Command and Control Capability	Degree of achievement during internal evaluation in Formation Headquarters on all administrative aspects	Formation Headquarters Required standard of 80% during all evaluations	The formation Headquarters achieved 80% during all internal administrative aspects evaluations.
Artillery Education, Training and Development Capability	The degree to which training is presented as planned Number of members qualifying	School of Artillery 95 learning opportunities 2 404 learners qualified 	The School of Artillery presented 82 of the planned 95 learning opportunities. 13 learning opportunities were cancelled or rescheduled for the FY2007/08 owing to a shortage of prime mission equipment and instructors. Two course support exercises (supported by 4 Artillery Regiment) were presented as the practical part of the qualification of Artillery forces. Out of a total of 2 281 learners, 2 163 qualified. Planned numbers were not achieved due to non-availability of learners to take up all training slots as well as specific corps and post requirements.
Regular core growth capability (composite artillery capability)	The degree to which required force preparation requirements, state of readiness and force employment requirements are achieved	4 Artillery Regiment	4 Artillery Regiment achieved the requirements. However, prime mission equipment remains a challenge due to a lack of funds. Continuation training was executed and forces participated in the SA Army Exercises SEBOKA and YOUNG EAGLE. The Regiment provided two companies for internal deployment.
Artillery Mobilisation Regiment	The degree to which required force preparation requirements, state of readiness and force employment requirements are achieved	Artillery Mobilisation Regiment	The Artillery Mobilisation Regiment did not achieve set requirements. The Regiment is earmarked for closure and its functions would move to a prime mission equipment warehouse, which still has to be established. Some equipment and personnel now serve as a cornerstone for the new warehousing concept under investigation. The investigation by the Army is not yet complete resulting in a 5% achievement towards an ideal SA Army Warehousing.



Table 4.1: Landward Defence Programme Outputs for the FY2006/07 (Continued)

Output	Performance Measure	Target	Achievement
Reserve core growth capability (composite artillery regiment)	The degree to which required force preparation requirements, state of readiness and force employment requirements are achieved.	Composite Artillery Regiment (Five Reserve Units) ¹	The set requirements were not achieved. The decreasing human and financial resources resulted in the Artillery Reserve Regiments' being below the critical mass in terms of survival in the medium term. Initiatives were taken to recruit Army Territorial Reserve members into the Army Conventional Reserve. The School of Artillery presented formal training to Reserves and a total of 111 members qualified.
Subprogramme Air Defence Artillery Capability			
Command and control capability	Degree of achievement during internal evaluation in Formation Headquarters on all administrative aspects	Formation Headquarters Required standard of 80% during all evaluations	The Formation Headquarters achieved 100% during all internal evaluations on all administrative aspects.
Air Defence Artillery training capability	The degree to which training is presented as planned Number of members qualifying	School of Air Defence Artillery 32 learning opportunities 620 learners qualified	The School of Air Defence Artillery presented 30 of the 32 planned learning opportunities. Two learning opportunities were cancelled due to a shortage of funds and delay in the commissioning of the ground-based air defence system phase 1. Therefore only 710 learners attended with a pass rate of 95%.
Composite Air Defence Artillery capability	The degree to which required force preparation requirements, state of readiness and force employment requirements are achieved	One Air Defence Artillery regiment	The role of the Composite Air Defence Artillery was changed to that of a Mobile Air Defence Artillery capability, as the SA Army has no mechanised capability, resulting from the phasing out of the mechanised Air Defence Artillery equipment. The Mechanised Capability will be reinstated with Phase 4 of the Ground-based Air Defence System. The requirements were 70% achieved owing to a lack of prime mission equipment. The regiment was internally deployed in borderline control operations on the Zimbabwean and Botswana borders.
Air Defence Artillery mechanised capability	The degree to which required force preparation requirements, state of readiness and force employment requirements are achieved	Leader group for battery (Three reserve force structure elements as sources of manpower)	The existing capability was decommissioned as a result of the Air Defence Artillery equipment's being phased out. This capability must be reinstated by means of the Ground-based Air Defence System Phase 4.
Air Defence Artillery mobile capability	The degree to which required force preparation requirements, state of readiness and force employment requirements are achieved	One air defence artillery battery (Reserves)	The target was 80% achieved. The battery is now manned, but the lack of prime mission equipment and B-vehicles remains a challenge. This capability is undergoing a major intervention and conversion training is in process. The leader group is being trained. The MSDS does not provide sufficient numbers to fully capacitate the Reserves.

¹ The target was rephrased and includes subordinate elements.

Table 4.1: Landward Defence Programme Outputs for the FY2006/07 (Continued)

Output	Performance Measure	Target	Achievement
Subprogramme Engineering Capability			
Command and control capability	Degree of achievement during internal evaluation in Formation Headquarters on all administrative aspects	Formation Headquarters Required standard of at least 80% during all evaluations	The Formation Headquarters achieved 80% during internal evaluation on all administrative aspects.
Engineer training capability	The degree to which training is presented as planned Number of members qualifying	School of Engineers 46 learning opportunities 1 200 learners qualified	The School of Engineers presented a total of 65 learning opportunities. 21 additional opportunities, which include 3 construction machine operators' courses under the auspices of the School of Engineers at 1, Construction Regiment were presented to meet critical requirements. Of the 1 069 learners, 886 qualified.
Field engineer capability	The degree to which required force preparation requirements, state of readiness and force employment requirements are achieved	One field engineer regiment One field engineer regiment (Reserve leader group training)	Regular and Reserve regiments met the set requirements. The health status of members is a concern for external deployments. The Regiment deployed externally in the DRC and Burundi (OP MISTRAL). In the Sudan the regiment deployed for mine clearance. In the Comoros it deployed to provide support during elections and in Mozambique for water purification as well as during the explosion of the ammunition depot. Reserve Leader group attended formal courses at School of Engineers and other SA Army advanced training institutions.
Engineer combat support capability	The degree to which required force preparation requirements, state of readiness and force employment requirements are achieved	One Regular/Reserve combat engineer support capability	The set requirements were achieved. The Engineer Support Capability supported both Exercises SEBOKA and YOUNG EAGLE. It also provided support as a deeper level capability for both internal and external deployments.
Engineer terrain Intelligence capability	The degree to which required force preparation requirements, state of readiness and force employment requirements are achieved	One tactical terrain intelligence regiment One tactical terrain intelligence squadron (Reserve)	The set targets were 80% achieved. The amalgamation of 4 Survey and Mapping Regiment with 1 Military Printing Regt has not been completed owing to a lack of funds. It would be addressed in the short to medium term. The capability provided nine Geographic Information System teams in all internal deployments and also served as a deeper-level capability for all SANDF deployments into drawing and printing of maps (internally and externally).
Operational construction capability	The degree to which required force preparation requirements, state of readiness and force employment requirements are achieved	One construction regiment One construction regiment (Reserve - in planning)	The set targets were achieved. The capability provided operational construction for all internal and external deployments and maintenance of operational bases internally and externally.
Subprogramme Operational Intelligence			
Command and control capability	Degree of achievement during internal evaluation in Formation Headquarters on all administrative aspects	Required standard of 80% during all evaluations	Achieved 80% during internal evaluation on all administrative aspects.

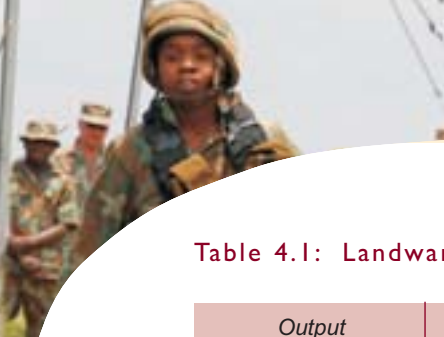


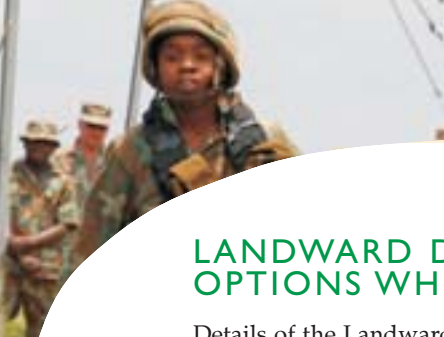
Table 4.1: Landward Defence Programme Outputs for the FY2006/07 (Continued)

<i>Output</i>	<i>Performance Measure</i>	<i>Target</i>	<i>Achievement</i>
Intelligence training capability	The degree to which training is presented as planned Number of members qualifying	School of Tactical Intelligence 30 learning opportunities	The School of Tactical Intelligence presented 31 learning opportunities (including four learning opportunities for 67 MSDS members) but fewer learners qualified. Only 686 learners qualified owing to a lack of nominations and operational deployments.
Tactical Intelligence	The degree to which required force preparation requirements, state of readiness and force employment requirements are achieved	835 learners qualified One tactical intelligence regiment Two tactical intelligence squadrons (Reserve - leader group training)	1 Tactical Intelligence Regiment did not fully meet set requirements owing to a lack of prime mission equipment, B-vehicles and ammunition. The health status of the members remains a concern. Continuation training took place with participation in Exercise SEBOKA. The regiment deployed internally as well as externally in peacekeeping operations. The staffing of Reserves in planning posts remains a challenge as age and health requirements were not met. (refer to PCD feedback)
Subprogramme SA Army Command and Control Capability			
Command and control capability for operational activities	Degree to which the force employment requirements are achieved	Two brigade headquarters each to provide four tactical groupings for two groupings to deploy annually, other two on leave and force preparation	The two brigades fully achieved the target. 43 SA Brigade Headquarters provided command and control for Exercise IRON EAGLE while 46 SA Brigade Headquarters provided command and control for Exercise SEBOKA. The two brigades also provided personnel for command and control to external operational structures.
Subprogramme Support Capability			
Command and control capability	Degree of achievement during internal evaluation in Formation Headquarters on all administrative aspects	Formation Headquarters Required standard of 80% during all evaluations	The formation headquarters achieved 80% during internal evaluations on all administrative aspects.
General support capability Support capability to ensure technical and logistical sustainment of deployed forces	Degree of achievement during internal evaluation ² The degree to which required force preparation requirements, state of readiness and force employment requirements are achieved	14 General Support Bases 70% client satisfaction performance according to plan	The 14 SA Army general support bases achieved the target with respect to support formal training, internal operations, and force preparation for internal and external operations, and support to multinational exercises. The support however, was not optimal due to various constraining factors such as a shortage of personnel and equipment, and low serviceability of vehicles.
		Two maintenance units Two maintenance units (Reserve - leader group training) Two field workshops Two field workshops (Reserve)	The whole support capability was under review to return certain functions back to the SA Army. Implementation of the structure will continue in the FY2007/08. The Regular maintenance units did not achieve set requirements owing to a lack of prime mission equipment. Reserve maintenance units are not yet transferred from the DOD Logistics Agency to the SA Army. Regular field workshops did not meet set requirement owing to a lack of prime mission equipment. Technical

² General Support Bases not structured to deliver support as required to both force structure elements and operational deployments. This includes the eroded Technical Support Corps capability.

Table 4.1: Landward Defence Programme Outputs for the FY2006/07 (Continued)

Output	Performance Measure	Target	Achievement
			Services Training School and Reserve field workshops will be transferred from the DOD Logistic Agency to the SA Army with effect from 1 April 2007.
Ceremonial services	Degree of achievement during internal evaluation	National Ceremonial Guard Ceremonial services in accordance with requirements	The National Ceremonial Guard supported 65 ceremonial activities, thereby fully met the requirement. This includes providing an escort and a leading detachment for state funeral services, and guards of honour for important state ceremonies, such as visiting heads of state in an national event like the Youth Day celebrations.
Subprogramme General Training Capability			
Command and control capability	Degree of achievement during internal evaluation in Formation Headquarters on all administrative aspects	Formation Headquarters Required standard of 70% during all evaluations	The Formation Headquarters achieved 100% during internal evaluations on all administrative aspects.
Command and management training	The degree to which training is presented as planned Desired course content and through-put based on SA Army Career Development Plan	SA Army College Two Joint Command and Staff Duties opportunities 200 officers qualified	The SA Army College presented two learning opportunities and 197 learners qualified.
Landward common training capability	The degree to which training is presented as planned Desired course content and through-put based on SA Army Career Development Plan	Combat Training Centre 25 learning opportunities 830 learners	The SA Army Combat Training Centre presented 23 learning opportunities. Two opportunities were cancelled owing to no nominations. Unplanned escalation of learner numbers owing to bigger SA Army requirement that resulted in 959 learners being trained.
Common junior leader training	The degree to which training is presented as planned Desired course content and through-put based on SA Army Career Development Plan	SA Army Gymnasium 18 learning opportunities 1 825 learners	The SA Army Gymnasium presented 15 learning opportunities. Four opportunities were cancelled, but one unplanned bridging training course for senior officers was presented. Three opportunities were cancelled owing to unavailability of instructors at the College of Education (COLET). A total of 1 466 learners were trained owing to fewer nominations received and fewer learning opportunities used.
Training depot capability to train new recruits in basic military skills	The degree to which training is presented as planned Desired course content and through-put based on SA Army Career Development Plan	3 SA Infantry Battalion 1 800 new recruits qualified in basic military skills 12 learning opportunities 1 200 learners	3 SA Infantry Battalion presented 12 learning opportunities. A total of 2 015 new recruits (MSDS members) were trained. The increase of MSDS members is a result of a command decision and reprioritisation. A total of 1 009 learners were trained, including 53 Reserves. Fewer learners were nominated than planned.



LANDWARD DEFENCE PROGRAMME: OUTPUTS OF SPECIFIC POLICY OPTIONS WHERE ADDITIONAL FUNDS WERE ALLOCATED

Details of the Landward Defence Programme with regard to outputs of specific policy options where additional funds were allocated during the FY2006/07 are reflected in Table 4.2.

Table 4.2: Landward Defence: Outputs of Specific Policy Options where Additional Funds were allocated during the FY2006/07

Policy Option	Allocation (R'000)	Performance Against Target	
		Target	Achievement
Military Skills Development System	92 700	Rejuvenate SA Army with 3 000 MSDS members	3 000 members were trained in the 1st year of MSDS training. Funding was utilised for the first year training of MSDS members, which covers basic training (6 months at training depot, 3 SA Infantry Battalion and functional training at different corps schools). The second year is utilised for operational deployment.
Operational vehicle maintenance	150 000	Operational B Vehicle material readiness: 60%	To sustain the current B-vehicle fleet availability at 40%, as a result of ageing of the vehicle fleet. The results in more breakdowns than expected. The amount of R111 647 900 was spent.
		Force preparation B Vehicle material readiness: 30%	30% achieved to enable support to force preparation requirements.
		Average B vehicle material readiness: 36%	36% of the total vehicle fleet required in the force design could be provided for Force Preparation and operational employment.
		Establishment of Technical Support Corps capability: 30% established	Tools for the technical support capability, light workshops and workshops were procured to the value of R16 790 000. The amount of R6 941 566 was spent on technical support vehicle maintenance and repair as well as equipment. The amount of R14 620 504 was spent on the upgrading of facilities at 101 and 102 Field Workshop, the upgrading of IT equipment for use by the Technical Support Corps and the procurement of workshop equipment.
Rejuvenation of Reserve Force	3 000	Pre-deployment training and external deployment of 2 Reserve companies	Two reserve companies and combat support as well as support elements deployed. Only two reserve companies were required. Additional combat support and support elements in support of the two companies were deployed externally.

LANDWARD DEFENCE PROGRAMME SPECIFIC EXERCISES CONDUCTED DURING THE FY2006/07

Details of the SA Army specific exercises conducted during the FY2006/07 are reflected in Table 4.3.

Table 4.3: SA Army Specific Exercises Conducted during the FY2006/07

Exercise Name and Type	Achievement
Exercise AFFIX Airline disaster - 1 X company	The SA Army provided a parachute company to Chief of Joint Operations.
Exercise SEBOKA Conventional - 1 X brigade	The exercise was executed at the SA Army combat Training Centre over the period 14 to 18 November 2006. The final phase of MSDS Integrated Conventional training was completed.
Exercise YOUNG EAGLE SANDF Reserve contingencies - 1 airborne brigade minus	The exercise was executed at De Brug in Bloemfontein over the period 14 to 18 November 2006. A parachute battalion group and an air-landed battalion participated. The final phase of MSDS integrated Airborne Operations training was completed.

Table 4.3: SA Army Specific Exercises Conducted during the FY2006/07 (Continued)

<i>Exercise Name and Type</i>	<i>Achievement</i>
Exercise AIRBORNE AFRICA Airborne competition: 2 X parachute teams	The SA Army provided two parachute teams and support to the Chief of Joint Operations.
Exercise EMEX Nuclear disaster - 1 X company	The SA Army supported the SA Military Health Service exercise by providing one infantry subunit.
Unit Exercises Conventional and Peace Support Operations continuity training to confirm basic and tactical soldering skills - battalions/companies	All Regular as well as selected Reserve structure elements (leadership training) executed continuation training. Subunit training took place at unit locations and unit training at the SA Army Combat Training Centre. Continuation training provides the required force levels for external and internal deployments and the establishment/maintenance of a Core Growth Regular/Reserve conventional capability.

PERFORMANCE AND SERVICE DELIVERY IMPROVEMENT

Details of performance and service delivery of the Landward Programme are reflected in Table 4.4.

Table 4.4: Performance and Service Delivery Improvement during the FY2006/07

<i>Activities</i>	<i>Planned Management Intervention</i>	<i>Anticipated Benefit</i>	<i>Status</i>	<i>Actual Achievement</i>
Subprogramme General Training Capability				
All chief directors, directors and general officers commanding participated in a learning opportunity facilitated by Financial Committee Chair and SA Army Budget Manager. PFMA and National Treasury-related financial aspects were addressed	Senior management financial learning opportunity One day learning opportunity once a year in April	Senior members of the SA Army able to implement relevant regulations and manage finances accordingly	Planned for April 2006. First learning opportunity completed in April 2005	90% of the target group was reached.
Detailed appreciation of captured audiences and other role players that influence the functioning of the SA Army	Corporate Communication Master Plan	Improved communication with all publics	Current	80% achievement. Defence Industry together with various other units of the SA Army were successfully addressed within the year under review. Lack of funds prevented full implementation of the Plan.
Detailed inventory check of existing Information Technology Detailed staff work to determine realistic requirements and priorities	Information Technology Master Plan to be implemented	Effective use of available resources and productive procurement of new hardware	Current	80% achievement. Information Technology equipment was managed according to the Master Plan. Insufficient financial resources were allocated against the Plan resulting in formations utilising own budgets to implement the Plan.
Detailed inventory check of existing vehicles Detailed staff work will determine realistic requirements and priorities	Vehicle Master Plan to be implemented	Improvement of serviceability and optimised utilisation of available vehicles	Current	Vehicle Master Plan implemented and procurement was completed. However, poor service from the vehicle industry affected the procurement process negatively.

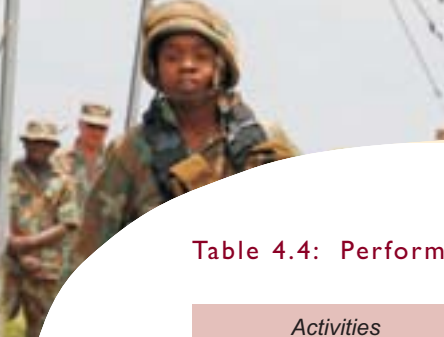


Table 4.4: Performance and Service Delivery Improvement during the FY2006/07 (Continued)

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement
Review alignment of policies, performance management and performance agreements	Improvement of performance agreements	Institutionalisation of performance management and allocated responsibility and accountability	Current	90% of the performance agreements for Level 2 and 3 were aligned with Chief of the SA Army required output and Public Finance Management Act. The process would be repeated to achieve 100%.
Control system to confirm credibility of Human Resources planning by subordinate budget holders Control system to prevent overspending by budget holders on items such as S&T and leave	Increased focus on Item 10 (Human Resources) management	Reduction in double budgeting. Control over discretionary funds, thus saving incurred surplus funds at end of financial year can thus be utilised in operating budget.	Current	90% of the target group and expectations in accuracy of the Item 10 budget were reached.
Investigation to confirm the relevance and requirement Approval by relevant authorities Implementation	SA Army Vision 2020 to be implemented	All activities of the SA Army are focussed, integrated and directed towards a visible and structured future. Limited resources are maximally optimised	To be implemented during 2006, pending approval by relevant bodies	The year was utilised to inform all relevant role players on the strategy, the finalisation of the plan and the alignment of the strategy with Defence Update 2006.
Engineer Capability				
Execute approved project mission Implement project Road show to institutionalise resultant vision	Launch own "Military Works Unit" to facilitate management/maintenance	Critical maintenance done under SA Army control Reduction in Occupational Health and Safety risks Limited funds maximally utilised according to priorities	Investigation in process, to be finalised by end of FY2006/07	This concept and the "DOD Works Regiment" have to be aligned. Investigation results of DOD Works Regiment project team are awaited.
Support Capability				
Investigation to confirm requirements, budget and implementation	Re-establish hospitality services	Saving on contractor fees Control over function Increased support to all force structure elements, both under training and deployed	Investigation in process, to be finalised by end of FY2006/07	Actual target was reached in accordance with guidelines from Chief of the Army and the Army Council. 13 previously privatised messes were militarised. Organisation and Workstudy investigations are proceeding. All messes are to be militarised by December 2008.

Table 4.4: Performance and Service Delivery Improvement during the FY2006/07 (Continued)

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement
Investigation to confirm requirements, budget and implementation	Re-establish technical services corps	Saving on contractor fees Control over function Increased support to all force structure elements, both under training and deployed	Investigation in process, to be finalised by end of the FY2006/07	Investigation finalised. Awaiting Ministerial approval for the expansion of Levels 2, 3 and 4 structures of the technical support capability is awaited. Structures previously under command of Chief of Logistics have been transferred to the SA Army with effect from 1 April 2007. Workshop equipment, special tools and toolboxes have been purchased and facilities and IT networks have been upgraded. Continuous staffing of critical technical support capability vacant posts takes place. Reserves field workshop commanders are involved in the establishment of the field workshops in the Army.
Detail human resources appreciation Liaison with DOD functionaries Procurement of information technology	Rejuvenation of procurement centres by means of information technology and staffing	Turnover time and accuracy of procurement transactions greatly enhanced SA Army in position to adhere to planned cash flow and procurement	Current	Awaiting Ministerial approval for the redesigned Procurement Centre structure is awaited. Clients of Army Support bases assist procurement centres in obtaining quotations.

POLICY DEVELOPMENTS

A total of 14 SA Army policies were reviewed or implemented during the financial year.

SERVICES SCALED DOWN, SUSPENDED OR ABOLISHED DURING THE FY 2006/07

Phasing out of Army Territorial (Commando) Units. The SANDF/SAPS Joint Operational and Intelligence Structure (JOINTS) determined the units to be closed in a specific year, based on the SAPS service capacity to take over the task. The SA Army obtained Ministerial Authority to close the identified units and physically shut them down (personnel, finances and logistics accounts). Since 1 April 2005 to 31 May 2006 (beyond 31 March 2006), 11 group headquarters and 174 Army Territorial Reserve units (commandos) were placed under the status of "units closing down". This implies that no force preparation and/or force employment takes place. The unit structures were changed to those of closing down structures. The SA

Army is planning, subject to confirmation by JOINTS, to close five group headquarters and 11 commando units in the FY2008/09 and the remaining three group headquarters in the FY2009/10.

Audit of Closing Units. Project TSAKANI of the SA Army and Project MOUNTING of the Inspector General (DOD) were established and staffed with dedicated members who had trained to undertake the closure of group headquarters and commando units. The closing down structures are responsible for the closing of the personnel, finances and logistics accounts. The Inspector General (DOD) has audited one group headquarters and 73 commando units. Certificates for the closure of one group headquarters and 33 commando units were received. Ten group headquarters and 103 commando units are in the process of closing and are preparing for final audit.

OTHER SA ARMY STRUCTURES

Currently the 118 SA Infantry Battalion and General Support Base Durban are busy conducting their closing down audits.



Agusta 109 - Light Utility Helicopter.

Chapter Five

PROGRAMME 3 - AIR DEFENCE

OVERVIEW

The SA Air Force's strategic planning progressed during the FY2006/07 guided by SA Air Force Vision 2015, which replaced the SA Air Force Transformation Plan towards Vision 2012.

During the period under review the SA Air Force once again confirmed itself as a valuable national asset and contributor to Government initiatives. The Air Force contributed elements of air power to contingents of the SA National Defence Force that were deployed abroad in countries such as Madagascar, Mozambique, the Comoros, the DRC, Burundi, the Sudan and Lesotho. The support provided serves as a tangible example of the SA Air Force's contribution to NEPAD, and its endeavour to attain and ensure a peaceful and stable region.

During the FY2006/07 the Air Force flew a total of 37 160 hours, of which 9 788 were force employment in direct support of Joint Operations. The SA Air Force support of Government initiatives was not limited to initiatives on the African continent, as was evidenced in activities such as a combined exercise off the Indian Ocean island of La Reunion in conjunction with French forces, training of VIP protectors for Pakistan and the support rendered to the Italian fighter

delegation where the Italian Storm Shadow cruise missile test campaign was successfully completed at Air Force Base Overberg. In addition a joint short range missile certification venture was initiated between the RSA DOD and the Brazilian Air Force to ensure that both countries' requirements are catered for.

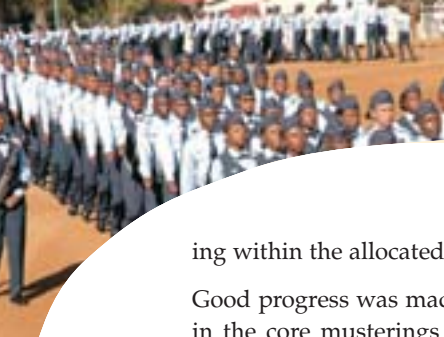
Support of own forces received equal priority, with a total of 595 hours flown in support of the SA Army, SA Navy and the SAPS during border control operations. A further 1 158 flying hours were flown in direct support of crime prevention in rural areas and 305 flying hours during humanitarian assistance. During maritime reconnaissance 338 flying hours were flown in support of the SA Navy. Combined and multinational exercises accounted for 334 hours.

The funding of air mobility for diplomatic missions remained a high priority for the SA Air Force during the FY2006/07. Various aircraft in support of very important person (VIP) dignitaries and important persons flew a total of 2 737 hours, carrying a passenger total of 4 930 passengers.

The Air Force Reserves played a valuable and growing role in augmenting the SA Air Force's human resources, delivering 52 496 man-days during the year under review and flying 2202 hours in Air Force Reserve Squadron aircraft, whilst remain-

a national partnership to build a better life for all

DEPARTMENT:
DEFENCE



ing within the allocated budget.

Good progress was made with transformation, especially in the core musterings of the SA Air Force. Two pupil pilot courses were completed during the FY2006/07, with a total of 33 pilots qualifying. Of these, 30 were males and three females, while 67% of the total were Black pilots.

Shortcomings in Technical Support capability service delivery were mainly due to critical shortages of qualified technicians due to resignations. A highlight of the FY2006/06 was the successful implementation of a reviewed technical incentive for technicians and technical officers. Initial indications are that this will have a positive effect on the retention of skilled personnel.

Although progress was made with retention during the FY2006/07 when the improved incentives for aircrew and technicians were implemented, retention still remains a challenge for the Air Force leadership. The growth in the aviation industry internationally has led to a huge demand for qualified air traffic controllers, operations officers, aircrew and technical personnel.

The integration and commissioning of the Strategic Defence Package aircraft are important elements of the SA Air Force's ability to conduct air operations. A limiting factor during the FY2006/07 was the extended delays in the delivery of the Agusta A109 light utility helicopter, which is now almost four years late. This continued to place pressure on the remaining Alouette III and BK-117 light utility helicopters to bridge the shortfall. The late delivery of the A109 caused delays in the planned training schedules of the new aircraft. The late release of the Hawk jet trainer continued to cause disruptions to the planned training and conversion schedules. The overriding concern remains the high levels of underfunding, which continues to force the SA Air Force to operate its aircraft systems, including the Strategic Defence Package aircraft at sub-optimal levels.

Insufficient funding together with the threatening dolomitic subsidence in the Pretoria area, contributed to the deterioration of operational infrastructure and facilities such as the main runway of the Air Force Base Waterkloof. The rehabilitation of the runway is planned for commencement in July 2007 and solutions are being developed for the other critical areas.

Cumbersome lines of communication and contracting processes of the National Department of Public Works compound the prevailing situation with regard to facilities and infrastructure management in the SA Air Force. These protracted processes frequently prevent expenditure of already limited budget allocations within the limits of a financial year. Efforts to utilise the Strategic Defence Package aircraft optimally and transform the SA Air Force into a tactically deployable air force have been undermined by the continued underfunding of the operating budget. Despite efforts by the SA Air Force's senior

leadership, as well as sterling contributions by many talented individuals, most of the SA Air Force's main air systems are on the decline in their ability to conduct extended operations. As in previous years, the decline in air system integrity was exacerbated by the loss of specialised technical expertise during the FY2006/07. This situation is expected to improve with interventions by Air Force leadership, including the improvement of incentives for members with unique skills. An unresolved issue is the fact that such interventions have been funded from the operating budget, with a resultant negative impact on operational output.

Despite the stated shortcomings, however, significant assistance was provided in support of the strategic objectives. Air elements played an important part in executing national security policy and cooperation in the region ranged from assistance with general elections in Madagascar and other countries in the region to multinational exercises with regional air forces.

The SA Air Force has, nevertheless, introduced processes to try and further optimise its logistic support, streamline its structures, reduce its footprint wherever possible, and to reduce the cost of ownership of large fixed assets such as air bases, training and support units to the maximum extent possible. The savings that were realised by some of these efforts were channelled back to those areas where operational output could be improved and, in doing so, the SA Air Force managed to achieve higher levels of efficiency than would otherwise have been the case.

PURPOSE

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

MEASURABLE OBJECTIVE

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

OUTPUTS

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

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

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

Details of the Air Defence Programme outputs are reflect-

ed in Table 5.1. Some of the targets for the year were adjusted in the period between publication of the plan and the onset of the FY2006/07. Adjustments were necessary owing to changed requirements and the evolving external environment. Significant changes are explained in the output table.

Table 5.1: Air Defence Programme Outputs for the FY2006/07

<i>Output</i>	<i>Performance Measure</i>	<i>Target</i>	<i>Achievement</i>
Subprogramme Strategic Direction			
Strategic Direction to the Air Defence Programme, advice to the DOD and air defence resource allocation and management	Degree to which the DOD's policies, strategies and plans are implemented and aligned with ordered Government commitments	All policies, strategies and plans are implemented as specified	Policies, strategies and plans were implemented as specified. Outputs were adjusted where necessary, owing to resource constraints. Refer to capability outputs for details.
	The degree to which the allocated budget has been expended	Allocated funds expended as planned and plans are executed within budget	The total SA Air Force expenditure was 102%, due to additional funds allocated by the DOD.
Subprogramme Operational Direction			
Operational direction to the Air Defence Programme, provision of combat ready air capabilities as per force employment requirements and flight safety management	Degree of compliance with DOD policies readiness states and force employment requirements	Full compliance with DOD policies, readiness states and force employment requirements	All DOD policies and prescripts were complied with.
	Number of aircraft accidents	No major aircraft accidents	No major accidents have occurred since August 2005. Target was clarified by referring to major accidents. Minor accidents are also reported, recorded, analysed and addressed at appropriate levels and forums.
	Number of transgressions of civil or military aviation regulations	No transgressions	No transgressions of a serious nature occurred; that warranted formal investigation.
Subprogramme Helicopter Capability			
Medium and light transport capability Combat support capability Training capability	Degree to which planned daily aircraft availability is achieved	13 170 flying hours	A total of 10 837 flying hours were flown. Fewer hours were flown owing to lower than planned aircraft and aircrew availability.
		Four mixed (medium and light) squadrons	Oryx serviceability was affected by a licensing dispute between Denel Aviation and Eurocopter, which had a negative effect on the availability of spares. Delays in delivery of the Agusta 109s had a major impact on the operational and training utilisation of the aircraft.
		One combat support squadron	The Rooivalk fleet was unable to deliver the planned output due to a 5-month grounding for technical problems.
		One helicopter training school	Two Agusta A-109 pilot courses were presented during the year to catch up with the backlog, training 49 pilots. Only 29 of the planned 38 engineers were trained owing to the delayed A-109 delivery and shortages of instructors. Eight instructors were trained.

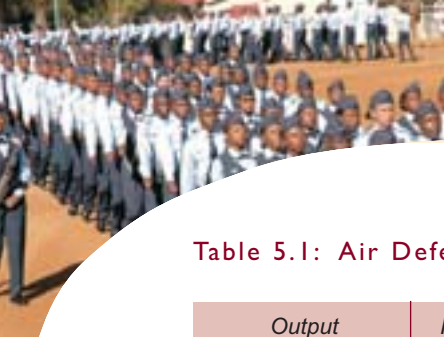


Table 5.1: Air Defence Programme Outputs for the FY2006/07 (Continued)

Output	Performance Measure	Target	Achievement
Subprogramme Transport and Maritime Capability			
VIP transport capability Medium and light transport capability Maritime capability	Degree to which planned daily aircraft availability is achieved	15 262 flying hours	A total of 13 467 flying hours were flown.
		Three transport squadrons (one VIP)	A total of 2 737 flying hours were flown transporting 4 930 VIP and important persons. Crew and aircraft shortages resulted in slightly reduced output. The training of transport pilots is receiving priority. Because of the long period that the Casa 235 was unavailable, the currency of the crew lapsed and had to undergo simulator training in Spain.
		One maritime and transport squadron	Scheduled services reduced the availability of aircraft. Crew shortages were experienced.
		One transport and training squadron	Crew and aircraft shortages resulted in reduced output. A shortage of King Air and PC-12 commanders is being addressed through training. Airworthiness problems restricted the use of the C185 fleet.
		Nine Air Force Reserve squadrons	The reserve force flying hour output is a function of aircraft cost. More expensive aircraft were required during the FY2006/07, resulting in fewer hours flown within the allocated budget.
Subprogramme Air Combat and Reconnaissance Capability			
Air-to-air combat capability Air-to-ground combat capability In-flight refuelling capability Air combat training capability	Degree to which planned daily aircraft availability is achieved	3 535 flying hours	A total of 2 084 flying hours were flown. The reduced output resulted from system obsolescence in the Cheetah system, the delayed release to service of the Hawk and system integrity problems with the B707 fleet.
		One combat squadron	Maximum potential was extracted from the system with a progressive decline in output as the phase-out plan for the Cheetah was implemented. A large amount of preventative maintenance was conducted during the year. System obsolescence, core technical personnel shortages and the migration of personnel to the Hawk and Gripen systems contributed to reduced aircraft availability.
		One long-range transport, electronic warfare and in-flight refuelling squadron	No aircraft were available for four months due to technical problems. Training of aircrew fell behind during the year due to low aircraft availability, uncertainty about the future utilisation of the system and operational commitments.
		One combat training squadron	The initial aircrew training was delayed by reduced aircraft availability. The first Hawk conversion is in progress and the availability of crews should improve with the system ramp-up.
Subprogramme Operational Support and Intelligence Capability			
Protection service capability	Degree to which ground protection, entrance control and VIP protection targets are achieved	13 Protection Services squadrons	A total of 13 Protection Services squadrons were available during the year.
		12 month incident free ground protection	72 incidents of theft involving State property occurred at various bases, units and depots.

Table 5.1: Air Defence Programme Outputs for the FY2006/07 (Continued)

Output	Performance Measure	Target	Achievement
	Number of learners trained in aviation protection	346 learners	A total of 591 learners were trained. More (205) Basic Protection Members were trained than the originally planned 266, as the requirement was higher.
	Degree to which ordered commitments are achieved	20 520 personnel days utilised on external deployments	Only 5 858 personnel days were utilised, as the planned deployment of VIP protectors to Burundi was cancelled. Only 38 members were deployed in March 2007. Four members were deployed to the Sudan as Military Observers and 12 members were deployed to Mozambique to assist during the floods in March 2007.
One Joint Air Reconnaissance Information Centre (JARIC) and Training Centre	Degree to which the exploitation and provision of image intelligence requirements to SANDF and other user clients meet with requirements	Full compliance with image interpretation and intelligence requirements	Of a total of 189 tasks received, 159 tasks were successfully completed. The 30 outstanding tasks will be completed early in the new financial year as per client requirements.
	Number of members qualifying	71 learners	176 learners completed courses. Division of the National Diploma in Applied Military Intelligence into separate courses resulted in learner totals being expanded, because learners were counted for each separate course. In real terms the planned output was therefore achieved, not exceeded.
Counter-intelligence and Safeguarding	Degree to which counter-intelligence and safeguarding requirements are met	24 hours counter-intelligence support capability	24-hour support was provided, but Counter-intelligence support availability was limited owing to a training backlog. Crime and security breaches decreased during the 3rd and 4th quarters, mainly due to effective counter-intelligence management and implementation of military security measures.
	Number of learning opportunities	Two	Two learning opportunities were presented.
	Number of learners qualifying	18 learners	19 learners qualified.
Subprogramme Command and Control Capability			
Air Defence Management capability	Degree to which air defence resources have been managed	Effective management of air defence personnel, static and mobile control centres, mobile deployment units and sensors	Effective management of air defence personnel, control centres and sensors was achieved to a large extent. Problems experienced included a shortage of qualified controllers due to resignations and technical problems with tactical deployment vehicles.
Air traffic management capability	Degree to which the planned number of air traffic controllers, air traffic service units and availability of navigation aids are achieved	81 qualified air traffic controllers	50 Qualified air traffic controllers were available. A total of 26 controllers were lost through resignations, severance packages and non-renewal of contracts.
		Six mission ready air traffic service units	Six mission ready air traffic service units were available.
		One mobile airfield radar system	Low availability in the first quarter limited the average for the year to 75%.
		Four mobile towers	Only three mobile towers were renovated on account of a limited budget.
		24 hour availability of navigation aids	99% availability was achieved, with periods offline for scheduled calibration and maintenance.



Table 5.1: Air Defence Programme Outputs for the FY2006/07 (Continued)

Output	Performance Measure	Target	Achievement
Ground Command and Control Management	Degree to which the planned number of command post officers and command post assistants are achieved	49 command post officers and 178 command post assistants	Because of resignations, only 47 command post officers were available. The target will be achieved when the selected candidates complete their training in August 2007. Because of resignations and natural attrition an output of only 137 assistants was achieved. Recruitment targets have been increased to address the shortages.
	Degree of availability of the Ground Command and Control System and Current Intelligence System systems	24 hour availability	24-hour availability achieved.
	Degree to which ordered commitments is achieved	1 460 personnel days utilised on external deployments	1 894 personnel days were utilised to meet the increased Joint Operations Division requirement.
Information Communication Technology Management	Degree to which the planned number of telecommunication officers and operators is achieved	38 qualified telecommunication officers and 157 qualified telecommunication operators	38 qualified telecommunications officers were available. The output of telecommunication operators was limited to 142 due to inadequate recruiting targets, which have been adjusted to address the shortfall.
	Degree of availability of SA Air Force telecommunication equipment	24-hour availability of equipment	24-hour availability of equipment was achieved.
Training capability	Degree to which the planned training and syllabi requirements are achieved and number of learners qualifying	Airspace Control School	The Airspace Control School at AFB Hoedspruit provided training. Course names and contents were revised extensively after the initial plan for the FY2006/07 was published, to address personnel shortages and integrate Military Skills Development System (MSDS) members.
		Nine airspace control learning opportunities - learners 65	16 learning opportunities were presented with 99 members qualifying. Extra courses had to be scheduled because of the critical shortage of technical knowledge regarding radar placement. Additional members were nominated for the technical knowledge courses.
		Four telecommunication learning opportunities - 55 learners	Although five learning opportunities were presented to accommodate MSDS members, only 23 learners qualified as a result of remustering and pilot selection of MSDS members are the changed MSD career path.
		One Mobile Air Operations Team learning opportunity - 10 learners	One learning opportunity was presented with 40 learners qualifying. The curriculum was revised to include all operational mustering, hence the increase in learners.
		Two command and control instructor learning opportunities - 40 learners	Two learning opportunities were presented. Only 20 learners qualified as a result of fewer nominations. No negative effect on operational readiness - training planned for 2007.
		Two MSDS learning opportunities - 40 learners	Six MSDS learning opportunities were presented as a result of additional requirements, with 57 learners qualifying. MSDS members who failed pilot selection were recruited into the Command and Control mustering. The additional members were due to a bigger intake.

Table 5.1: Air Defence Programme Outputs for the FY2006/07 (Continued)


Output	Performance Measure	Target	Achievement
		Three Ground Command and Control courses - 40 learning opportunities	One course was presented with six members qualifying. The rest of the courses were cancelled when they were incorporated in the MSDS courses mentioned above. No negative impact, as all required knowledge is imparted in the MSDS courses.
Deployment Support capability	Degree to which deployment support requirements are met	300-man tactical air base deployment for 12 weeks (24 hour operations)	12 weeks deployment achieved.
		Two 20 man simultaneous tactical air base deployments for eight weeks	8 weeks deployment achieved.
		Logistic support for 180 days of SA Air Force deployments	273 days. Additional support was required for operational squadron deployments and other requirements such as Africa Aerospace and Defence 2006 at Air Force Base Ysterplaat, as well as the elections in the DRC.
Subprogramme Command Post Capability			
Air Force Command Post	Degree to which planned flying hours are utilised	Effective command and control of all planned flying hours	100% effective command and control of all planned flying hours was executed.
Air Operations Training Centre	Degree to which SA Air Force training requirements for command post personnel are met	Full compliance with SA Air Force training requirements 	The SA Air Force training requirements were met by presenting one Mobile Air Operations Team practical course as planned, successfully training 20 learners. Six courses were also successfully planned and presented in support of the SA Army, training 377 learners.
Subprogramme Base Support Capability			
Logistic Support capability	Degree to which support services requirements are provided for all SA Air Forces bases and units	Full compliance with support services requirements	60% compliance. The logistical functions were formally transferred to the SA Air Force in March 2006. A Supply Support Directorate is in the process of being established and is not fully staffed whilst the various capabilities are under development.
	Degree to which system groups' requirements are achieved	Full compliance with system groups' requirements	68% compliance. The availability of funds, problems experienced with the procurement process and incapacity of the State fixed assets portfolio holder, the National Department of Works, were the main factors contributing to underperformance.
Base operational support capability	Degree to which airport operational services are available for safe conduct of operations	Full availability of airport operational services	72% availability. All available funds, were spent but were insufficient to provide the total requirement for components.
	Degree of compliance with the Airports Company of SA (ACSA) model and International Civil Aviation Authority (ICAO) standards	Provision of operational support for all operations activities at SA Air Force bases in accordance with the ACSA model and compliance with ICAO standards	High degree of compliance attained, commensurate with available resources. In some cases compliance is not economically attainable, is not required/not compatible with military requirements. A fire and rescue services category higher than that required for military operations at a specific base is, for example, not maintained throughout the year, but is arranged when required for passenger aircraft requiring higher categories.



Table 5.1: Air Defence Programme Outputs for the FY2006/07 (Continued)

Output	Performance Measure	Target	Achievement
Facilities (land and buildings) management capability	Degree to which a suitable working environment is provided at all SA Air Force facilities	A suitable working environment at all SA Air Force facilities in accordance with the Repair and Maintenance Plan as supported by the Department of Public Works	45% target in providing a suitable working environment at all SA Air Force facilities was achieved. Most of the funds allocated were spent. Funding not spent was due to delay in the completion of tasks by National Department of Public Works contractors.
Supply support services capability	Degree to which requirements for uniform and specialised clothing are met	Full compliance with requirements for uniforms and specialised clothing	60% compliance with requirements. Whilst 25% of the prevailing non-compliance is attributed to underfunding, the cumulative effects of underfunding in successive financial years, non-performance of suppliers and failure to deliver within a particular financial year posed further difficulties. Management interventions have been adopted to improve service delivery, reduce costs and increase efficiency in the provision of this commodity.
Procurement, accounting and disposal of SA Air Force assets	Degree to which procurement, accounting and disposal of all SA Air Force assets are in compliance with the PFMA and all relevant legislation	Full compliance with the PFMA and all relevant legislation	68% compliance achieved. Logistic training interventions have been implemented to address non-compliance.
Subprogramme Education Training and Development Capability			
Advanced training, skills training, and full-time technical training capability for air defence	Degree to which the planned training and syllabi requirements are achieved. Number of learners qualifying	320 learners on various part-time tertiary study fields	360 learners qualified. More members applied to study at State expense than planned. As many applications have been approved as the budget allows.
		600 learners on various development and training courses	556 learners qualified. Fewer learners were trained. Insufficient funds were available to meet training commitment due to escalation in training costs.
		60 N4-N6 full-time tertiary training learners	51 learners. No learners were on school block during final quarter.
		270 apprentice learnerships	270 learners were recruited.
		65 full-time engineering learners	78 learners qualified. Increased number of students accepted to counter attrition of engineers.
		600 adult based education/further education and training learners	607 learners qualified. Responsibility of and trained under auspices of Directorate Human Resource Systems.
Flying training capability	Degree to which the planned training and syllabi requirements are achieved Number of learners qualifying	Flying training school	One basic flying training school in operation.
		34 aircraft serviceable daily	30 aircraft available. The average aircraft availability was lower than estimated owing to the impact of avionics obsolescence, as well as a higher than normal flying rate.
		41 qualified instructors	36 qualified instructors. Average number of instructors on strength for the year was lower than required owing to limited supply of candidates available from operational units.
		9 046 flying hours	10 772 hours. Additional hours required to meet training needs.
		Two pilot courses - 34 pilots	33 pilots trained on two courses.
		Two instructor courses -12 instructors	Two courses presented with 16 instructors qualifying. Additional instructors trained to meet demand.

Table 5.1: Air Defence Programme Outputs for the FY2006/07 (Continued)

Output	Performance Measure	Target	Achievement
Navigation training capability	Degree to which the planned training and syllabi requirements are achieved Number of learners qualifying	Navigation training school	One navigation training school in operation.
		10 qualified navigation instructors	Six qualified navigation instructors. A shortage of navigators in the System Groups resulted in the unit being understaffed.
		One navigators course - 6 navigators (12 listed in initial plan)	The last two students from Course 57 (THE FY2005/06) qualified in April 2006. The five students from Course 58, which should have been completed in December 2006, will only qualify in April 2007 due to unavailability of aircraft and crew from 35 Squadron.
		One instructors course -2 instructors	Two instructors courses presented with three instructors qualifying.
		Four survival courses - 120 learners	Three courses satisfied the SA Air Force requirement, with 68 learners qualifying.
		One aviation orientation course - 25 learners	One course presented, with 16 learners qualifying, sufficient to satisfy the SA Air Force requirement.
		Five para sail courses - 120 learners	Three courses satisfied the SA Air Force requirement, with 79 learners qualifying.
Logistical training capability	Degree to which the Planned training and syllabi requirements are achieved Number of learners qualifying	Logistical training school	One logistical training school in operation.
		450 apprentices	A total of 720 apprentices. More apprentices were recruited because of a high attrition of technicians.
		60 office automation courses - 600 learners	63 opportunities were presented for 266 learners. Failing the first module of the course prevented learners from continuing with the course. Management to address staffing and output of course.
		123 SA Air Force unique courses - 1 335 learners	125 unique courses were presented with 1 022 qualified learners. SA Air Force requirement was satisfied.
		Four hospitality services courses - 83 learners	Four courses were presented for 61 learners. Fewer MSDS members were available than planned for and only 12 students instead of 24 were accepted for the Advanced Chef Course due to limited posts available.
		Seven fire training courses - 280 learners	Seven opportunities were presented for 236 learners. Not all courses were fully manned and fewer recruiting targets received than planned for.
Personnel development capability	Degree to which the planned training and syllabi requirements are achieved Number of learners qualifying	Personnel development college	The SA Air Force College presents development courses.
		19 development courses - 775 learners	18 courses satisfied the requirement. 734 learners qualified. Some of the courses were undersubscribed. Monitoring of courses to be done to determine if annual target is justified.
		Two officers formative courses - 144 learners	Two courses presented with 146 learners qualifying.
		Three air power courses - 48 learners	Three courses presented with 42 learners qualifying. SA Air Force requirement was satisfied.
		One Law of Armed Conflict course - 20 learners	Two courses were presented to meet SA Air Force requirement. 25 learners qualified.



Table 5.1: Air Defence Programme Outputs for the FY2006/07 (Continued)

Output	Performance Measure	Target	Achievement
Basic military training capability	Degree to which the planned training and syllabi requirements are achieved Number of members qualifying	Basic military training gymnasium	SA Air Force Gymnasium presents basic military training.
		6 Basic courses - 600 learners	Six courses presented with 613 MSDS learners qualifying.
		2 Basic courses (Reserves) - 80 learners	Two courses presented with 128 learners qualifying. Increased SA Air Force requirement to utilise reserves.
		3 Orientation courses - 29 learners	No courses were presented. Reserve members were recruited to provide additional manpower.
		19 Protection courses - 719 learners	14 courses presented with 471 learners qualifying. Decreased output due to requirement for Rapid Deployment Unit training.
Subprogramme Technical Support Services Capability			
Aircraft-servicing capability	Degree to which the aircraft requirement of the flying units is achieved	Six aircraft servicing units that provide serviceable aircraft in accordance with System Group business plans	Six aircraft-servicing units met 65% of system group requirements for serviceable aircraft. Loss of skilled technical personnel and deteriorating infrastructure contributed to a reduction in output. An improvement in technical allowances was implemented wef July 2006 and should contribute to improved output in the FY2007/08.
Armament support capability	Degree of compliance with the requirements for armament support	On time delivery of the required quantities of armaments and life-support systems for force preparation and employment	The target was fully met by supplying system groups with aircraft armaments and life-support systems required for force preparation and employment.
Maintenance capability	Degree to which all common aircraft support equipment is maintained and available for use	Provide serviceable support equipment in accordance with System Group business plans	Target fully met by ensuring serviceability of support equipment in accordance with system group requirements, as specified in system group business plans.
Engineering Support capability	Degree of compliance with all System Group internal engineering requirements	On time delivery of engineering support to System Groups	80% compliance. Resignation of uniformed engineers (11 out of 58 for the year) negatively affected the output of engineering support provided to the system groups.
Operational support and information systems capability	Effectiveness of aircraft systems information management	Implementation and support of information management to System Groups	95% implementation and support provided. Implementation in certain areas still in process.
Support Process Integration capability	Effectiveness of aircraft systems policies and procedures	Implementation of cost-effective processes and procedures within the System Groups	60% implementation due to a lack of manpower. Processes and procedures need to be finalised to ensure an effective system.

AIR DEFENCE PROGRAMME: PLANNED EXERCISES

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

Table 5.2. Air Defence Programme: Planned Exercises for the FY2006/07

Exercise	Results Achieved
International Joint Exercises (Air Combat)	Exercise did not materialise, as it was dependent on availability of a United States task force in the region. An opportunity may arise to conduct the exercise in 2007.

Table 5.2. Air Defence Programme: Planned Exercises for the FY2006/07 (Continued)

<i>Exercise</i>	<i>Results Achieved</i>
Air-to-air Firing Cheetah	Exercise successfully executed during October 2006 in the Western Cape at Langebaanweg.
Air-to-air Firing Hawk	Exercise rescheduled for the FY2007/08 due to delay in aircraft integration process.
Missile Firing	Exercise successfully executed during November 2006 in Western Cape at Air Force Base Overberg.
Electronic Warfare Camps	Exercise successfully executed during August 2006 in the Western Cape at Air Force Base Overberg.
Infrared Camp	Exercise successfully executed during July 2006 in the Limpopo Province at the Roodewal Range.
Air Capability Demonstration	Two demonstrations were successfully executed during May and September 2006 in the Limpopo Province at the Roodewal Range.
Exercise NEW HORIZON (NH) Command and Control Systems Deployments	Exercise NH5 successfully executed during March 2006 in the Western and Eastern Cape. NH6 was cancelled due to a requirement to shift funds to critical maintenance on prime mission equipment.
Exercise OSPREY Air transport force preparation	Exercise cancelled due to deployment to the DRC in support of elections.
Helicopter Force Preparation Exercise	Units conducted individual exercises successfully throughout the year. Consolidated exercise planned for every second year.

PUBLIC PRIVATE PARTNERSHIP AGREEMENTS

A possible Public Private Partnership (PPP) for the commercial co-use of Air Force Base Ysterplaat was registered at National Treasury on 8 February 2007 as a project with reference number N059. The project officer was appointed in terms of the Public Finance Management Act, 1999.

PERFORMANCE AND SERVICE DELIVERY IMPROVEMENT

Details of the Air Defence Programme performance and service delivery are shown in Table 5.3.

Table 5.3. Performance and Service Delivery Improvement for the FY2006/07

<i>Activities</i>	<i>Planned Management Intervention</i>	<i>Anticipated Benefit</i>	<i>Status</i>	<i>Actual Achievement</i>
Strategic direction, Human Resources transformation	Monitoring of Air Force Board Focus Areas to address the acquisition of representative members for the core functions of the Air Force and career preparation of representative members for the Strategic Defence Package aircraft.	Meaningful and measurable progress towards the objectives of the SA Air Force medium-term HR Strategy and SA Air Force Strategic Transformation Plan Towards Vision 2012	Ongoing	The SA Air Force's recruitment strategy is successfully contributing to the increase in overall black and female representivity in SA Air Force. Overall black and female representivity increased by 5,1% and 1,2% respectively during the 2006/07 financial year. These changes are much higher than anticipated, but in line with the SA Air Force's Human Resource Medium-term Strategy to bring about a 10% change in representivity over the period the FY2006/07 to the FY2008/09. In accordance with the recruitment plan the targets were achieved. However, the SA Air Force could not achieve the planned success rate at training institutions for various reasons, such as the non-availability of aircraft.



Table 5.3. Performance and Service Delivery Improvement for the FY2006/07 (Continued)

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement
Strategic direction, review of contracts	Annual review of contracts to ensure cost-effective logistic support	Optimised service delivery and support that reflect a cost-effective balance between the operational requirement, the contracted work and the cost to the SA Air Force, thus assisting in reducing the overall cost of support	Ongoing	A number of contracts were reviewed and optimised to effect. Contracts were reduced and the SA Air Force will do the work. Some contracts were reworked and are out for tender by local industry.
Strategic direction, logistic restructuring	To implement the redesigned logistic support concept in the SA Air Force in accordance with the approved SA Air Force Logistic Support Philosophy and the guidelines in the SA Air Force Strategic Transformation Plan Towards Vision 2012	An optimised logistic support system that reflects a cost-effective balance between organic SA Air Force logistic support and outsourced support, thus assisting in reducing the overall cost of support	Ongoing	Mapping of SA Air Force capabilities is nearing completion. When completed this effort will provide the road map for future improvements and cost savings. Numerous Logistic documents were revised to accommodate current requirements and changes.
Strategic direction, operational readiness	To establish a system of measuring the operational readiness of the SA Air Force to perform its assigned missions in support of the force employment requirements for air power	A reliable measure of the SA Air Force's operational readiness, indicating the degree of compliance with or deviation from the set output objective as provided by the Air Force Office	Ongoing	The process to measure the operational readiness of the SA Air Force has been established. An identified mission (scenario) is appreciated to determine the required force levels and the readiness of the SA Air Force is then measured against these requirements during a practical exercise. This is likely to take place in 2009.
Strategic direction, national aviation academy	To participate in the establishment of a national aviation academy in conjunction with suitable partners in the commercial aviation sector	Initial flight screening, basic ground and flying training for pilots and basic technical training in preparation for the commencement of military flying and system specific maintenance training in the SA Air Force. Involvement of SADC countries will ensure support of NEPAD	Ongoing	Liaison at political level regarding involvement of different State departments has taken place. Studies and site visits were completed, leaving the implementation phase as the next step.
Strategic and Operational direction, reduction of uniformed and civilian personnel	Possible reduction of personnel in accordance with the optimal force structure in the process of being determined	Possible reduction in personnel costs Retention of optimised Human Resources complement in support of allocated roles and responsibilities/functions	In process	Only limited achievements are visible thus far, because of the process being followed. Results will only be visible at the end of the investigation envisaged for December 2007. During the FY2006/07 460 members left the service of the SA Air Force (410 uniformed and 50 Public Service Act Personnel).

Table 5.3. Performance and Service Delivery Improvement for the FY2006/07 (Continued)

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement
Combat capability, review of contracts	Air combat monthly control of contract deliverables to ensure cost-effective logistic support Biannual level 6 integration interventions	Optimised service delivery and support that reflect a cost-effective requirement, the contracted work and the cost to the Cheetah and Hawk systems, thus assisting in reducing the overall cost of support	Ongoing	Monthly meetings were conducted between system managers and contractors, ensuring the cost-effective execution of the expenditure plan. An interim support contract was negotiated with BAE for Hawk support to replenish depleted float levels and the Cheetah phase-out in preparation for the Gripen implementation was planned. Initial training of Hawk tradesmen was completed in the RSA during March 2007. The preparation of the base supply section to accommodate the Gripen spares at Air Force Base Makhado was initiated earlier than planned to ensure achievement of planned milestones.
Combat Capability, Logistic Restructuring	To implement the designed logistic support concept of the Hawk and Gripen systems in accordance with the approved SA Air Force Logistic Support Philosophy and the guidelines in the SA Air Force Strategic Transformation Plan Towards Vision 2012 Continuous level 6 integration activities for Gripen and Hawk until 2011	An optimised logistic support system for Hawk and Gripen systems that reflects a cost-effective balance between organic SA Air Force logistic support and outsourced support, thus assisting in reducing the overall cost of support. Ensure effective integration of Strategic Defence Packages aircraft into service	Ongoing	Contracting models are being developed with Armscor to ensure a cost-effective approach is utilised for the new fighter aircraft. The interim support contract for the Hawk was finalised during April 2007 after negotiations with BAE. The steady state contract for the Hawk will be in place in June 2008. The User Requirement Statement for Gripen aircraft was also approved in April 2007. An interim support contract will be in place by March 2008. Two Joint Program Management Review work sessions were conducted with BAE and SAAB in terms of the level 6 implementation of the two fighter systems. An implementation officer was also appointed for the Gripen system.
Training Capability, education training and development practitioner training assessors	Acquire an internal ability to train assessors under license of an external provider	150 assessors trained, qualified and certified within 12 months 50% cost saving against total outsource	One-off for 2006/07	20 Master Assessor Trainers were trained by the Assessment College (R 155 070). The trained master assessors then trained 139 assessors under license of the Assessment College (R102 000). The total cost for outsourced training would have been R 530 070, resulting in a cost saving of more than 50%.
Command and control, communications	Reduction of the SA Air Force telephone bill by at least 50% through the introduction of tighter control measures and the introduction of telephone call cards for private calls	Additional funds available for allocation in support of the SA Air Force's operational output	April 2006	Target partially achieved (12,35% reduction). The target of a 50% reduction was unrealistic, given the service provided tariff increases and the installation cost of new technology branch exchanges at units.



Table 5.3. Performance and Service Delivery Improvement for the FY2006/07 (Continued)

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement
Command and control	Close liaison and cooperation with civilian air traffic management service provider	Nationally standardised air traffic management equipment, rules and regulations, eliminating duplication	Ongoing	The establishment in 2006 of the quarterly operations subcommittee and 6-monthly SA Air Force / Air Traffic Navigation and Navigation Services (ATNS) executive forums has had very positive results on current strategic issues. Examples are flexible usage of airspace, coordination of SA Air Force exercises, strategic human resource planning and route charges agreements. Sharing of information from each other's radar sensors and SA Air Force access to ATNS air to ground radios are important benefits of the close cooperation achieved.
Air Transport Capability, Logistic Operational Forum	To establish a forum to develop coordinated aircraft system master plans	This forum will optimise the support provided and reduce the associated budget implications	To be operational in March 2006	A quarterly logistic/operations forum was successfully instituted at directorate level and at the execution level (squadron and product supply support management). The forum aligns operational/logistic requirements, providing a joint understanding of aircraft requirements in terms of mission availability, upgrades or capability development required.
Air transport capability, night operations	To expand the current night operation capabilities	This will increase the ability of all transport aircraft to conduct operational missions at night	To be operational in August 2006	A restricted number of tactical aircraft were available for force preparation in the FY2006/07 due to force employment utilising available aircraft. The night operation capabilities were therefore not expanded in 2006/07, but aircrew night currencies were just maintained. It is envisaged that the expansion will only be accomplished in the FY2008/09.
Support capability	Optimising of aviation fuel management through computerised monitoring systems and improved control measures	Substantial increase in the ability to minimise losses and improve control of procurement	June 2006	Target achieved. Management of aviation fuel was implemented on the Operational Support Information System at all bases, creating improved visibility of usage and replenishment. A new SA Air Force aviation fuel management instruction is in the promulgation process.
Support capability	Introducing active monitoring and control processes for the procurement, disbursement and utilisation of rations	Additional funds available for allocation in support of the SA Air Force's operational output	Ongoing	Measures taken to monitor utilisation of rations and to address deviations include a minimum of one evaluation per unit, carried out by SA Air Force Hospitality Services personnel. Where necessary, follow up evaluations take place to ensure optimal ration utilisation.

POLICY DEVELOPMENTS

The SA Air Force is planning for and implementing the SA Air Force Vision 2015, which provides strategic guidance to the Air Force for a moving ten-year period.

SERVICES SCALED DOWN, SUSPENDED OR ABOLISHED DURING THE FY2006/07

Services Scaled Down. Alouette helicopters have to be phased out in 2007 and replaced by Agusta A-109 helicopters. Three Alouette helicopters are operational, supporting SA Navy requirements on SAS PROTEA and will be replaced by Lynx helicopters.





The first submarine the SAS 'MANTHATISI' arrived in South Africa on 7 April 2006.

Chapter Six

PROGRAMME 4 - MARITIME DEFENCE

OVERVIEW

During the period under review the SA Navy has achieved many outstanding accomplishments both locally and abroad. The four frigates and two of the three new submarines are in the service of the SA Navy. The first submarine, SAS 'MANTHATISI, arrived in South Africa on 7 April 2006. The second submarine, SAS CHARLOTTE MAXEKE, arrived on 26 April 2007 while the third, that was named SAS QUEEN MODJADJI in Germany in March 2007, is yet to be commissioned.

The SA Navy now has an improved and sophisticated surface warfare capability as the last three frigates were commissioned into the navy during the year. Two of the frigates conducted foreign deployments and proved their capabilities. The SA Navy proudly appointed its first black Officer Commanding of a major war vessel, Captain (SAN) B. Mhlana, who took command of the frigate SAS ISANDLWANA in February 2007. Commander M. Clulee, the first surface warfare qualified woman, took command of a surface combatant during 2006.

The SA Navy has made great strides in contributing to the Government's foreign policy imperatives pertaining to peace and security in Africa. One frigate, SAS PROTEA, and two strike craft visited var-

ious African countries on both the east and west coasts during the year to foster better relations and conduct training. Chief of the SA Navy participated in the 12th Annual Standing Maritime Committee of the Interstate Defence and Security Committee (ISDSC) in Dar es Salaam, as well as the 2nd 'Sea Power for Africa' symposium hosted by Nigeria during the year. The SA Navy provided various learning opportunities to over 40 learners from a number of African countries. This initiative has contributed to the SA Navy's involvement with African nations and improving interoperability with them.

The SA Navy continues to make good progress in rejuvenating the human resource component. The SA Navy has continually contributed to the skills revolution agenda of government through widening access to the Military Skills Development System (MSDS), with specific focus on improving the profile on representativeness with regard to race and gender. This has also contributed to rejuvenating the Reserve component of the SA Navy. To date the MSD system has provided over 480 members to the Naval Reserves. The 'One Force' concept has been fully implemented in the SA Navy.

The SA Navy has made significant headway in rejuvenating certain facilities and also taken ownership of new facilities,

a national
partnership
to build a
better life
for all

DEPARTMENT:
DEFENCE



such as the new Fleet Command Headquarters. However, most of its buildings, especially in the training environment, have become delapidated.

The SA Navy has over the years reduced its footprint, disposed of obsolete equipment and reduced its Force Structure in order to ensure that it remains affordable and sustainable. The operation of ageing vessels and more particularly the obtaining of spares for such vessels is placing a strain on resources. The Navy is still in the process of learning with regard to the running costs of the Strategic Defence Packages that are more expensive than originally anticipated. The two biggest limiting factors for the SA Navy's remaining sustainable in the future are its limited budget allocation and the challenge to retain its personnel, especially those in the technical domain.

Even though the SA Navy managed to achieve most of its main objectives during the year under review, it is faced with some challenges it has to overcome in the near future. The integration of the Strategic Defence Packages is progressing steadily. There are still many areas to be addressed to reach the stage where they will be fully operational. The retention of specialist/scarce skills personnel will remain a challenge for the SA Navy in the future, especially in the technical and diving domains. The Navy has implemented various measures to address this issue, however, its rate of loss is still increasing. This matter will have to receive the attention of higher authority, as the SA Navy is not the only service facing this dilemma. Although the SA Navy is transforming from an 'old' to a 'new' navy, many ageing pieces of equipment and facilities are still being utilised. These are becoming more and more difficult to maintain at optimal state of functionality.

Keeping these vessels and facilities as a going concern places a huge burden on the SA Navy's under funded operating budget.

Given the fact that the SA Navy is seriously understaffed in certain critical areas, and under severe budget constraints, it has managed to achieve its outputs and objectives to contribute to the Military Strategic Objectives and to meet the various Government initiatives and imperatives.

PURPOSE

The SA Navy provides prepared and supported maritime defence capabilities for the defence and protection of South Africa.

MEASURABLE OBJECTIVE

Defend and protect South Africa by maintaining and providing prepared and supported maritime combat forces, services and facilities that meet the requirements of the Government.

OUTPUTS

The Maritime Defence Programme provides maritime defence capabilities for South Africa in the areas covered by its five subprogrammes, namely Maritime Direction Capability, Maritime Combat Capability, Maritime Logistic Support Capability, Maritime Training Capability and Maritime Base Support Capability.

Details of Maritime Defence Programme outputs are shown in Table 6.1.

Table 6.1: Maritime Defence Programme Outputs for the FY2006/07

<i>Output</i>	<i>Performance Measure</i>	<i>Target</i>	<i>Achievement</i>
Subprogramme Maritime Direction Capability			
Strategic direction capability	The degree to which the stated outputs and targets in the SA Navy Strategic Level 2 Business Plan have been achieved	Approved SA Navy Strategic Level 2 Business Plan (Detailed outputs contained in Plan in order to achieve credible maritime defence	100% compliance with the approved SA Navy Navy Strategic Level 2 Business Plan.
Force preparation direction capability	The degree to which the stated outputs and targets in the Fleet Command Level 3 Business Plan have been achieved	Approved Fleet Command Level 3 Business Plan (Detailed force preparation direction and force provision outputs in support of SA Navy Level 2 Strategic Business Plan as contained in the Level 3 Plan)	100% compliance with the Fleet Command Level 3 Business Plan.

Table 6.1: Maritime Defence Programme Outputs for the FY2006/07 (Continued)

Output	Performance Measure	Target	Achievement
Subprogramme Maritime Combat Capability			
Surface combat capability	The degree to which the force preparation hours have been achieved	Four frigates and three strike craft 5 064 hours	Force preparation hours - 5 364. Many hours were utilised for trials of the combat suites of the frigates. SAS ISANDLWANA visited Chile to be present at an international Maritime Expo.
	The degree to which the stated readiness levels have been maintained in terms of force employment hours	5 790 hours	Force employment hours - 3 621. Met Joint Operations Division readiness requirements. The frigates were involved in combat suite fit trials for the major part of the year. All four frigates were handed over to the Fleet. The Operational Qualification Phase of the frigates is still to be completed. Numerous delays have occurred during the integration of the new equipment on board the frigates. The frigates were deployed on two foreign deployments, one along the west coast of Africa and one to South America for ATLASUR VI, which was a multinational exercise. In the case of strike craft mechanical and/or electrical defects, lack of spare parts and technical personnel shortages have prevented readiness levels from being achieved. Despite this, two strike craft were deployed along the east coast of Africa and participated in a search and rescue exercise off La Reunion.
Submarine warfare capability	The degree to which the force preparation hours have been achieved	Two submarines 4 080 hours	Force preparation hours - 658. Not all hours were utilised owing to contractor warrantee claims. Hours were also utilised to train S102 submarine crew alongside.
	The degree to which the stated readiness levels have been maintained in terms of force employment hours	240 hours (1 680 hours for trials in Germany and 888 hours for transit to South Africa not included in the above)	Nil force employment hours were provided. First of Class Trials was conducted despite technical challenges. Fuel for these hours was paid via project funds. CME used a total of 3 622 hours for trials and transit to South Africa.
Combat support and sealift capability	The degree to which the force preparation and force employment hours have been achieved	One combat support vessel 1 044 hours	Force preparation hours - 1 689. SAS DRAKENSBERG achieved more hours than were allocated due to the deployment to escort the second Type 209 submarine from Germany to South Africa.
	The degree to which the stated readiness levels have been maintained in terms of force employment hours	1 488 hours	Force employment hours - 744. The SAS PROTEA replaced SAS DRAKENSBERG on Exercise BOURBON and Interop EAST as Chief of Joint Operations deployed SAS DRAKENSBERG at the time. SAS DRAKENSBERG met all Chief of Joint Operations requirements during the year.
Mine warfare capability (mine hunting)	The degree to which the force preparation hours have been achieved	Three mine hunters 960 hours	Force preparation hours - 1 688. Minehunters were utilised for short patrols, hence the increase in hours. Severe limitations exist owing to various mechanical and electrical problems. Delays in repairs caused by lack of spares and technical personnel compounded by financial constraints.
	The degree to which the stated readiness levels have been maintained in terms of force employment hours	168 hours	Force employment hours - nil, as there was no requirement by Joint Operations Division.



Table 6.1: Maritime Defence Programme Outputs for the FY2006/07 (Continued)

Output	Performance Measure	Target	Achievement
Hydrographical services capability ¹	The degree to which the force preparation and survey hours have been achieved	One hydrographic survey vessel 144 hours 2 880 survey hours	Force preparation hours, including survey hours - 983. The SAS PROTEA was utilised for survey operations for most of the year. However, defects prevented the vessel from achieving the allocated survey hours.
	The degree to which the stated readiness levels have been maintained in terms of force employment hours		Force employment hours - 1 116 were used in spite of no Force Employment hours planned. The SAS PROTEA replaced SAS DRAKENBERG on Interop EAST and Exercise BOURBON, thus affecting her survey schedule.
Operational diving capability	The degree to which the force preparation hours have been achieved	One team 800 hours	Force preparation hours - 368. Two teams were available. The extreme shortage of personnel is attributed to the lucrative job offers to qualified divers off shore. This has put severe strain on both teams. A successful diving exercise, DIVE EX 06, was held during August 2006 off Richards Bay involving 42 divers including some from the Reserve.
	The degree to which the stated readiness levels have been maintained in terms of force employment hours	1 200 hours	Force employment hours - 2 967. Increased force employment required was met in spite of the shortage of divers. Various ad hoc tasks performed in support of the SAPS during internal operations such as combating illegal poaching and borderline control activities.
Combat research and support capability	The degree to which the stated outputs and targets in the Institute for Maritime Technology multi-year plan have been achieved	Approved and executed Institute for Maritime Technology Multi-year Plan in support of operational and strategic plans	The target was achieved according to plan. Institute for Maritime Technology was involved in 76 projects for the Fleet and only one force preparation exercise, Exercise TRANSOCEANIC.
Inshore patrol capability	The degree to which the force preparation hours have been achieved	Three inshore patrol vessels 504 hours	Force preparation hours - 232. Fewer force preparation hours were used. This was mainly because of the non-availability of vessels without numerous mechanical defects and long delays in the procurement of spares.
	The degree to which the stated readiness levels have been maintained in terms of force employment hours	1 176 hours	Force employment hours - nil. Were not required for force employment, however, the vessels were underutilised mainly because of mechanical defects and long delays in the procurement of spares.
Operational boat squadron capability	The degree to which the force preparation hours have been achieved	One operational boat squadron 2 880 hours	Force preparation hours - 1 262. The Maritime Reaction Squadron was established in the SA Navy and incorporated the Operational Boat Squadron and the Naval Reaction Force, as the Operational Boat Squadron alone could not provide the full spectrum of required capabilities as required by Chief of Joint Operations. Plan over estimated hours as there was not full clarity on the type of operations the Operational Boat Squadron would be utilised in.
	The degree to which the stated readiness levels have been maintained in terms of force employment hours	2 450 hours	Force employment hours - 1 271. The planned targets were overestimated, as there was no clarity on the type of operations the operational boat squadron would be used for. They provided continued support to Marine and Coastal Management and SAPS in the protection of marine resources. They also formed the

¹ Performance measures and targets adjusted subsequent to publication of the Plan.

Table 6.1: Maritime Defence Programme Outputs for the FY2006/07 (Continued)

Output	Performance Measure	Target	Achievement
			Maritime Contingent in Burundi. The Maritime Reaction Squadron was utilised for protection in Cape Town harbour during September 2006 for Africa Air Defence Expo and the visit of Indian ship INS MUMBAI .
Subprogramme Maritime Logistic Support Capability			
Provision of dockyard, fleet maintenance, publication provision, logistic warehousing, armament warehousing command and logistics and information systems capabilities	The degree to which the maritime logistic support services satisfied client requirements	Provision of maritime logistic support services in accordance with stated operational readiness levels of required force design and its utilisation	The achievement of this output varied from 46% to 97,8%. The Armament Warehousing capability achieved 46% of its business plan due to severe personnel shortages. The Naval Dockyard achieved 50,6%. The transfer of the Dockyard to ARMSCOR was delayed by court action. This transfer was scheduled to take place on 1 April 2007 pending the court decision. Other support capabilities achieved more than 64% of their business plans and met stated requirements. The Fleet Maintenance capability achieved 97% of its business plan.
Subprogramme Maritime Training Capability			
Formative training capability	The degree to which the planned training and syllabi have been achieved	Nine learning opportunities 1 554 Regular and Reserve learners in order to sustain the Human Resources component of the SA Navy	Nine learning opportunities were presented. Of the planned 1 554 only 974 regular and reserve learners qualified. Fewer MSDS members (478) graduated at the end 2006 due to the migration of members to attend the officers course, diver enablement training and for medical reasons.
Functional and warfare training capability	The degree to which the planned training and syllabi have been achieved	169 learning opportunities 2 185 functionally trained Regular and Reserve learners	Of the planned 169 learning opportunities 135 were presented. 12 learning opportunities were cancelled owing to insufficient nominations and lack of integrated planning. A total of 1 847 learners were functionally trained.
Technical training capability	The degree to which the planned training and syllabi have been achieved	74 learning opportunities 250 technically trained Regular and Reserve learners	74 learning opportunities were presented. 216 learners were technically trained. Of the planned 835 learners 646 qualified. (These figures include technical platform training of MSDS members). Fewer learners were allocated to the technical platform training phase.
Staff training capability	The degree to which the planned training and syllabi have been achieved	Four learning opportunities 96 staff trained Regular and Reserve learners	Four learning opportunities were presented. A total of 102 learners qualified, which is more than indicated in the target. The reason is that the senior management course completed is not reflected in target.
Overseas training capability	The degree to which the planned overseas training schedule has been achieved	Approved and executed overseas training schedule	Target achieved according to overseas training schedule with all funds allocated expended. 27 learners trained in a variety of overseas learning opportunities.
Maritime Reserves training capability	The degree to which the planned training and utilisation for Reserves have been achieved	Additional 150 trained reserves 40 000 man-days used	Only 57 naval reserves were trained mainly due to the unavailability of reserves to attend learning opportunities. A total 35 000 man-days (87,5%) were used as insufficient funding was available to achieve required target.
		Fully operational Reserve management Centre and fully integrated utilisation of Reserves within the SA Navy	The Reserve Management Centre was established with representatives in each province. The One Force Concept is being fully applied within the SA Navy. The Reserves are deployed and trained together with the Regulars.



Table 6.1: Maritime Defence Programme Outputs for the FY2006/07 (Continued)

<i>Output</i>	<i>Performance Measure</i>	<i>Target</i>	<i>Achievement</i>
Subprogramme Base Support Capability			
Base support capability at Simon's Town, Durban and Port Elizabeth	The degree to which base support services satisfied client requirements	Provision of base support services in accordance with stated operational readiness levels of the required force design and its utilisation	Base support services were delivered at Naval Base Simon's Town, and Naval Stations Durban and Port Elizabeth according to the respective business plans in spite of being understaffed. Support included support provided to many foreign naval ships that visited. Naval Station Port Elizabeth was commissioned in June 2006. At Naval Base Simon's Town severe strain is experienced owing to shortages of protection services personnel and an ageing vehicle fleet.

PUBLIC PRIVATE PARTNERSHIP AGREEMENTS

The SA Navy commenced a process of establishing a Sea Safety Training Centre (SSTS) through public private partnership (PPP) in the FY2005/06. The inception phase, which is the first phase of the PPP project cycle in line as defined in the PPP guidelines developed in terms of Section 16 of the PFMA, 1999, has been completed. Price Waterhouse Cooper Financial Services has been appointed as the Transaction Advise. The contract is in place to be signed by the Secretary for Defence. No financial expenditure occurred during the FY2006/07. The

Feasibility Study will be conducted in the near future and is scheduled for completion by November 2007. The report on the Feasibility Study will be submitted through the Chief of Acquisition (Chief of Matériel) to Treasury for approval.

SA NAVY SPECIFIC EXERCISES CONDUCTED DURING THE FY2006/07

Details of SA Navy specific exercises conducted during the FY2006/07 are reflected in Table 6.2.

Table 6.2: SA Navy Specific Exercises Conducted during the FY2006/07

<i>Exercise</i>	<i>Results Achieved</i>
Exercise RED LION Task Force exercise	The exercise planned for July 2006 did not take place owing to unavailability of ships as the vessels were deployed elsewhere.
Exercise TRANSOCEANIC Naval control of shipping	Exercise TRANSOCEANIC took place over the period 14-25 August in South Africa. Participating countries were Brazil, Argentina, Uruguay and South Africa. SA Navy Reserve teams stationed at the six main ports of South Africa participated in this exercise.
Exercise BELL BUOY Naval control of shipping	The exercise took place in Brazil in September 2006, with the SA Navy attending as an observer.
Exercise BOURBON Search and rescue	The exercise took place at La Reunion over the period November 2006 with the French Indian Ocean Navy. The objectives of the exercise were achieved.
Exercise ATLASUR Task force exercise with South American countries	The biannual exercise was hosted by Uruguay in October/November 2006. Participating navies were Argentina, Brazil, South Africa and Uruguay. All objectives were achieved.
INTEROP EAST Visits to and exercises with African navies	INTEROP East took place in October/November 2006, with visits and some training in Mozambique, Tanzania and Kenya.
INTEROP WEST Visit to and exercises with African navies	INTEROP West took place over the period May/June 2006. SAS AMATOLA visited 4 African countries; Nigeria, Cameroon, Gabon and São Tomé. Participated in Nigerian Navy Presidential Fleet Review to mark its 50th anniversary.

Table 6.2: SA Navy Specific Exercises Conducted during the FY2006/07 (Continued)

<i>Exercise</i>	<i>Results Achieved</i>
Chile International Exhibition Participation in exhibition	SAS ISANDLWANA participated in Expo NAVALE, an international Maritime Expo in Chile in 2006.
INTEROP NORTH Visit to and exercises with African navies	Incorrectly published, the exercise is scheduled for the FY2007/08 as Interop East/North.

SERVICES TO BE SCALED DOWN, SUSPENDED OR ABOLISHED

Details of Maritime Defence Programme services to be scaled down or suspended during the FY2006/07 are shown in Table 6.3.

Table 6.3: Services to be Scaled Down or Suspended during the FY2006/07

<i>Subprogramme</i>	<i>Reduction in Output</i>	<i>Reason for Scaling Down/ Suspension of Service</i>	<i>Shortfall/ Savings (R'000)</i>	<i>Implications</i>	<i>Achievement</i>
Maritime Logistics capability	Closure of armament Depot Durban (service to be provided by Simon's Town)	Reduction in costs and improved efficiency through consolidation and concentration of facilities in Simon's Town	0 (Transferred)	It is planned that the facility will only be closed at the end of the FY2006/07	Target date for closure has moved from December 2006 to June 2007 to prevent delay in the LIMS to OSIS electronic migration process.
Maritime Training (Human Resources support) capability	Investigations launched in terms of DOD planning Instruction 07/02 re-rationalisation of SA Navy training units	Increasing efficiency, effectiveness and economy through proposed reductions and adjustments to DOD force structure	0 (Transferred)	Savings will only be effected once the new facilities are handed over to the SA Navy - scheduled for the FY2007/08	Project SCREWDRIVER has been registered and a consultant has been appointed. Facilities scheduled to be handed over in the FY2008/09.

PERFORMANCE AND SERVICE DELIVERY IMPROVEMENT

Details of Maritime Defence Programme performance and service delivery improvements reflected in Table 6.4.

Table 6.4: Performance and Service Delivery Improvement for the FY2006/07

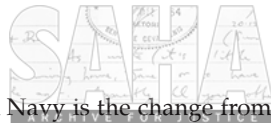
<i>Activities</i>	<i>Planned Management Intervention</i>	<i>Anticipated Benefit</i>	<i>Status</i>	<i>Actual Achievement</i>
Naval Order: Organisational Excellence Through Improved Service Delivery	Institutionalisation of Naval Order on Organisational Excellence through Improved Service Delivery; encompasses full spectrum of organisational functioning (ongoing evolution)	Increased service delivery; optimised interface management	In process	Naval Order on Organisational Excellence through Improved Service Delivery was implemented.
Implementation of Naval Order: Plans 23/2004. The SA Navy's strategic direction process	Optimisation of SA Navy strategic direction process with specific reference to alignment of planning processes at Levels 2,3 and 4 (ongoing evolution)	The four subsidiary elements of the SA Navy strategic direction process will be formalised, regulated and optimised, with concomitant effects on service delivery	In process	Naval Order has been implemented.



Table 6.4: Performance and Service Delivery Improvement for the FY2006/07 (Continued)

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement
Environmental Policy	Incorporation of force preparation and force employment activities with aspects such as reporting whales and dolphins on patrol reports and sinking targets as artificial reefs (ongoing evolution)	Enhanced public image, as also continuous, entrenched support to other State departments	Continuous	Reporting of whales and dolphins by ships made on a continuous basis. No sinking of vessels took place during the year.
Operational Support Information System (OSIS)	Continued work to clean up data by means of the Bill of Materials project. Disposal of related surplus/obsolete equipment (ongoing evolution) Unit information Management System phased out (ongoing evolution) Implementation of performance measurement model (ongoing evolution) Training of personnel (ongoing evolution)	Implementation of OSIS and establishing it as basis of the configuration managements, maintenance planning and materiel accounting system of the SA Navy	In process	64,09% achieved. Implementation of a common inventory system for all SA Navy business areas only scheduled for completion in the next financial year.

POLICY DEVELOPMENTS



The only major change in policy of the SA Navy is the change from one large MSDS intake to two smaller intakes per year with effect from January 2007. This will impact on expenditure and the Formative Training Capability. The impact is still to be fully determined. A total of seven Naval Orders were promulgated and implemented during the reporting period.

Chapter Seven

PROGRAMME 5 - MILITARY HEALTH SUPPORT

OVERVIEW

During the FY2006/07 the effect of the changed initiatives of Lieutenant General V.I. Ramlakan, the Surgeon General, started to redirect the South African Military Health Service (SAMHS). The changes to the SAMHS landscape are visible in critical areas that support the service delivery of the organisation. Of note is the rectification of administrative procedures and management processes. This intervention clarified the implementation of policies, strategies and plans. The new SAMHS Logistic Master Plan is a landmark product in this domain. The implementation of sound control mechanisms supported the responsible and efficient roll-out of the FY2006/07 Strategic Business Plan. The activation of the SAMHS Accountability Management Council (AMC) was a highlight. As a result of the National HIV/AIDS Strategy Conference hosted by the Department of Health on 14 and 15 March 2007, which the SAMHS was part of, as well as the DOD's HIV/AIDS Strategy, as driven by the SAMHS, will have to be revised accordingly.

The health support to the new air and maritime systems acquired through the Special Defence Package (SDP) was an area of focus. This resulted in the regis-

tration of specific projects to address the needed capabilities. The integration of the health element into the SDP will contribute to the successful institutionalisation of the systems.

The recruitment of new personnel of all races and a well-balanced gender composition were used to rejuvenate the SAMHS. The successful utilisation of the MSDS is of particular importance. The training of these MSDS members and other health care workers by the SAMHS is a direct contribution to the 'Accelerated Shared Growth Initiative for South Africa'.

The SAMHS Command Council, as the most senior forum in the SAMHS, focused on the alignment between the Strategy and Plan roll-out. Short, medium and long-term changes in the environment were accommodated. This led to the reprioritisation of and a dynamic approach to managerial challenges. The forced resettlement of the SAMHS Headquarters was a clear example of these actions. New mechanisms of reporting on performance against plan facilitated the process. During the FY2006/07 the SAMHS evaluated, planned and initiated actions to acquire, renew and maintain health facilities. Delivering a world-class military health service, which is the vision of the SAMHS, requires that health services be

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provided at facilities that project this standard. The three military hospitals were priorities in this endeavour.

The SAMHS made good progress in the area of readiness. The Military Psychological Institute is in the process of developing a health readiness measurement instrument. This will accommodate the unique needs of a military health organisation. The readiness to manage mass casualties was exercised and evaluated during Exercise LANCET. Highlights were the utilisation of a casualty train, as well as mass air evacuation. This contributes to the preparation for any health eventualities during the 2010 Soccer World Cup. The SAMHS is fully involved with the Department of Health's preparations for the 2010 FIFA World Cup.

The SAMHS functions in a fast-changing health environment that creates specific challenges. Priority number one is ensuring the availability and retention of health care professionals. The second priority in this regard is the SAMHS facilities and the renewal of main medical equipment. The SAMHS has made great strides in terms of expediting the recruitment process with regard to medical doctors, as well as other health care practitioners. As brokered with C HR, these practitioners will be appointed immediately, but temporarily for a year, while the normal DOD vetting process takes its required course. In order to retain and attract health care practitioners to the SAMHS, a new salary dispensation for this category of workers is being worked on. As part of the relocation process, the SAMHS has initiated a process in terms of placing the SAMHS on the cutting edge of technology, for example the installation of the video-conferencing facility. The next phase of this project will be in the clinical environment.

PURPOSE

The Military Health Support Programme provides prepared and supported medical combat support elements and services.

MEASURABLE OBJECTIVE

Provides prepared and supported military medical health capabilities, services and facilities in support of the defence of South Africa that meet the requirements of Government.

OUTPUTS

The Military Health Service Programme provides medical combat support and other medical services. It maintains military health and training facilities, including specialist facilities such as the Institutes for Maritime and Aviation Medicine. It also provides various support functions to, among others, the Departments of Health and Agriculture, when required.

There are seven subprogrammes:

- Strategic direction;
- Mobile health support;
- Area military health service;
- Specialist/tertiary health service;
- Product support capability;
- Base support capability; and
- Military health training capability.

Details of the Military Health Service Programme outputs are shown in Table 7.1.

Table 7.1: Military Health Service Programme Outputs for the FY2006/07

Output	Performance Measure	Target	Achievement
Subprogramme Strategic Direction			
Strategic direction to the Military Health Service Programme, military health advice to the DOD and the allocation and management of Military Health Service resources	The degree to which the DOD's policies, strategies and plans are implemented in respect of military health matters	All policies, strategies and plans are implemented as specified	The target was fully achieved as all policies, strategies and plans are implemented as specified.
		100% amended	The target was 70% achieved. A high turnover in human resources, especially at the corporate levels, caused a lack of continuity between those members who wrote the policies and those who must amend and revise.
		30% reviewed	The target was 25% achieved. A high turnover in human resources caused a lack of continuity between those members who wrote the policies and those who must amend and revise.

Table 7.1: Military Health Service Programme Outputs for the FY2006/07 (Continued)

Output	Performance Measure	Target	Achievement
	The degree to which all required inputs to DOD policies, Cabinet memoranda, strategies and plans are submitted	All required inputs submitted on time and in accordance with requirements	The target was fully met with all required inputs, Cabinet Memorandum, strategies and plans submitted.
	The degree to which required support to Government initiatives is met	100% support provided as required	100% support provided as required.
Subprogramme Mobile Health Support			
Operation Health Support capability	The degree to which the readiness state and force employment requirements are met	One Regular Force medical battalion group	8 Medical Battalion succeeded in meeting requirements in spite of a lack of health care professionals, specifically operational emergency care practitioners and serviceable equipment. Health care professionals were deployed on all external and internal operations by deploying forces from the SAMHS as a whole. The Battalion conducted force preparation exercises such as Exercise LANCET and supported exercises such as Exercise SEBOKA, YOUNG EAGLE and WAYSIDE. 8 Medical Battalion Group conducted training exercises during the financial year in order to improve the skills base in the Reserve Force battalions. Two projects were instituted to address the maintenance and repair of Beyond Economical Repair vehicles, as well as mid-life upgrades of main medical equipment.
		One Regular Force specialist medical battalion group	7 Medical Battalion Group achieved most of its objectives despite a shortage of health care practitioners including those with specialist skills. The critical shortage of parachute-qualified operational emergency care practitioners is a great concern. The chemical, biological and radiation capability is available in the form of staff officers at 7 Medical Battalion Group who can be deployed when required. 7 Medical Battalion Group also presents courses covering the required subjects. The Battalion successfully executed Exercise WAYSIDE to test and evaluate equipment under development.
		Three Reserve medical battalion groups	The low level of staffing of key personnel and the loss of skills in the three Reserve battalions has an impact on readiness. Although large numbers have been recruited into the three Reserve battalions, the level of military skills is low and training opportunities are restricted. The Military Health Training Formation is in the process of addressing Reserve training.
	The degree of compliance with statutory norms and regulations	100%	Full compliance with statutory norms and regulations was achieved.



Table 7.1: Military Health Service Programme Outputs for the FY2006/07 (Continued)

Output	Performance Measure	Target	Achievement
Subprogramme Area Military Health Service			
Geographic military health service capability	Quality of service provided and degree of availability of military health units as indicated	<p>Nine area health units 28 health centres 29 sickbays Three base hospitals Six oral health clinics 39 military medical clinics Three community centres Five occupational health and safety centres One presidential medical team</p> <p>A multidisciplinary military health service for the SANDF and other patients as authorised</p>	<p>All capabilities were provided as planned.</p> <p>The Area Military Health Formation succeeded in providing a multidisciplinary health service to its clients through the Formation's substructures as listed above. Severe shortages of health care officials and ambulances negatively affected service delivery. A lower outsourced rate was achieved than was initially expected, as only 76 667 consultations were outsourced. A total of 131 377 patients were consulted during 515 498 consultations. 2 058 operational emergency care practitioners were deployed on 2 550 requests. The Formation provided health care practitioners for deployments, although it was unable to provide sufficient medical officers for external deployments. A renewed drive to recruit health care practitioners was launched.</p> <p>The presidential medical team function was transferred to the Tertiary Military Health Formation. The Team met all set requirements in spite of an insufficient number of personnel and a structure not aligned with the demands. The new structure will shortly be approved. Equipment and vehicles have been purchased in alignment with the new structure.</p>
Subprogramme Specialist/tertiary Health Service			
A tertiary military health capability for serving and retired SANDF members and their dependants, Government VIPs and other Government approved patients, including the UN and SADC countries through military hospitals in Cape Town, Bloemfontein and Pretoria Tertiary military health services	Degree of operational readiness In-patient days Items per script	100% compliance with readiness states of military hospitals at Pretoria, Cape Town and Bloemfontein as stipulated by the Surgeon General	The three military hospitals met almost all the set requirements in providing a comprehensive health service to its patients. The shortage of health care practitioners and non-availability of specific equipment at hospitals negatively affected achievement. A total of 1 209 patients were admitted to non-military facilities. A 91% serviceability of equipment was achieved through the acquisition of new equipment. The average number of items per prescription was 3,2 as a result of the use of the standardised military medicine code list, new generation broad-spectrum drugs and peer assessment of chronic medicine prescriptions. 1 Military Hospital provided a Level 4 facility as required by the UN.



Table 7.1: Military Health Service Programme Outputs for the FY2006/07 (Continued)

Output	Performance Measure	Target	Achievement
An aviation health capability and service for the SANDF conducting medical assessments, hyperbaric treatment, G-tolerance training for aviators, aviation medical fitness verification service for the SA Air Force and South African Civil Aviation Authority (SACAA)	Degree of compliance with required number of aviation medical confirmations	22 000 aviation medical confirmations for South African Civil Aviation Authority	A total of 10 120 (46%) of the planned 22 000 medical confirmations were performed as members did not make appointments. All the members who made appointments were consulted.
	Degree of compliance with availability of air evacuation teams	24-hour availability of air evacuation teams	Air evacuation teams were available on a 24 hour basis.
Psychological assessments and research and development capability	Project satisfaction according to SAMHS order Degree of conformance to Code of Good Research Practice and Ethical Conduct. Timely delivery of contract as per specification	One military psychological institute. 100% compliance with research requirement issued by Surgeon General and clients	The Military Psychological Institute achieved between 87% and 80% compliance with research requirements due to a shortage of health care practitioners. Members are used for force support activities. A total of 78 organisational change facilitations were executed for the DOD, but ad hoc requests could not be accommodated. 80% of test and measuring instruments were found applicable to DOD.
A maritime health capability and service for the SANDF conducting hyperbaric treatment, maritime medical assessments and diving medical fitness verification service for the SA Navy	Degree of availability of a medical officer at Navy decompression facility	24 hour availability of medical officer at Navy decompression facility	A medical officer was available on a 24-hour basis.
	Degree of compliance with required number of health assessments	600 diving and submarine medicals	Only a total of 100 diving and submarine medicals were performed owing to a shortage of specialist health care professionals.
A veterinary health capability for the SANDF and SAPS as required	Degree of performance as per service agreements/ service level agreements	11 animal clinics Two veterinary hospitals	The capabilities were provided. The facilities and indicated clinics were down managed to two remaining clinics after the closure of 12 SAI and equine capability of the SANDF. The remaining clinics and hospital in Potchefstroom provide the necessary capabilities for the SANDF canine capability.
		Compliance with agreement	The veterinary health capability met its service agreements with the SANDF and SAPS through the above substructures. A 100% hospital service was rendered. The appointment of a veterinary surgeon resulted in a total of 30 consultations/services rendered to deployed SANDF forces. There was no military veterinary service at outlying units and 27 canine patients were referred to specialist and non-military facilities. A total of 131 members were trained as veterinary orderlies, veterinary assistants, dog handlers and detection dog handlers. The SAPS required support in 458 cases.
Subprogramme Product Support Capability			
Pharmaceutical and sundries warehousing capability Mobilisation and unique stock warehousing	Degree of readiness and availability of unique stock	One military health depot	The target was fully achieved. Unique stock was available as required. A total of 5 523 receipt vouchers to the amount of R106 389 196 were received and 51 555 issue vouchers to the amount of R92 812 074 were issued.



Table 7.1: Military Health Service Programme Outputs for the FY2006/07 (Continued)

Output	Performance Measure	Target	Achievement
SAMHS unique products, materials and services procurement capability and electromedical equipment asset management service	Degree of availability of depot items. Degree of compliance with statutory medical equipment service requirements	One military health procurement unit 100% compliance with statutory medical equipment service requirements and asset management	Of the planned target of 80% availability of depot items 70,5% was achieved. The timeliness of order placement within five working days was fully achieved. 78% compliance with statutory medical equipment service requirements and assets management was achieved. Not all biannual verifications took place as planned. As soon as asset management at the Tertiary Military Health Formation is finalised, the task will be resumed at the other Formations. The Area Military Health Formation and Mobile Military Health Formation were visited, which resulted in the integrity of the system being achieved.
Subprogramme Base Support Capability			
A general base support capability for identified defence programmes		One general support base	The SAMHS Support Base Thaba Tshwane achieved most of its objectives in rendering a general support function to its clients in spite of a shortage of personnel. Reserves were called up to assist while recruitment was being expedited.
	Degree of client satisfaction	100% client satisfaction	The client satisfaction could not be scientifically measured as the measurement tool is still to be developed.
	Degree of compliance with performance standards as contained in service agreements with clients	100% conformance with all DOD policy guidelines and agreements with respect to base support	The target was 64% achieved owing to shortage of personnel. Training and experience levels of personnel are low owing to a high turnover. A dedicated technician has been appointed to address the low serviceability of the vehicles.
Subprogramme Military Health Training Capability			
Trained SAMHS personnel in specialist areas	Degree of compliance with the SAMHS training plan	56 learning opportunities 6 360 learners	Military Health Training. Of the planned 250 courses 60 were cancelled owing to late acceptance, as well as shortages in facilitators. A total of 2 989 of the planned 4 047 learners were successful. Physical Training, Sport and Recreation Training. More learners qualified than the planned 290. A total of 463 learners were successful as a result of 10 additional water orientation courses that were presented by members of external units trained by the Joint Physical Training, Sport and Recreation Centre. Accredited Nursing Training. A total of 237 learners of the planned 280 diploma students (Year 1 to 4) qualified. 40 learners completed their diploma in December 2006 with a 100% pass rate. A mid-year intake of 65 learners took place during the second quarter. The deviations of numbers occur because of learners temporarily withdrawing from the course due to pregnancy or failures. Pupil Enrolled Nursing. The training target of 102 learners was fully met. A total of 20 members initially planned to only be trained only in year 1 of the course for utilisation as Ward Orderlies have completed their full training.

Table 7.1: Military Health Service Programme Outputs for the FY2006/07 (Continued)

Output	Performance Measure	Target	Achievement
			<p>Specialised Nursing Diploma. A total of 165 of the planned 210 learners qualified. One course was cancelled owing to a shortage of facilitators.</p> <p>Force Preparation Training. Of the planned 530 learners 289 qualified at the Combat Training Centre. A total of two learning opportunities were cancelled owing to a shortage of qualified personnel.</p> <p>Military Training. A total of 2 974 learners were trained instead of the planned 1 945. The higher number of learners occurred because three MSDs to the planned two intakes had to be accommodated.</p>

PUBLIC PRIVATE PARTNERSHIP AGREEMENTS

The SAMHS registered a Public Private Partnership (PPP) in terms of Treasury Regulation 16 regarding 'Health care facilities and hospital referral services in Durban and seven other selected areas'. The PPP is directed towards identifying suitable health facilities where the SAMHS can admit, at its discretion, patients to said facilities for surgical procedures and/or as in-patients for consultation by SAMHS health care practitioners in terms of cost benefit against admission to a distant military hospital. Ignis Consulting was appointed as the transaction adviser and, with the feasibility study completed, Treasury Approval 1 was granted in January 2005. The project is in its Treasury Approval 2A phase, where requests for proposals and proposed PPP agreements will be considered.

The final draft documentation for the SAMHS PPP was received from the Transaction Adviser in March 2007. This includes the Request for Proposal and the draft con-

tract. Anomalies detected in the Request for Proposal document will be corrected and finalised during April 2007.

After finalisation, the documents will be submitted to the Secretary for Defence for signature and final submission to the National Treasury for the approval of Treasury Authority 2. Thereafter the procurement process will commence.

MILITARY HEALTH SERVICE PROGRAMME: OUTPUTS OF SPECIFIC POLICY OPTIONS WHERE ADDITIONAL FUNDS WERE ALLOCATED

Details of the Military Health Service Programme with regard to outputs of specific policy options where additional funds were allocated during the FY2006/07 are reflected in Table 7.2.

Table 7.2: Military Health Service Defence: Outputs of Specific Policy Options where additional funds were allocated during the FY2006/07

Policy Option	Allocation (R'000)	Performance Against Target	
		Target	Achievement
Anti-retroviral (ARV) roll-out	26 000	The intent with the ARV roll-out funds was to establish accredited sites for the roll-out programme. Accreditation requires compliant facilities, equipment and personnel that adhere to National Health standards	Six sites have already been accredited. The challenge is attracting patients to enlist in the roll-out programme. Donor funded awareness campaigns are ongoing, but restricted to uniformed members only. Once sufficient community care workers have been enrolled, dependants of uniformed members in rural areas will be included. Present facilities are inadequate and need to be converted. In some cases equipment was secured, but required structural changes to 1 and 2 Military Hospitals. This will be addressed in the next financial year, as external role players are involved with infrastructure development. The Surgeon General made the decision to acquire vehicles as a key enabler.



Table 7.2: Military Health Service Defence: Outputs of Specific Policy Options where additional funds were allocated during the FY2006/07 (Continued)

Policy Option	Allocation (R'000)	Performance Against Target	
		Target	Achievement
			Members of the SAMHS multidisciplinary team, including nursing staff, social workers, pastoral services and other support services have vehicles to visit and follow up on HIV and AIDS patients.
Military Skills Development (MSDS)	7 300	Provision of health care for 3 000 MSDS members	Health care for 3 000 MSDS members was provided. The National Treasury allocated additional funds to the SA Army for MSDS members. A DOD decision was made to allocate a portion of 3,7% of that amount to the SAMHS for the health care of these members. This amount went into the operational costs of the SAMHS.
Presidential Health Support	12 000	Medical and environmental health support to mandated principles Acquisition of equipment and infrastructure for Presidential medical support	Rm12,7 was spent. Additional funding was utilised to provide the correct level of technology, equipment and staff augmentation.

SAMHS SPECIFIC EXERCISES CONDUCTED DURING THE FY2006/07

Details of the SAMHS specific exercises conducted during the FY2006/07 are reflected in Table 7.3.

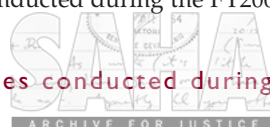


Table 7.3: SAMHS Specific Exercises conducted during the FY2006/07

Exercise	Achievement
Exercise LANCET Military health support to SA Army Exercise SEBOKA	The exercise was successfully executed over the period 30 October to 17 November 2006 at the SA Army Combat Training Centre. A mass casualty evacuation exercise was incorporated and valuable lessons were identified.
Exercise WAYSIDE Chemical Biological Radiation Defence	7 Medical Battalion Group Chemical Biological Wing executed the exercise at the Ditholo Training Area over the period 21 August to 1 September 2006. The exercise was successfully devoted to the testing and evaluation of equipment under development.

PERFORMANCE AND SERVICE DELIVERY IMPROVEMENT

Details of the SAMHS performance and service delivery improvement are reflected in Table 7.4.

Table 7.4. Performance and Service Delivery Improvement for the FY2006/07

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement
Health care	Generic medicine	Reduction in health care cost	Ongoing	SA legislation is to dispense generically. SAMHS policy is to prescribe generically, except when clinically motivated by a specialist. 37% of brand name pharmaceuticals by the SAMHS are replaced with generics. SAMHS is prescribing mostly generic medication.

Table 7.4. Performance and Service Delivery Improvement for the FY2006/07 (Continued)

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement
	Project MEDSAVE			A work session held in 2006. Adjusted norms added according to increased diversity of functions. Chronic medication was provided to members 50 km and further from military health installations. If outsourced to private pharmacies, the cost is estimated to escalate by 50-75%.
	Article 38A nurses			Prescriptions are restricted to 3 items per script. Because of a shortage of pharmacists, 33 Section 38A nurses are currently utilised for dispensing. Without this intervention outsourcing would have had to be considered.
	Medical orderlies and operational emergency care practitioners			First line medical support increased accessibility to medical support in deployments. The support was provided in spite of shortages and all demands were met.
	Medicine Code lists			A planning Military Medicine Control List meeting took place in April 2006. Only medication on the Military Medicine Control List is prescribed and dispensed. Buyouts are only done in exceptional cases. Negotiating with a pharmaceutical company to sponsor printing of booklets.
Warehousing	Pre-packing of medicine	Reduction in health care cost	Ongoing	Pre-packing in the Military Health Base Depot is not a viable option, due to implications in terms of financial cost, facility upgrades and human resources. In order to comply with the new statutory pharmaceutical requirements, it is proposed that medicines be purchased in patient-ready packs for all the SAMHS pharmacies. This is more cost-effective. Pre-packing can only be done at registered pharmacies.
Prescriptions Treatment Biomedical	Code lists	Reduction in health care cost	Ongoing	The Code lists are strictly adhered to. Health care practitioners prescribe only medication on the Military Medicine Control List.
	Generic medicine			SA legislation is to dispense generically. SAMHS policy is to prescribe generically, except when clinically motivated by a specialist. Chronic medication restricted to seven items per script.
	Article 38A nurses			Prescriptions are restricted to 3 items per script. Owing to a shortage of pharmacists, 33 Sec 38A nurses are currently utilised for dispensing. Without this intervention outsourcing would have had to be considered.
	Medical orderlies and operational emergency care practitioners			Consult patients during deployments according to scales as laid down in the doctrine.
	Biomedical capability			The cost-effectiveness of the biomedical ability is under investigation.
Provision of services in under-served areas	Discounts on service delivery against prescribed benefit scales	Reduction in health care cost	Ongoing	Negotiations took place with several session doctors for discounts. Private health care session doctors do anaesthesia for minor operations, saving 30% on cost. Only emergency cases are referred to specialist medical practitioners. Regional meetings with National Provincial Administration to improve and sustain inter-sectoral and collaborative relationships.

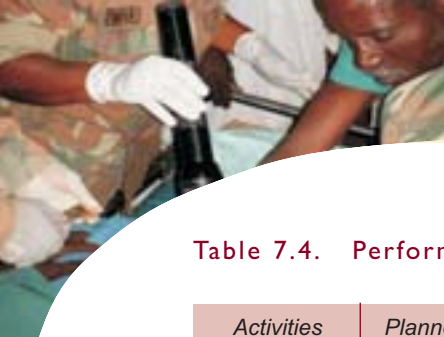


Table 7.4. Performance and Service Delivery Improvement for the FY2006/07 (Continued)

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement
Remuneration strategies	Commuted overtime	Reduction in health Higher productivity Incentive to remain in the SAMHS care cost	Ongoing	Well controlled. Policy is strictly executed. Registers are being kept. Retention strategy for scarce skills. Only benefit medical and dental practitioners. Uniformed workers need to be compensated for being in uniform. Gross salaries equal to non-DOD public sector health care workers.
	Oral health scheme			Dentists: 49% participate; 10% receive incentive. Technicians: 98% participate; 60% receive incentives.
	Project MEDSAVE			Military Health Support Formation's pharmacists participate, but not all pharmacists benefit from incentive.
	Benefits for health professionals in rural areas			Rural allowances have made employment in rural areas a bit more lucrative.
	Scarce skills allowance			Scarce skills allowance is on par with Department of Health incentives. Strategy to retain scarce skills of Health care practitioners had positive effect. Several members in common posts want to return to professional posts to qualify for scarce skills. Impact on common post environment will be huge. Allowances for nursing personnel must enjoy urgent attention.
Leadership principles	Full range Leadership, Command and Management Principles training	Democratic organisation	Ongoing	Modules are included in all military courses.
Service delivery Continuous learning and development Discipline	Batho Pele	Client satisfaction	Ongoing	Client satisfaction surveys took place. The Batho Pele principles are applied in all force structure elements. Many initiatives were implemented to improve service delivery. Of note is the following: Services are rendered during lunchtime to meet client demands and after-hours call systems were enhanced. A Wellness Clinic was instituted in Durban. Dissemination of information and client/stakeholders meetings to discuss service delivery increased. Nursing personnel assist with after-hour service at the General Outpatients Department, 1 Military Hospital.
	Effect Analysis	Client Satisfaction		Intranet and Internet communication with clientele.
	Continuous professional development programme	Client Satisfaction	Ongoing	Professional development opportunities are being utilised at own cost. The SAMHS Military Health Training Formation is facilitating the process.
	Training	Savings through better procedures	Ongoing	In-service training, daily unit parade, monthly formation parade and 3-weekly physical training parade have been instituted.
	Batho Pele	Client satisfaction		See Service Delivery above.

Table 7.4. Performance and Service Delivery Improvement for the FY2006/07 (Continued)

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement
Human resources management	Inspector General's audit	Client satisfaction	Ongoing	The SAMHS Inspectorate grouped related risks together under appropriate audit topics, allowing the Inspectorate to audit 136 risks covering the risks indicated in the Three Year Rolling Internal Audit Strategy of the DOD, as well as depicted in the SAMHS Three Year Rolling Internal Audit Strategy at scheduled SAMHS force structure elements. The full spectrum of audits was executed.
	Effect analysis			Military Health Support Formation, Military Health Base Depot, won the Excellence Model Trophy in 2006.
	Human Resource training			In-service training, daily unit parades, monthly formation parade and 3-weekly physical training parades have been instituted at the Military Health Support Formation.

OCCUPATIONAL HEALTH AND SAFETY

The Surgeon General manages the Occupational Health and Safety (OHS) function for the DOD on behalf of the Secretary for Defence. Great strides were made with the management, as well as the implementation of OHS in the DOD.

Good cooperation has been established with the National Department of Public Works and the reinstatement of DOD OHS inspectors has been agreed upon. An OHS monitoring system according to the OHSAS 18001 monitoring system was implemented and 12 units were successfully monitored during the year. Corrective action is up to those responsible. OHS training has been revisited and will be further enhanced by the new course programmes. All OHS practitioners involved have conducted a comprehensive facilities survey and this is a reliable indicator of the condition of DOD facilities with reference to health and safety. The SA Air Force has established a Safety Health Environment Review Board (SHERB) to review all Safety, Health, Environment, Risks and Quality (SHERQ) and technical boards of inquiry.

A major challenge is the neutral attitude of some commanders to OHS that has resulted in non-adherence to OHS legislative matters. Further shortcomings are the lack of OHS posts on several structures, as well as the lack of qualified personnel. The private sector values the experience and qualifications of OHS practitioners. Policies need to be completed, but the lack of staff slows down the process.

In spite of the shortcomings the members involved in OHS are committed and involved in promoting the health and safety of all the members of the DOD.

POLICY DEVELOPMENTS

A total of 10 SAMHS policies are in the process of development.

Policy Developments and Legislative Changes. In March 2007 the Deputy President of South Africa launched the 'HIV and AIDS and Sexually Transmitted Infections (STI) Strategic Plan for South Africa 2007-2011'. The DOD Strategic Plan will be adapted accordingly.



Chapter Eight

PROGRAMME 6 - DEFENCE INTELLIGENCE

OVERVIEW

The FY2006/07 will go down in the history of Defence Intelligence as a watershed year marking the beginning of a new era. Defence Intelligence made great strides in the period 1999-2005 in placing the Division on solid ground as the premier intelligence service in South Africa. The Division was the only intelligence service that reported progress to the National Security Council. The Ministers of Foreign Affairs and Intelligence, as well as the National Security Council, commended Defence Intelligence for excellent intelligence support and products. The Auditor General at the Joint Standing Committee on Intelligence (JSCI) pointed out Defence Intelligence as the only organisation that was able to give full cooperation to the Auditor General.

Defence Intelligence has made great strides in making intelligence central to the operations of the DOD and the SANDF in particular. Of note is the annual Defence Intelligence Estimate that was supplemented with a further comprehensive product, namely the African Battle Space Estimate, which could become a useful planning tool on both the strategic and operational levels.

The technical capacity is the best that it has ever been. Equipment that was

acquired proved to be invaluable, especially in the collection of information and improved training efforts. Defence Intelligence was among the first in the DOD to have its college, the South African Defence Intelligence College (SADIC), accredited as a service provider by the South African Qualifications Authority (SAQA). Defence Intelligence strengthened its working relations with the SAPS with the agreement that its members would attend identified SAPS courses.

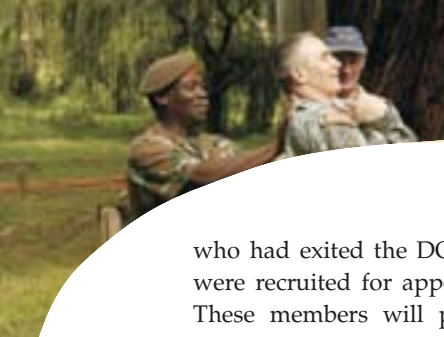
On the international front, Defence Intelligence expanded its influence. Major countries entered into discussion with Defence Intelligence. France awarded the Order of Merit (the highest order bestowed on military personnel) to the Chief of Defence Intelligence in recognition of contributions made to French Defence Intelligence.

Defence Intelligence accepted the Golden Key Award 2006 awarded to the DOD for Best Practice in Openness and Responsiveness by a national public institution, given by the Human Rights Commission and the Open Democracy Advice Centre. This gives recognition (even if indirectly) to the members who work on the Promotion of Access to Information Act activities.

In January 2007, 11 Military Skills Development System (MSDS) members,

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who had exited the DOD at the end of December 2006, were recruited for appointment at Defence Intelligence. These members will positively influence the Defence Intelligence rejuvenation process. In spite of recruitment and staffing efforts during the year under review, the main challenge remains the recruiting and staffing of personnel with the correct background and/or aptitude for conducting Intelligence at the operational and tactical levels. The risk of losing qualified personnel is a major concern as other State departments are recruiting Defence Intelligence members.

Defence Intelligence, as the premier intelligence service in South Africa, did well to get the results that it achieved. This was despite the fact that it had a smaller budget or human resource pool than the other intelligence services. Defence Intelligence continued to facilitate the provision of client-driven defence intelligence products, evident from the quantity and quality of products produced, to enable effective decision-making and strategic planning and support to operations. Defence Intelligence worked in close partnership with, and acted as nodal point for, national (eg NICOC) and departmental clients, inter alia

the Joint Operations Division, to align intelligence outputs with changing and diverse client needs.

PURPOSE

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

MEASURABLE OBJECTIVE

Defend and protect South Africa by providing military intelligence and counter-intelligence products and services that meet the requirements of the Government.

OUTPUTS

The Defence Intelligence Programme provides defence intelligence and counter-intelligence for operational security in support of the Department. It also provides for personnel vetting (ie the security clearance of DOD personnel).

Details of the Defence Intelligence Programme outputs are shown in Table 8.1.

Table 8.1: Outputs of the Defence Intelligence Programme for the FY2006/07

Output	Performance Measure	Target	Achievement
Subprogramme Strategic Direction			
Provide Intelligence policy and doctrine	The degree to which required Defence Intelligence products are available	Intelligence DOD Directive Intelligence Collection and Processing DOD Instruction	The finalisation of the DOD Directive, DOD Instruction and Joint Defence Publication on Security in the DOD was delayed owing to the revision of the Minimum Information Security Standards and later the revision of the Protection of Information Act which is still in process. These national policies have a great influence on the drafting of DOD security policies, especially the JDP. Four counter-intelligence policies were promulgated.
Policy advice	The degree to which policy advice is accepted	100% acceptance of policy advice	Advice Defence Intelligence on matters relating to intelligence is accepted when it is given.
Subprogramme Defence Intelligence Operations			
Provide Intelligence and counter-intelligence service capabilities	The degree to which clients are satisfied with intelligence products and services	90% of products on the production schedule are disseminated timeously 100% of clients' intelligence requirements are met timeously	The number of Defence Intelligence products that were disseminated timeously exceeded the target set by Defence Intelligence.
Subprogramme Defence Intelligence Support Services			
Supporting services comprise the following: a personnel utilisation service;	Degree of compliance with applicable policies, regulations and instructions	No incident where Defence Intelligence is in breach of any policy, regulation or instruction regulating the managements of a specific functional field	The Auditor General found some discrepancies in the Defence Intelligence leave registers. The situation was rectified immediately.

Table 8.1: Outputs of the Defence Intelligence Programme for the FY2006/07 (Continued)


Output	Performance Measure	Target	Achievement
a personnel administration service Intelligence training to identified clients; a logistical support service; and an information support service. A planning and organisational development service A regimental service A legal administration service A unit military security service	Quality of business plans	The DPBEC finds the quality of the overall business plan, as well as the different sub-plans as above average	The DPBEC found the Defence Intelligence business plan and subplans to be an improvement on previous years.
	Budget control	Less than 0,5% under-spending in the total support service budget 0% rollover of the budget	There was an over-expenditure of the personnel budget due to growth in personnel numbers. A rollover of the budget occurred as the logistical system could not handle the final requirements in time.
	Staffing levels	Minimum of 75% by the end of the FY2006/07	DI has only been able to maintain an average staffing of approximately 65% over the past two years. The DOD has identified DI's staffing as a priority. DIMS has therefore been contracted to design a structure to enable DI to function maximally.
	Asset control	0% asset losses due to non-compliance with prescripts by Defence Intelligence members	There is no record of any asset losses due to non-compliance with prescripts by Defence Intelligence members.
	Accreditation status of training	80% of all training provided by Defence Intelligence is accredited 	80% of all training at SADIC is accredited. The SA Defence Intelligence College received full accreditation from the Safety and Security Sector Education and Training Authority (SASSETA) in September 2006. The FY2006/07 will be remembered for the finalisation and implementation of the programmes on NQF Level 5 as the FY2006/07 was the pilot year for the roll-out of the programmes in analysis, collection and counter-intelligence. During the period under review, a total of 80 learners attended the functional programmes. Defence Intelligence was the only service within the Statutory Intelligence Community that was in a position to present the registered intelligence-related Unit Standards. Project Charters were signed with the SASSETA for the development of an analysis qualification for Defence Intelligence officers, as well as for the development of a qualification for Military Intelligence Vetting Officers on the National Qualifications Framework (NQF) Level 5. The development and roll-out of these qualifications will further enhance the capacity of Defence Intelligence on service delivery, and further development will commence in the FY2007/08.
	Number of members trained	18 learning opportunities 90 learners	Seventeen formal, functional intelligence courses and skills programmes addressing the analysis, collection and counter-intelligence domains were presented over the reporting period. The annual target of 18 learning opportunities was not achieved as a result of the rescheduling of courses into the FY2007/08.




Table 8.1: Outputs of the Defence Intelligence Programme for the FY2006/07 (Continued)

Output	Performance Measure	Target	Achievement
	Client satisfaction	Defence Intelligence members rate the overall quality of the support service as at least above average	The quality of the support service has improved because of some in-house changes (especially in the Service Centre), and Defence Intelligence members perceive this as a step forward.

PERFORMANCE AND SERVICE DELIVERY IMPROVEMENT

Details of performance and service delivery improvement are reflected in Table 8.2.

Table 8.2. Performance and Service Delivery Improvement for the FY2006/07 (Continued)

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement
Improve pre-analysis and filtering capability to increase efficiency	Inputs at Technology projects for unique software	Prevent overload at processors	Ongoing	Software was installed to do pre-analysis and filtering before information is sent to the processors. This software is regularly updated to ensure effectiveness and efficiency.
Research and development on collection hardware and software	Regular enforced feedback on current status of development programme	Cutting-edge information 	Ongoing	The advancement of technology internationally necessitates the regular improvement of computer hardware and software. Ongoing research and development have ensured that Defence Intelligence stays abreast of the latest technology, ensuring that DI stays close to the cutting edge regarding collected information.
Improve the use of geospatial information in the DOD	Integration of geospatial information systems in the DOD	Improve efficiency of decision making at all levels	Initiated	The project was initiated with CMIS for the development of a DOD geospatial database that will serve as the basis for the integration of DOD geospatial systems.
Promulgate an Intelligence education, training and development strategy and policy	Prepare and promulgate an Intelligence education, training and development DOD Instruction	Coherent approach to intelligence training	Initiated	The initial ETD Strategy was updated to address ETD requirements as envisaged from 2015. The ETD Policy and Instructions were formulated and promulgated. An annual revision takes place in October. The SA Defence Intelligence College is fully accredited as an ETD provider by the SASSETA, and the College has been in a position to present fully accredited programmes since July 2005.
Improve strategic collection capabilities	Acquisition and integration of systems	Cutting-edge early warning intelligence	Initiated	Some of the acquisition processes have been put on hold, but others have been completed and are already proving their worth.
Improve the provisioning of operational intelligence	Integrate structures for support of operations	Improved operational intelligence	Initiated	Planning is underway to structure a Subdivision that will only be responsible for operational intelligence in support of operations. The current structure's personnel are doing their utmost (with limited resources) to support operations in the meantime.

POLICY DEVELOPMENTS

National security policies have a great influence on the drafting of DOD security policies. The revision of the Minimum Information Security Standards (MISS) and

later the Protection of Information Act, 1982 (Act No 84 of 1982), which is still in process, has delayed the finalisation of various policies on security in the DOD.





Chapter Nine

PROGRAMME 7 - JOINT SUPPORT

OVERVIEW

The Minister of Defence approved the new integrated Human Resources Division structure on 24 January 2007. Reporting on the Joint Support Programme is done according to the DOD Strategic Business Plan for the FY2006/07, as no formal changes to the Joint Support Programme plan were registered.

As reported in the FY2005/06, the Joint Support Office was converted into the Office of the Chief of Human Resources. Human resource offices provided strategic direction to the following subprogrammes:

- Human Resources Support (funded within the Administration Programme);
- Joint Training;
- Service Corps; and
- British Peace Support Training Team (BPST) (Managed by Joint Training).

The Chief of Corporate Staff exercised control over the provisioning of support services of the following subprogrammes:

- Joint Logistic Services;
- Command and Management Information Services;

- Military Police; and
- Property Management (funded within the Administration Programme).

The three subprogrammes as indicated below are managed as financial subprogrammes. The performance is reflected in the financial statements:

- Acquisition Services;
- Assistance; and
- Departmental Support.

PURPOSE

The Joint Support Programme provides joint support capabilities and services to the Department.

MEASURABLE OBJECTIVE

Support Departmental activities through the preparation, maintenance and provision of joint logistical, technological and military policing capabilities, services and facilities that meet the requirements of the Government.

OUTPUTS

The Joint Support programme provides common support capabilities, facilities and services to the Department. It establishes, provides training in, and maintains the following areas: joint logistics, information communication technology,

a national partnership to build a better life for all

DEPARTMENT:
DEFENCE

Table 9.1: Joint Support Office Subprogramme Outputs for the FY2006/07

Subprogramme	Output	Performance Measure	Target	Achievement
Strategic Direction	Strategic direction with regard to the Joint Support programme for Chief of the SANDF	The degree to which joint support policies, strategies and plans are coordinated	Full coordination of support policies, strategies and plans	Strategic direction was provided to the Human Resources function. Under the guidance of the Chief of Human Resources, full establishment of the new division started in the FY2006/07 will continue in the next financial year.

military police, vocational training, joint training and acquisition services. It provides support to the Armaments Corporation of South Africa (Armscor), the Reserve Force Council, the South African First Aid League, St Johns Ambulance Brigade, the Medical Fund for Military members retired before 1964, and the Safety and Security Sector Education and Training Authority (SASSETA).

SUBPROGRAMME JOINT SUPPORT OFFICE

OVERVIEW

The inauguration ceremony of the Human Resources Division took place on 26 January 2007. Prior to this date, the Human Resources Division with Lieutenant General T.T. Matanzima as the Chief of Human Resources was functioning in the former Joint Support Division mode. The centralisation of the Human Resources support function will result in a more effective, efficient and economic Human Resources function in the DOD.

Details of the Strategic Direction subprogramme outputs as executed by the Joint Support Office are shown in Table 9.1.

SUBPROGRAMME COMMAND AND MANAGEMENT INFORMATION SYSTEMS

OVERVIEW

With minor exceptions, the Command and Management Information Systems (CMIS) Division performed in accordance with its plan and has achieved its core objectives for the reporting period. The year was not without challenges, but the CMIS Division met these and was able to perform well. Many successes were achieved during the year under review.

These successes included the finalisation of the Departmental Enterprise Information Systems (DEIS) Master Plan, which focuses on the renewal and maintenance of the Information and Communication Systems (ICS) of the DOD. The National Treasury provided Rm50

to initiate the implementation of this multi-year programme. Project DOMINO (new CMI force design and structuring) is progressing well in accordance with the set milestones. The envisaged implementation of the approved Command and Management Information (CMI) force design and structure is 01 April 2008. Through further implementation of the Telephone Management System (TMS), the telephone call cost expenditure of the DOD was brought down by an amount of Rm6 compared to the previous financial year. Research conducted on the access to information indicates that information was provided in response to 4 064 requests/records held by the DOD. This includes requests submitted to the DOD to the Promotion of Access to Information Act 2000 (Act No 2 of 2000).

The CMIS Division was able to support all external missions in accordance with force employment requirements. The Division also participated in force preparation events on the continent by playing the key role in the interoperability activities and exercises over the past financial year. A total of 12 multinational operations and three exercises were successfully supported during the financial year. Furthermore, the School of Signals presented High Frequency (HF) radio training to 19 members from 10 Southern African Development Community (SADC) countries. This initiative will contribute to the interoperability of the Command and Control systems within the Region. The Field Post Office was upgraded to a level where it now renders professional postal services in support of external operations. The CMIS Division successfully presented the Exercise AFRICAN ENDEAVOUR during July 2006. A total of 21 countries, represented by a total of 120 members took part in this event. The aim of the event was to test the interoperability standards of the Information and Communication Systems (ICS). The results will be incorporated in the establishment of the SADCBRIG ICS interoperability capability. The CMIS Division provided CMI systems support to internal operations specifically to Operation INTEXO.

The interaction with external role players such as Armscor proved to be fruitful as processes of upgrading main equipment has progressed significantly to the extent that workable solutions are being implemented. The main

equipment is ageing and reached the end of its life cycle. However, projects RADIATE and BILLET will contribute to the upgrading of this equipment over the medium to long term.

A major challenge for the CMIS Division is the outflow of personnel from the CMIS Division resulting in a loss of expertise in the information communication systems environment. The level of functional knowledge with respect to functional DOD Information Systems is declining, and therefore the DOD system managers are depending more on contracted services (as provided by SITA) to provide the required knowledge and expertise to maintain the CMI services at the required levels. The Military Skills Development System (MSDS) is being implemented in the Division to address this issue. However, the required skills and competencies will not be obtained in the short to medium term. Vehicle serviceability, the availability of personnel and signals equipment and the lack of personal equipment currently hamper the readiness of the CMIS Division. These issues were made visible within the DOD, as the intervention to improve the situation is

beyond the control of the CMIS Division. The moratorium on the destruction of records still prevents the management of a formal appraisal and systematic disposal programme for records in the DOD. Excessive resources are being spent on the administration and storage of approximately 2,8 linear kilometre ephemeral records, the intervention being undertaken/planned is a collective request by all the security-related departments to Cabinet via the Security Cluster for the lifting of the moratorium. The National Archivist (Department of Arts and Culture) is managing the submission to Cabinet.

MEASURABLE OBJECTIVE

Command and Management Information Systems (CMIS) Division provides a command and management information systems and related services to the Department.

OUTPUT DETAIL

Details of the Command and Management Information Service Programme output are reflected in Table 9.2.

Table 9.2: Command and Management Information Service Programme Outputs for the FY2006/07

Output	Performance Measure	Target	Actual Achievement
Command Management and Information service to the DOD	The degree to which CMIS strategy, policy and plans are implemented	Strategy, policy and plans are implemented as specified	The target was 80% achieved. In collaboration with the Office of the Government Information Technology Officer (GITO) the CMIS Division is finalising current and future Information and Communication System (ICS) related Policies within the governance of the Regulatory Framework (also included in Project DOMINO). This process is hampered by a lack of Information and Communication Systems (ICS) specialists for writing and reviewing of these policies. Reserve members are used for this task.
Acquired integrated Information and Communication Technology (ICT) solutions and enablers for the DOD	The degree to which ICT solutions are delivered according to client requirements	Solution delivery within 80% of the DOD ICT Project Portfolio	Solution delivery was 90% achieved. Minor and major enhancements as well as new solutions with respect to ICS as required by the various services and divisions were delivered.
Information Warfare (IW) and Cyber Warfare (CW) Capability for the DOD	The degree to which security breaches have occurred	99% secured networks by March 2007	100% secured networks were ensured, as no security breaches were reported.

Table 9.2: Command and Management Information Service Programme Outputs for the FY2006/07 (Continued)

Output	Performance Measure	Target	Actual Achievement
Combat-ready Joint Command and Control capabilities for the SANDF	The degree to which combat-ready command and control capabilities comply with the readiness states and force employment requirements	Combat readiness according to force employment requirements 28 620 Reserve man-days	The set requirements were not fully met owing to non-availability of personal and signal equipment, vehicle serviceability as well as the health status of members for external deployments. CMIS Division members were deployed in all external and internal deployments. The Division successfully participated in two multinational exercises, Exercise COMBINED ENDEAVOUR and Exercise AFRICA ENDEAVOUR. The target was revised to 28 620 Reserve man-days. A total of 43 133 man-days were used as a result of the increased requirement for Reserves to improve command and management information service delivery, especially in the Registry environment. The Field Post Office was upgraded to a level where it could render professional postal services in support of external operations.
Supported the integrated ICT and joint command and control product system capability of the DOD	The degree to which the ICT systems support capability is able to support and sustain the ICT system of the DOD	98% availability of mainframe service	A 98.35% service availability to clients was achieved. The technical maintenance services on DOD application systems and DOD Information Infrastructure have been delivered to the extent that the information systems of the DOD were available to DOD functional environments higher than the contracted 98%.
		95% availability of the Local Area Network (LAN)	A 95,68% service availability to client was achieved. 100% availability is not possible due to a combination of factors like circuit failure (TELKOM), external power failure, server/router failure, data switch/hub failure and data cable reticulation failure.
		95% reliable mobile and static ICT support services by 31 March 2007	These services are provided by the CMI Service Centres. The services could improve if the logistic supply turn-around time improves in terms of acquisition of ICT equipment. The latter is beyond the control of the CMIS Divisions.
Departmental Information Systems Security (ISS) capability	The degree to which specific departmental requirements as stated in the service agreements are adhered to	99% information security equipment serviceability by 31 March 2007	Target revised to 95%. The target was achieved. The intention is to migrate part of the current information security systems capability to COMSEC Pty (Ltd). This initiative was not realised as Ministerial approval is still awaited. SACSA is currently maintaining the ISS equipment for all State departments.
		100% information system security on all networks by 31 March 2007	Target revised to a more realistic 95%. The target was achieved. The CMIS Division (SACSA) is currently responsible for the information systems security of all state departments.
CMIS education, training and development capability	The degree to which the planned training and syllabi requirements are achieved	One signal school 82 learning opportunities 2 108 learners	The learning opportunities target was revised to 184. A total of 309 learning opportunities were presented. The School of Signals successfully presented High Frequency (HF) training to 191 earners from 10 SADC countries during the reporting period. The learner target was revised from to 2 108 to 2 159. A total of 1 774 learners qualified. Senior Training. Four learning opportunities were cancelled owing to non-availability of members who were deployed. A total of 733 learners qualified.

Table 9.2: Command and Management Information Service Programme Outputs for the FY2006/07 (Continued)

Output	Performance Measure	Target	Actual Achievement
			<p>Junior Training. Six additional learning opportunities were presented as a result of an increased demand for junior courses, especially in the MSDS environment, as well driver and maintenance courses. The student target of 81% reflects the FY2006/07 only. Courses that are currently running (still in progress) will be reflected against the new fiscal period.</p> <p>Technical Training. Five learning opportunities were cancelled owing to the lack of an inflow of MSDS members in the technical environment. A total of 127 learners qualified.</p> <p>Advanced Training. 223 (323%). The opportunity for more members 336 (487%) to study at State expense lead to more applications to study. It resulted in the exceeding of the set target during this and the next reporting period. This initiative is in line with ASGISA, JIPSA, and skills development initiatives of the Government.</p> <p>Youth Foundation Training. One learning opportunity was presented for 20 learners.</p> <p>Technical Training Opportunities (Computer rigger and other). Three learning opportunities were presented. The annual target of 30 learners was exceeded when 48 learners qualified as a result of an increased demand for technical training in the CMIS Division.</p>

COMMAND AND MANAGEMENT INFORMATION SYSTEMS DIVISION SPECIFIC EXERCISES CONDUCTED DURING THE FY2006/07

Details of Command and Management Information Systems Division specific exercises conducted during the FY2006/07 are reflected in Table 9.3.

Table 9.3: Command and Management Information Systems Division Specific Exercises Conducted during the FY2006/07

Exercise	Achievement
Exercise Combined Endeavour Multinational interoperability exercise	The multinational interoperability planning for future exercises took place during March, May, September, November 2006, January and March 2007. The planning exercises were executed in Georgia, Germany, Netherlands, Armenia, Slovakia, Ukraine and Germany. A total of 24 members of the Command and Management Information Systems (CMIS) Division were involved in the planning and execution of the exercise. All objectives were met.
Exercise Africa Endeavour African Interoperability exercise	The CMIS Division conducted the African interoperability testing exercise in July 2006 at the Wonderboom Military Base. A total of 21 countries, represented by a total of 120 members took part in this event. SADC countries participated. The results will be incorporated in the establishment of the SADC BRIG Information Communication Systems interoperability capability.

ADDITIONAL FUNDING OBTAINED FOR THE FY2006/07

The National Treasury for the renewal and maintenance of the Information and Communication System (ICS) of the DOD provided additional funding to the amount of Rm50. Details are reflected in Table 9.4.

Table 9.4: Additional Funding Obtained for the FY2006/07

Policy Objective	Allocations (R'000)	Output Targets	Actual Achievement	Reason for Deviation
To renew and maintain the Information and Communication System (DEIS Master Plan roll-out) of the DOD	4 872	Appointed Human Resources for the roll-out of the DEIS Master Plan	Achieved	More Human Resources were appointed to activate the intervention program for the roll-out of the 'building blocks' of the DEIS Master Plan.
	3 820	Infrastructure for the Defence Signal Network	Achieved	Replacement of the old telegraph network with a computerised network.
	3 750	Infrastructure for the roll-out of the Active Directory Project	Achieved	Initiative to ease the management of the 'active directory' as well as better visibility on the directory.
	2 558	LAB Infrastructure equipment for the Active Directory Project	Achieved	A LAB has been established to test and simulate the improvements and enhancements on the 'active directory'.
	35 000	Migration of the SANDF out of the 2.2GHz Frequency Band	Not achieved	The original plan was to have the contract in place by October 2006. Due to the complexity of the tender specifications and tender process, the contract was allocated only on 16 March 2007. The funds (Folio 02) have been rolled over to the FY2007/08. TELKOM SA was selected as the preferred supplier for the 2,2 Ghz Migration programme. Approval was also granted for the team to finalise the negotiations the final aspects of the DIP/NIP deals.



PERFORMANCE AND SERVICE DELIVERY IMPROVEMENT

Details of the performance and service delivery improvements for the FY2006/07 of the CMIS Division are reflected in Table 9.5.

Table 9.5: Performance and Service Delivery Improvement of the Command and Management Information Systems for the FY2006/07

Activities	Planned Management Intervention	Anticipated Benefit	Status	Actual Achievement
Integrated information system	Enterprise-wide information system management	Aligned DOD information system to ensure integrity of record and immediate availability of information as well as connectivity between all resource and planning systems of the DOD	In process	This initiative is still ongoing due to the complexity of ensuring data integrity. Ongoing interaction is taking place between system owners like the Chiefs of Human Resources and Logistics as well as the Chief Financial Officer in order to reach the desired result.

SUBPROGRAMME JOINT LOGISTIC SERVICES

OVERVIEW

During the FY2006/07, the DOD Logistic Agency succeeded in achieving most of its objectives.

The RSA Military Standard on the clearance of unexploded ordnance in accordance with the International Mining Action Standards was developed and approved, and now provides the DOD with the means to certify the safety of cleared ranges, reclaimed land and ammunition accident sites. A total of 1 000 tons of dangerous ammunition was destroyed.

The condition of facilities and infrastructure is considered as poor and many no longer conform to the minimum requirements of the Occupational Health and Safety Act. The only way to rectify the condition of facilities and infrastructure was to secure funds and do the necessary repair and maintenance. Funds secured were however insufficient and the quest for more funds to continue with the Repair and Maintenance Programme (RAMP) will continue in future. A total of Rm49 71 of the available Rm50 was spent during the reporting period. Repair work has started at 1 Military Hospital.

The incorporation of environmental issues during operations and deployments has progressed well and has already been included in the training of deployed members. Environmental staff have been involved in the Comoros and Burundi to ensure that a minimal footprint is left after the closure of Operation FIBRE. The clean-up and rehabilitation of the environment at the Hells' Gate Training Area as part of the settlement of the restitution claim on this property were closely monitored.

The DOD has committed itself to the process of land reform in general and to the restitution process in particular. The DOD has received 13 claims since the promulgation of the Restitution of Land Rights Act, 1989 (Act No 22 of 1994). Nine claims had been finalised before and no new claims were received during the period under review. Three of the claims are in an advanced stage of finalisation while one is still in an initial stage in the restitution process. This partnership with the Department of Water Affairs and Operation Vuselela, Working for Water Programme, on the eradication of alien invaders through the utilisation of military veterans, has been extended to the Free State Province.

In line with the decision to transfer the Technical Service Corps to the SA Army, the DOD Technical Service Training Centre is migrating to the SA Army. The office of the Auditor General audited the national environmental legal compliance issues of the DOD. Non-conformances were addressed.

Although many highlights were achieved during the past year, the performance of Logistics in the transformed

DOD has been hampered by many factors. The DOD Organisational Work Group (DODW) decided on expanded matériel governance, risk and compliance structures within the envisaged Chief of Matériel's structure, and expanded strategic direction and functional authority functions for the Chief of Logistics. The second phase of the improvement programme, inter alia the implications of the planned devolvement of logistic accountabilities still have to be completed. DOD Logistic strategic direction diverged owing to the duplication of strategic direction structures within services and divisions, the Secretariat and the SANDF. Although it has emerged that the Chief of Logistics has a clear mandate to integrate logistics strategic direction throughout the DOD, this has not yet materialised. Although a new 10-year logistic strategy has been developed, along with improved top-level processes and structure, approval for implementation has not yet been received. Critical changes to the DOD's strategic management process are still required to ensure that clear direction is available for logistic-related planning, and that resources are optimally allocated.

The renewal and transformation of the Reserves in the DOD Logistic Agency were not accomplished. The Reserves in the DOD Log Agency are not fully trained, properly structured, adequately resourced or well equipped. Since 1999, all formal recruitment and training have ceased. Supply Support training output did not meet SANDF requirements due to shortcomings in accreditation, competent facilitators/assessors, facilities, equipment (especially military vehicles), printing capabilities and staffing. This has a negative effect on SANDF members, as some of the learning programmes presented are promotional prerequisites. However, a total of 2 665 members, including 861 Military Skills Development System (MSDS) members were trained. Representivity still remains a problem in the DOD Logistics Agency's senior and middle management. A skills audit is currently in process to improve career management in the Formation.

There is severe underfunding of equipment maintenance in the DOD/SANDF, coupled to a huge backlog. Serious logistic personnel shortage in specialised fields hampered service delivery and led to members being deployed too frequently. The DOD expressed its concern regarding the service received from the National Department of Public Works and indicated that it did not contribute to effectiveness and efficiency as promulgated by the Government. A meeting took place between the Deputy Minister of Defence and the Deputy Minister of Public Works to find solutions to the unsatisfactory situation. All funds allocated to the Capital Works Building Programme were not spent during the reporting period due to challenges mainly not under control of the DOD. Regional Land Claims Commissioners' priorities seemed to be in conflict with DOD priorities, resulting in the delay of land claims. The existence of unexploded ordnance delayed

the finalisation of the claims at Hell's Gate military base and Madimbo corridor. The Chief of Logistics has requested that all unspent funds be rolled over to the next financial year. The lack of a single, optimised integrated DOD logistic management information system complicates compliance with National Treasury expectations, such as accrual accounting and GRAP.

The realignment of logistics and the establishment of a capacitated Chief of Logistics remains an essential requirement for effective, efficient, and economic service delivery. The DOD Logistic Agency's mandate, capacity, morale and command and control are seriously constrict-

ed by the non-approval of the changes to philosophy, strategy, process and level 2 structure and the lack of progress in achieving an agreed way forward.

MEASURABLE OBJECTIVE

The DOD Logistic Agency provides integrated logistic support to the DOD.

OUTPUT DETAIL

Details of the DOD Logistic Agency's output are reflected in Table 9.6.

Table 9.6: Outputs of the DOD Logistic Agency for the FY2006/07

Output	Performance Measure	Target	Achievement
Integrated logistic services, logistic management, logistic resource management, facility support services, engineering support services, supply support and logistic support in accordance with client and force employment requirements	The degree to which combat readiness status and force employment requirements have been met	Three ammunition depots	The target was 90% achieved. The deeper level depot storage of ammunition was successfully executed. Ammunition was maintained according to priorities and levels as instructed. The Ammunition warehouse is licensed. Munitions support to operations was successful. Rm10 was obtained as additional funding for policy options. Rm12 was expended. The additional funds were allocated from DOD Logistic Agency's budget to ensure ammunition safety. Five ranges qualified for disposal by open detonation. A total of 1 000 tons of dangerous ammunition was disposed. Ammunition logistic infrastructure at depots improved. Corrective action is being taken to improve the warehousing facilities at Jan Kempdorp.
		One air supply unit	The DOD Air Supply Unit achieved its objectives. Support was provided to courses and combined training exercises such as Exercise YOUNG EAGLE. Air supply was provided in support of SANDF operations. The facilities at the DOD Air Supply Unit are in a poor state.
		One mobilisation centre	The target was achieved. The DOD Mobilisation Centre in Bloemfontein provided the 4th line warehousing capability for the DOD. Effective mobilisation and demobilisation of forces took place with each deployment of SANDF forces. However, the levels of the operational reserves to be maintained are not acceptable. The realignment of the mandate, structure and functions of the Mobilisation Centre is underway in order to reposition the unit to effectively respond to new operational challenges.
		One technical service unit	The management of universal equipment of the DOD Logistic Agency (Pretoria) through maintenance, repair or reconditioning was 75% achieved due to challenges related to the structure, mandate and resourcing of the unit. The presence of sinkholes at the present location complicates the execution of repair tasks. Different stakeholders do not adhere to stipulations regarding standardisation resulting in a proliferation of products and related support.
		Five maintenance units (Reserve) Six field workshops (Reserve) One transit maintenance unit (Reserve)	The target was not achieved. The renewal and transformation of the Reserve in the DOD Logistic Agency were not accomplished. The Reserves in the DOD Log Agency are not fully trained, properly structured, adequately resourced or well equipped. Since 1999 all formal recruitment and training have ceased.

Table 9.6: Outputs of the DOD Logistic Agency for the FY2006/07 (Continued)

Output	Performance Measure	Target	Achievement
	Degree of serviceability of equipment	90% serviceability of deployed equipment	Only 60% serviceability of deployed equipment was achieved due to the lack of support resources such as funds to repair and maintain material handling equipment in depots. The turn-around time of repair to the soft-skin military cargo-carrying vehicles is not acceptable. The DOD Logistic Agency is currently cooperating with SA Army to improve availability and serviceability.
	Degree to which client requirements in terms of general base support services have been met	Three joint support bases	The target was 80% achieved. The joint support bases (Joint Support Base Garrison and General Support Base Ministry of Defence) are incapable of rendering an effective, efficient service to their clients. Due to the structures being understaffed and underfunded. The closure and migration of the joint support base concept within the DOD Logistic Support Formation was completed. An implementation instruction and a closing-down and migration plan per joint support base was completed and handed over to the Chief of Corporate Staff. The DOD Logistic Agency is currently in a planning process with the SA Army for the transfer of JSB Garrison.
		Three commodity/technical/Reserve vehicle depots	The target was not achieved. The renewal and transformation of the Reserves in the DOD Logistic Agency were not accomplished. The Reserves in the DOD Logistic Agency are not fully trained, properly structured, adequately resourced or well equipped. Since 1999 all formal recruitment and training have ceased.
	The degree to which codification targets have been met	National Codification Bureau established by 31 March 2007	The target was 25% achieved. The Codification Bureau is established but not yet fully functioning. The backlog inherited is currently being addressed. The rejuvenation of the current structure is in process, and full capacity should be reached by December 2008.
	The degree to which training targets have been met	Three training schools: Technical, ammunition and hospitality 191 learning opportunities 2 929 learners	Originally, 191 learning programmes were planned. With the transfer of the Technical Training to the SA Army, a total of 187 learning opportunities were presented. Although 98% of the target learning opportunities has been achieved, a total of 3 043 learners was trained (104%), of which 761 were MSDS members. This increase was due to the requirements from clients.
	The degree to which repair and maintenance targets are met	Repair and maintenance of infrastructure as per client requirements in the Repair and Maintenance Plan (RAMP)	The target was achieved as the DOD spent 99,42% of the available funds for infrastructure maintenance. The amount of Rm50 was insufficient to address the maintenance backlog, resulting in an increasing backlog. The rate of progress to eliminate the backlog is therefore not according to plan. The DOD once again obtained additional funding from the National Treasury for the FY2007/08.
	The degree to which disposal and environmental managements targets are met	Management of disposal and environment according to client requirements	100% of the identified high-risk ammunition (1 000 tons) was destroyed. Three demolition ranges were qualified (Bergspits at 93 Ammunition Depot Jan Kempdorp, Roodewal bombing range at Polokwane and DOD Ammunition Subdepot Mookgopong). Five of the seven ranges now qualified with Simon's Town and De Aar scheduled for the FY2007/08. A mass ammunition disposal by open detonation capability for ammunition of 60mm calibre and higher was established. Risk management actions were taken at Jan Kempdorp to mitigate risk factors.

PERFORMANCE AND SERVICE DELIVERY IMPROVEMENT

Details of the DOD Logistic Agency performance and service delivery improvement are reflected in Table 9.7.

Table 9.7: Joint Logistic Services Performance and Service Delivery Improvement for the FY2006/07

Activities	Planned Management Intervention	Anticipated Benefit	Status	Achievement
Integrated facility service	Implementation of the DOD Environmental Management System based on the principles of ISO 14000	Compliance by DOD with environmental legislation	In process	The Environmental Review Forum Task Team terminated the trial phase of the implementation of the DOD Environmental Management System (EMS) in March 2007, as no significant progress had taken place during the last two years. This can be attributed to various influencing factors such as the lack of skilled personnel and financial resources. In order to successfully integrate an EMS into the defence core business, the system must be streamlined to suit the DOD. Hence, it was suggested that the EMS be incorporated into the current policies, programmes and processes in the department. It is not a legal imperative for the EMS to be based on the ISO 14000 principles, therefore this matter and alternative option will be submitted for approval during the next year.
Integrated supply support service	Ensuring optimum efficiency of supply support service through the implementation of a fuel management system	Expected savings on DOD fuel bill	Implemented January 2006	In process. The RT46 contract has been issued in collaboration with National Department of Transport (Tender being requested).

POLICY DEVELOPMENTS

A total of 15 policies, military standards and instructions were reviewed and/or promulgated during the year under review.

SERVICES SCALED DOWN, SUSPENDED OR ABOLISHED DURING THE FY2006/07

The Technical Resource Management sub directorate was transferred to the SA Army. The Technical Service Training Centre is migrating from the DOD Logistic Support Formation to the SA Army.

SUBPROGRAMME HUMAN RESOURCES SUPPORT SERVICES

OVERVIEW

During the FY2006/07, the Human Resource (HR) Support Centre continued to operate with the HR Support Office, HR Support Formation and 23 HR Support

Satellites (HRSS) that migrated to the Services. The HR Support Centre will close down with effect from 1 April 2007 and migrate to the HR Division as Chief Directorate HR Management.

The HR Support Centre achieved most of its targets. In response to advertising in the print media a total of 78 783 applications for career opportunities in the MSDS, Youth Foundation Training Programme and posts for Public Service Act Personnel in the DOD were received. The DOD participated in several marketing and recruitment drives in the nine provinces for the MSDS and Youth Foundation Training Programmes.

During the FY2006/07, SANDF ceremonial support was provided to numerous State, national, governmental and departmental events. A highlight was the 90th Anniversary Commemoration of the Battle of Delville Wood and the wreath-laying ceremony at the Commonwealth War grave at Arques-la-Bataille, in France in July 2006. The Deputy Minister of Defence was the main functionary at the ceremonies, which were attended by over 500 people, including South African and

foreign diplomats and SANDF and French general/flag officers.

The HR Support Centre addressed the matters that received qualified reports in the Auditor General's Report for the FY2005/06. An instruction on corrective measures was issued to Services and Divisions in September 2006.

The biggest challenge for the HR Support Centre is the finalisation of the Non-Statutory Force (NSF) Pension Project. The planning for the FY2006/07 was for the NSF Pension Project to be finalised by 31 March 2007. Slow but steady progress was made during the FY2006/07 with the successful processing of 1 469 applications. The delay in the processing of pension payments could be attributed inter alia to the large number of former NSF members with untraceable addresses, the incompatibility of the computer databases of the DOD and Government Employee Pension Fund (GEPF) and incomplete applications, while the large volume of NSF pension applications possibly led to the GEPF not having sufficient human

resources to handle the number of applications. The project was extended for the duration of the MTEF (FY2008/09 - 10/11). The project will receive the highest priority and support from the DOD Command Cadre and will be the first priority in terms of the Chief Directorate HR Management's budget.

Notwithstanding the turbulence generated by the re-engineering and restructuring of the HR function, the Chief Directorate HR Management will continue to render HR management function.

MEASURABLE OBJECTIVE

The Human Resources Support Centre provides Human Resources support services and educated, trained and developed individuals as per specifications to the DOD.

OUTPUT DETAIL

Details of the outputs of the Human Resources Support Centre are reflected in Table 9.8.

Table 9.8: Human Resources Support Centre Outputs for the FY2006/07

<i>Output</i>	<i>Performance Measure</i>	<i>Target</i>	<i>Achievement</i>
Human Resources acquisition service to the DOD	Degree of compliance with recruitment and selection targets of clients	30 selection boards across the country	30 selection boards were held in nine provinces to select candidates for posts in the DOD. These selection boards were held to meet the staffing requirements for MSDS, Youth Foundation Training Programme, Regular and PSAP posts.
		Six advertisements in the printed media	Six recruitment advertisements were placed in the printed media for MSDS, Youth Foundation Training Programme and Pilot/Navigator posts. A total of 19 ad hoc advertisements were placed for vacant Level 9 to level 16 PSAP posts. A total of 78 783 applications were received for career opportunities in the DOD.
		Nine marketing drives at schools across the country	Events to market the MSDS and Youth Foundation Training Programme took place at tertiary institutions and secondary schools within all nine provinces.
		Participate in five stakeholder meetings in five provinces	Five meetings took place with the Department of Education as well as various political youth groups in KwaZulu-Natal, Limpopo, Easter Cape, Western Cape and Gauteng promoting the DOD as a future employer.
		Participate in nine SABC career expos	Nine SABC career expos in support of the DOD "Employer of Choice" Awareness Campaign.
	Percentage compliance to staffing of posts	90% of posts at AU/UN deployments staffed	75% of posts at the AU and UN deployments were staffed. In future Services and Divisions will staff junior posts, while the HR Support Centre will staff the headquarters element. Force structure elements being deployed must provide their own HR component during operations.
Personnel separation, support processes and redeployment service	Number of IMBIZOs attended Number of records updated	Attendance at nine IMBIZOs in nine provinces to address military veterans	None scheduled or undertaken by the Deputy Minister of Defence. The Imbizos with military veterans in various provinces are scheduled according to the demand of the Deputy Minister of Defence.
		7 000 updated personnel records on the military veterans database	More than 7 000 records were updated for the FY2006/07 in spite of shortages of personnel.

Table 9.8: Human Resources Support Centre Outputs for the FY2006/07 (Continued)

Output	Performance Measure	Target	Achievement
	Degree of achievement of separation targets	Administer the exit of 2 000 through the Mobility Exit Mechanism (MEM) and separate 1 200 through retirements and discharges	Only 1 008 members exited from the DOD by means of MEM or Employer Initiated Severance Packages (EISP). Fewer members and employees accepted the MEM/EISP due to the fact that the mechanisms are voluntary. A total of 5 393 members left the service of the DOD in the FY2006/07. The reasons being the SAPS transfer project; transfer of the Naval Dockyard to Armscor, natural attrition as well as resignations. There is a high demand in the private sector for specialist and scarce skills inter alia SANDF pilots, engineers and health care professionals.
Direction and staff function for Chief of the SANDF on corporate level in respect of utilisation of uniformed personnel (colonel and higher)	Degree to which succession planning seminars lead to effective placement of personnel	Two succession planning seminars held	At the two succession-planning seminars uniformed members (colonel and higher) were effectively placed.
Personnel maintenance service to the DOD	Degree of compliance with client requirements	100% compliance of client requirements in terms of personnel maintenance	82.5% compliance of client requirements was achieved. A huge backlog on the processing of the applications was caused by an internal function shift, incorrect administration of furniture removal applications and new procedures being implemented. A roadshow is planned for the FY2007/08 to address the matter.
	Degree of completion and execution of the Non-statutory force (NSF) pension project	NSF pension project completed by 31 March 2007	The NSF Pension Project has not been completed as planned and completion was extended until 31 March 2008. Delays in the processing of pension payments can possibly be attributed to the following factors. Due to the large volume of NSF pension applications it is possible that the Government Employee Pension Fund (GEPF) do not have sufficient manpower to handle the large work volume. The DOD database (Persol) and the GEPF database (PEKWA) are not interactive and when transactions are captured on the Persol database, PEKWA is not automatically updated. A total of 1 378 applications are incomplete and response to letters requesting these documents to be submitted has been very slow. There is a large amount of former NSF members who cannot be traced and their NSF pension application forms are currently being held at the project office. The Department of Home Affairs was requested to assist in tracing these members to obtain correct addresses. The DOD initiated several actions towards completion of the project. The NSF Pension Project conducted a road show to distribute NSF pension quotations for serving members and in the process traced 62 beneficiaries with the assistance of the military veterans associations. A meeting was held with representatives of the MK Veterans Association to seek assistance in tracing those beneficiaries who could not be traced.
Functional training of human resource practitioners	Degree of achievement of training targets	Personnel Services School 400 learners on human resource-related courses	The Personnel Services School trained 1 062 learners. Additional funding resulted in an increase of learning opportunities presented. A total of 50 learning opportunities were presented at the School and three decentralised at the HR Support Satellites.
		26 learners on adult basic education training	Only 12 of the planned 26 adult basic education learners were trained due to fewer applications received.

Table 9.8: Human Resources Support Centre Outputs for the FY2006/07 (Continued)

Output	Performance Measure	Target	Achievement
		Process 70 applications for certificates, diplomas and degrees	Only 21 applications were processed and approved. Fewer applications were approved. Human resources service satellites closed down and members' applications were handled by services and divisions.
		50 learners at 17 short courses provided by outside service providers	The target was not achieved. The Chief of Human Resources used the funds earmarked for short courses for a DOD Human Resources seminar. A total of 150 members attended the seminar.
Comprehensive career development and planning system for employees of the DOD	Degree of compliance with client requirements in terms of Public Service Act Personnel (PSAP) staffing	100% staffing of PSAP according to client requirements	100% staffing of required PSAP posts was achieved. Services/Divisions only budgeted for the filling of 450 posts in the FY2006/07.
	Degree of achievement of correctly structured salaries	All PSAP members' salaries are 100% correctly structured	The target was 97% achieved. The auditing of 492 salaries is not yet finalised due to a shortage of personnel.
Management and administration of Labour Relation functions in the DOD	Timeous and satisfactory completion of labour-related matters	Adherence to Batho Pele principles	55% adherence to Batho Pele principles was achieved due to a lack of knowledge of functionaries and line management. Training interventions were made. Finalisation of the HR Division and staffing thereof will improve service delivery.
		Manage misconduct and grievances in the DOD	The management of misconduct was 100% achieved. A total of 29 cases were dealt with.
		Represent the DOD at 48 conciliations and 16 arbitrations sessions	The DOD was represented at only 10 of the planned 48 conciliations, as the DOD does not control the conciliations. Hence the lower set down rate of arbitrations as 11 of the planned 16 arbitration sessions took place.

POLICY DEVELOPMENTS

New Policies and Legislation

The Policy on 'Management of Career Development and Personnel Appointed in terms of the Public Service Act within the Department of Defence' was promulgated in 2006.

Policy Developments and Legislative Changes

After negotiations with the Department of Public Service Administration, the separation processes within the EISP were amended, ensuring that the separation processes within the EISP can be executed efficiently and effectively.

SUBPROGRAMME JOINT TRAINING

OVERVIEW

The Joint Training Formation managed to exceed its planned learner output without incurring any additional costs. This increased output contributed directly to the achievement of the DOD outcomes, as there are now more

trained personnel to conduct the business of the DOD in a more professional manner. Additional numbers were trained with extra internal funding, illustrating the flexibility of the leadership to provide the required service.

The fledgling Warrant Officers Academy achieved full accreditation status with the South African Qualifications Authority as a learning provider. This means that all training presented at the unit will be credit bearing training, which is transportable to the civilian sector when the member leaves the DOD.

At the Military Academy, four staff members were appointed as professors at the University of Stellenbosch, thereby enhancing the image of the DOD in terms of academic and military status, since the Military Academy has exposure to foreign learners who study at that institution.

The DOD Youth Foundation Training Programme gives the DOD the ability to create its own pool of suitable candidates for employment by uplifting disadvantaged learners who did not qualify for entry into the DOD up to a level where they do qualify. The 2006 programme was successfully completed with 240 learners completing the

programme. A total of 180 of these learners are employed in the DOD and the remainder have been released into the open job market with a better chance of being employed. This ability to 'grow our own trees' not only assists the DOD in recruiting people of high capabilities but also contributes to the upliftment of the youth of South Africa.

The Chief of Joint Training presented Batho Pele Compulsory Frontline Training to 383 members and employees of the DOD for the first time. This was not a planned activity but was undertaken with much success as these learning interventions evoked visible enthusiasm for the Batho Pele philosophy from the learners. It is envisaged that this effort will improve service delivery in the DOD.

The Joint Training Formation maintained a high state of training readiness.

The year 2006 posed a number of challenges. The staffing levels of the Joint Training Formation remain a challenge. The low level of staffing at the units under command, especially the Military Academy, is due to the specialised requirement of the vacant posts. Although a concerted effort has been made to staff these posts, the Joint

Training Formation finds it very difficult to compete in the labour market for persons with academic qualifications. The lack of capacity of the Public Works Department to conduct the required maintenance of facilities makes progress even more challenging.

The progress of Project BRILLIANT, the establishment of the South African National Defence Training Institute, is slow due to the complexity and magnitude of this project. It is envisaged that, once the project has come to fruition, the output of the Joint Training Formation will improve. The Joint Training Formation will sustain its output in the Human Resource Division as a level 3 Training Command in future.

MEASURABLE OBJECTIVE

The Joint Training Formation provides the Department with professional developmental and non-combat/mis- sion common functional learning opportunities.

OUTPUT DETAIL

Details of the outputs of the Joint Training Formation are shown in Table 9.9.

Table 9.9: Outputs of the Joint Training Formation for the FY2006/07

Output	Performance Measure	Target	Achievement
Military professionally developed members and employees of the DOD	The degree to which Education, Training and Development specifications are reflected in programme curricula	320 formal joint military professional programmes with 2206 learners	<p>The original planning was for 165 formal programmes with a total of 3833 learners. This figure was amended when it was realised that different methods were used to calculate the number of programmes and the number of learners. An example of this would be that various short courses were incorrectly combined into one course while the calculations for the learner numbers would count the number of learners per short course and not the course.</p> <p>The revised figures were accepted by the Departmental Plan and Budget Evaluation Committee in June 2006 namely 320 learning programmes with a total of 2206 learners.</p> <p>A total of 304 learning programmes were presented with 1688 learners. One Military Observer programme cancelled due to lack of applications and 15 Public Service Act Personnel training programmes cancelled due to the lack of applications for the programmes. The reduction in learner numbers was due to the cancellation in programmes.</p> <p>The non-attendance of programmes for Public Service Act Personnel remains problematical as the training of these members is voluntary and they cannot be forced to attend training programmes. A communication process was put in place an attempt to entice more Public Service act Personnel to attend training programmes on a voluntary basis.</p>

Table 9.9: Outputs of the Joint Training Formation for the FY2006/07 (Continued)

<i>Output</i>	<i>Performance Measure</i>	<i>Target</i>	<i>Achievement</i>
	Percentage of success rate of Education Training and Development Process	80%	A total of 30 learners were found to be not competent at the end of various programmes.
	Number of learners on Youth Foundation Training Programme (YFTP) qualified to join the DOD	250 learners	A total of six learners withdrew from the programme and four learners were dismissed owing to serious disciplinary infringements. 240 learners completed the 2006 programme. Of these learners, the DOD employed 180 and 60 were released into the open job market.

SUBPROGRAMME MILITARY POLICE

OVERVIEW

The Military Police Division can report that although full performance was not achieved, good progress is being made in those areas where shortcomings existed. In the FY2006/07, visible policing and the enforcement of preventative measures assisted officers commanding in asset protection and safeguarding as well as crime prevention. A total amount of R888 380 was recovered.

The Military Police Division fully complied with the force employment requirements for provost support. A total of 56 military police officials were successfully deployed at any given time during the past financial year. The capacity of 13 Provost Company was reinforced with policing specialists from regional structures.

The ceremonial motorcycle fleet was expanded by the procurement of an additional 16 ceremonial motorcycles for the Deputy President cavalcade during the opening of Parliament as well as for other ceremonial escort duties, thereby enhancing visible military police service delivery. The delivery of soft-skin vehicles and radio communication equipment contributed to improved service delivery. The capital equipment requirements of the Military Police Division are not adequately addressed in the Strategic Capital Acquisition Master Plan (SCAMP), hence the poor state of the capital equipment of the Division.

The training of Military Police officials was improved during the year through agreements with local traffic organisations for training on traffic control matters. Military Police investigators also attended investigators' courses presented by the SAPS, ensuring a close interdepartmental relationship in terms of common training that could be viewed as a public-public partnership. The Military Police Division had already provided the necessary presentations and courses regarding Section 45 of the

PFMA to a total number of 61 officials of the Military Police Division during this financial year.

The Military Police Division improved representivity at middle management level. On average the percentage of African colonels and lieutenant colonels increased from 42,9% to 60%. A total of 38 Military Police officials were transferred to the SAPS. The recruitment of MSDS members has resulted in 56 members being recruited.

The insufficient structuring of the Military Police Division, a lack of staff and an increase in numbers of MSDS-intakes at certain units resulted in the Division not being able to provide sufficient and efficient military policing services to the DOD. The impact of the non-staffing of the Nodal Point on Anti-criminality was that no decisive support could be provided to the DOD on crime management.

The lack of a consolidated database on crime information also impacted on the completeness of crime information provided by the Military Police Division. The Military Police Division was not able to fund the full component of its Reserve Unit due to a lack of funding and could therefore not supplement its regulars with reserves in areas where there was a higher demand for Military Police officials.

The Military Police Division will face many challenges in the years that lie ahead. However, given the challenges it has overcome since 1994, there is no doubt that it will not be found wanting in the future.

MEASURABLE OBJECTIVE

The Military Police Division provides a military policing capability to the department.

OUTPUT DETAIL

Details of the output of the Military Police Division are shown in Table 9.10.

Table 9.10: Outputs of the Military Police Division for the FY2006/07

Output	Performance Measure	Target	Achievement
Military policing capability to the DOD	The degree to which military policing services are provided to the DOD	4 Military Police regional headquarters	Four Military Police regional headquarters were provided. On regional level police intelligence was hampered by a shortage of personnel and a general lack of an analysis capability (structural shortcoming). Clients are still incorrectly assessing the performance of the Military Police Division with the successful sentencing by the Legal Satellite Office.
		22 Military Police Area Offices 21 Military Police Detachments	The 43 Military Police structures geographically placed across the RSA rendered policing services to DOD clients. Visible policing was increased and preventative measures enforced, thereby assisting officers commanding with asset protection and safeguarding as well as crime prevention. The increasing numbers of MSDS members resulted in a poor Military Police to military member ratio in certain geographical areas, negatively influencing the providing of sufficient and effective policing services. The total cases reported to the Military Police Division increased by 252 cases from a total of 2 935 cases reported during the FY2005/06 to 3 187 cases reported to during the FY2006/07. The Military Police Division, however, also managed to increase the number of finalised cases with 340 cases from 2 576 cases finalised in the FY2005/06 to 2 916 cases finalised in the FY2006/07. Police investigations were hampered by a shortage of personnel for large volumes of dockets that were registered.
			The number of cases on hand increased by 3,7% due to a lack of investigators. To improve the standard of investigations, Military Police investigators were trained by the SAPS. Military Police officials were also trained by local traffic organisations on traffic control matters at minimum costs for the Military Police Division. A total of 410 DOD members were detained by the Military Police Division in the detention cells of some of the Military Police Offices as well as at the SAPS, because of a lack of a detention cell capacity at a number of the Military Police structures. Continuous liaison with the Legal Satellite Offices and State Prosecutors at all levels ensured that Military Police officials contributed to water-tight cases resulting in speeding up the finalisation of cases by military and civilian courts. The expansion of the soft-skin vehicle fleet contributed to improved service delivery.
		Two military correctional facilities	The Military Correctional Facilities at Bloemfontein and Wynberg achieved their objectives. A total of 90 members were detained during the past financial year.
		Rehabilitated members to the DOD	A total of 27 members could be regarded as rehabilitated. Admittance at the Military Correctional Facilities showed a decrease from 117 inmates in the FY2005/06 to 90 inmates in the FY2006/07.
		One Military Police School 35 learning opportunities 1 195 learners	The MP School presented 37 courses instead of the planned 35 courses, but only a total of 1 006 learners were successfully trained because of funding and structural shortcomings, as well as a re-assessment of courses required by Military Police members. The Military Police School also received provisional accreditation as a training institution.

Table 9.10: Outputs of the Military Police Division for the FY2006/07 (Continued)

Output	Performance Measure	Target	Achievement
	The degree to which combat readiness and force employment requirements are met	One regular provost company	13 Provost Company fully complied with the force employment requirements for provost support, and 56 members were successfully deployed at any given time during the past financial year. However, structural shortcomings at the operational capability of 13 Provost Company resulted in the utilisation of policing specialists from the Military Police Regions to reinforce the Company during deployment. The complexity of cases to be investigated during deployments was a major challenge.
Strategy on anti-criminality	The degree to which criminality is managed within the DOD	5% fewer incidents of criminality registered in the DOD	A centralised database on all crime management information as well as a single point of entry (Nodal Point on Anti-criminality) was not operable due to funding restrictions and a lack of staff. Therefore the Military Police Division could not determine the exact percentage of criminality being registered in the DOD.
		Planning and establishment of the nodal point on anti-criminality complete	The Minister of Defence approved the structure of the Nodal Point on Anti-criminality in November 2006. The structure will be staffed in the FY2007/08. The Nodal Point on Anti-criminality will be functional towards the end of the next financial year.
		Policy and systems developed with regard to crime and the reporting of crime	The Crime Administration System (CAS) has been implemented to a large extent within the Military Police Division and is used to determine the extent of crime within the DOD. The Nodal Point on Anti-criminality will also address the reporting of crime.

SUBPROGRAMME SERVICE CORPS

OVERVIEW

The Service Corps succeeded in achieving most of its objectives. Some success was achieved in providing portable skills to its clients that may enhance their employability and entrepreneurial skills. Employment assistance based on labour market intelligence resulted in clients securing jobs outside of the DOD.

The eight regional Service Corps offices engaged in the training of members who applied for the Mobility Exit Mechanism (MEM) or who were transferred to the SAPS, military veterans as well as other serving members within the DOD. Of note are the relationships and agreements between the Service Corps and the Premiers of the Northern Cape, Mpumalanga and Limpopo provinces, State departments, both on local and provincial level, NGOs and the private sector towards ensuring job placements for Service Corps clients. The Service Corps provided training for a total of 1 622, including 107 learners from Mozambique.

Highlights of facilitation of military veterans' reskilling and placement are, inter alia, the training of more than 95

military veterans as part of Operation VUSELELA, the working for water programme, and the eradication of alien invaders through the utilisation of military veterans.

Adult Basic Education and Training (ABET) training opportunities were secured for more than 261 veterans. Assistance was provided to establish military veteran associations in four provinces. In the Eastern Cape, a total of 17 military veterans who were trained in brick making are now subcontractors at Coega. In the Northern Cape, members act as informal tour guides on the 'Walking with Ancestors' project. Through the involvement of the MEC of Safety and Security in the Northern Cape, a three-year opportunity to place 50 trained members in the Provincial Traffic Department per year was secured.

During the FY2006/07, the Service Corps experienced some challenges. Service providers were not paid on time as a result of slow internal processes. The verification process of military veterans is progressing very slowly. Only a small number of MEM candidates registered with the Service Corps for reskilling, resulting in the underutilisation of Service Corps facilities and services. The SAQA accreditation of the Centre for Advanced Training is not yet finalised and the shortage of personnel has resulted in a lack of monitoring of training. The Service Corps struc-

ture needs to be revised to be able to accommodate the DOD Works Regiment, that is still to be established.

In spite of the challenges and shortcomings, the Service Corps succeeded in managing the reskilling of all beneficiaries eligible for training as well as job placement. To reach its objectives, the Service Corps engaged external role players and established relationships both internally as well as with military veterans' organisations.

MEASURABLE OBJECTIVE

The Service Corps provides a demilitarisation service to individual members of the department.

OUTPUT DETAIL

Details of the output of the Service Corps are shown in Table 9.11.

Table 9.11: Outputs of the Service Corps for the FY2006/07

Output	Performance Measure	Target	Achievement
Reskilling advice	The degree to which the reskilling of members is effectively organised and conducted.	Advice in terms of labour market	The Service Corps was able to reach out to all eligible members who opted for Service Corps assistance.
Reskilling capability	The degree to which accredited training is delivered as per pre-prescripts and client specifications	One advanced training institute 250 learners	The Centre for Advanced Training presented reskilling training for 225 of the planned 250 learners. The target of 260 as stated in the Strategic Business plan is incorrect. Fewer learners were trained, as courses matching the client profile could not always be conducted owing to a lack of instructors and resources as well as incomplete information regarding job market requirements. Insufficient monitoring and quality control are done because of a lack of personnel. The Centre is not yet accredited at SAQA.
Reskilling facilitation and employment assistance capability	The degree to which accredited training is facilitated	Eight regional offices	<p>Service Corps Regional Office Bloemfontein. A total of 96 learners were assisted. SASSETA liaised with the Office in Bloemfontein about skills training for military veterans. 261 veterans were assessed for ABET and the first 23 who passed. Employment for military veterans was secured at three security companies. A group of 40 drivers were identified for placement at a bus company. Operation VUSELELA, Working for Water Programme, on the eradication of alien invaders through the utilisation of military veterans, has been extended to the Free State Province.</p> <p>Service Corps Regional Office Cape Town. A total of 369 members were assisted through training and job placement. Working relationships were established with the Provincial Department of Labour and Knysna Municipality for training and employment opportunities. A total of 4 000 military veterans were registered on the local database, awaiting verification. 39 veterans were trained and placed in jobs. Assistance was provided with the establishment of the non-statutory Military Veterans Association in the Western Cape.</p> <p>Service Corps Regional Office Kimberley. A total of 76 were assisted through training and job placement. 20 military veterans started their training for Operation VUSELELA. Successful relations were established with the Karoo Hoogland Municipality, resulting in veterans used as informal tour guides on the 'Walking with Ancestors' project in the Northern Cape. Liaison with the office of the MEC for Safety and Security resulted in a three-year agreement for the placement of 50 veterans per year in the provincial traffic department. Monthly meetings were initiated to coordinate activities with regards to the MEM in the area of the Army Support Base Northern Cape. Assistance was provided with the establishment of the Non-statutory Military Veterans Association in the Northern Cape.</p>

Table 9.11: Outputs of the Service Corps for the FY2006/07 (Continued)

Output	Performance Measure	Target	Achievement
			<p>Service Corps Regional Office Durban. A total of 76 candidates were assisted through training and job placement. Assistance was rendered with the establishment of the non-statutory Military Veteran's Organisation in Umzimkulu. 45 members were recruited for Operation VUSELELA.</p> <p>Service Corps Regional Polokwane. A total of 68 candidates were assisted through training and job placement. Working relationships with local government institutions in Limpopo and Mpumalanga resulted in workgroups with the Premiers' offices to ensure priority job and business opportunities for Service Corps clients.</p> <p>Service Corps Regional Port Elizabeth. A total of 114 members were assisted through training and job placement. Positive relations with the Provincial Department of Labour and local governments resulted in the start of a brick-making project by military veterans. 17 of these veterans are now subcontractors at Coega. A first group of 30 military veterans started with training for Operation VUSELELA.</p> <p>Service Corps Regional Office Pretoria. A total of 630 members were assisted through training and job placement. The office successfully facilitated training for MEM candidates and members to be transferred to the SAPS. The office received employment requests with regard to possible employment of candidates trained.</p>
		The reskilling of SANDF members who exit through the MEM and who opt for reskilling benefits	A total of 968 members were approved and registered on the database for reskilling through the Service Corps. These members, however, must report at the different regional offices. Only 130 members reported during this financial year, because their respective services/formations/divisions did not properly inform the members where to report for training. Processes were put in place to improve this situation. The total of 968 is included in the totals of the regions.
	Ratio of gainful employment achieved	65% placement of reskilled clients who requested employment assistance	All individuals who requested assistance with job placement were successfully placed.

PERFORMANCE AND SERVICE DELIVERY IMPROVEMENT

The performance and service delivery improvements of the Service Corps are shown in Table 9.12.

Table 9.12: Performance and Service Delivery Improvement of the Service Corps for the FY2006/07

Activities	Planned Management Intervention	Anticipated Benefit	Status	Achievement
Accredited training for members demilitarising	Accreditation and capacitating of the Centre for Advanced Training	Learners are suitably skilled and receive portable skills ensuring gainful employment	Active	The Centre for Advanced Training is not yet a SAQA- accredited institution. Accreditation of the Centre is critical if the Service Corps is to conduct credible training. This will require full participation of the Chief Directorate Education and Training personnel in that process.
To conduct reskilling by means of organic capability	The exploring and creation of cooperative agreements by engaging strategic partners to provide instructors where required in return for utilising the facilities	Reduced overhead costs and sustained service delivery as required	In process	Currently DOD members are being trained at the Centre for Advance Training. An instruction has been submitted to the SA Army for additional candidates to be enrolled at the Centre.

SUBPROGRAMME BRITISH PEACE SUPPORT TRAINING TEAM

The Memorandum of Understanding governing the British Peace Support Training Team was renewed on 22 May 2006 and provides for continuation of assistance by members of the United Kingdom (UK) military until 31 March 2009. Either party can cancel it provided that six months notice to do so is given.

OUTPUT DETAIL

Details of the British Peace Support Training Team output are shown in Table 9.13.

Table 9.13: British Peace Support Training Team Output detail for the FY2006/07

Output	Performance Measure	Performance Against Target	
		Target	Achievement
Assistance to mission readiness training	Deploying forces subjected to mission based Command post exercise and field training exercise prior to deployments	All rotating forces subjected to mission ready training	All rotating forces were subjected to mission ready training at the Mobilisation Centre in Bloemfontein and will continue as planned.
Development of Mission Ready Training Centre	Adequate facilities exist for conducting mission-ready training at the Bloemfontein Mobilisation Centre	Convert a large hanger into two classroom facilities capable of accommodating a battalion	The facilities were completed.
Development of a Peace Mission Training Centre	SANDF has a fully developed Peace Mission Training Centre where all theoretical peace mission training takes place	To have a fully developed Peace Mission Training Centre available for use by the end of 2007	The fitting out commenced early in 2007. The Government of the UK has donated significant funds for development of the Centre. They also made available an instructor for providing assistance with the development of curricula.

Table 9.13: British Peace Support Training Team Output detail for the FY2006/07 (continued)

Output	Performance Measure	Performance Against Target	
		Target	Achievement
Development of SANDF Log for Operational doctrine	SANDF Log for Operational doctrine developed and published	To be completed by end 2006	Developmental work is continuing.
Assistance to the Research and Development Wing of the SA National War College (SANWC)	Proposal to improve the task settings and scenarios of the SANWC that result from Research and Development staff work	Updating of specific peace mission scenarios used in the Joint Senior Command and Staff Programme	Developmental work is in progress.

SUBPROGRAMME PROPERTY MANAGEMENT

MEASURABLE OBJECTIVE

The Chief of Logistics manages the payment of accommodation charges, leases and municipal services as a direct result of the devolution of a portion of the budget of the National Department of Public Works to National Departments.

OUTPUTS

Details of the Property Management output are reflected in Table 9.14.

Table 9.14: Property Management Output details for the FY2006/07

Output	Performance Measure	Target	Achievement
Payment of accommodation charges, leases and municipal services	The degree to which accounts were paid on time	All accounts paid in full on time and in accordance with service level agreements with Department of Public Works	<p>On 1 April 2006 the National Department of Public Works devolved the amount of Rm999 401 to the DOD.</p> <p>Accommodation Charges. An amount of R525 619 000 was devolved to the DOD. The whole amount was claimed by and paid to National Department of Public Works.</p> <p>Leases. An amount of R144 850 000.00 was devolved to the DOD. The whole amount was claimed by and paid to National Department of Public Works.</p> <p>Municipal Services. An amount of R328 933 000.00 was devolved to the DOD. An amount of R270 848 785.39 was claimed and paid to National Department of Public Works. The amount of R58 084 214.71 was not needed during the reporting period and was returned to the DOD Finance Division.</p>



South African Army Paratrooper.

Chapter Ten

PROGRAMME 9 - SPECIAL DEFENCE ACCOUNT

OVERVIEW

This Division is committed to satisfy armaments and matériel requirements of the four services, Special Forces and, to a lesser extent, other second level divisions in such a manner that full customer satisfaction is ensured at all times within policy prescripts. In the process of capital acquisition, Special Defence Account (SDA) funds are spent according to corporate priorities to ensure cost effective solutions to requirements. Sound project management is executed to integrate and focus the expertise of Armscor, local and foreign industry, research institutions and the inherent capabilities vested in the military practitioners.

The Division is committed to satisfy the day-to-day requirements of the

Department of Defence. General Defence Account (GDA) funds are spent according to corporate priorities to ensure cost effective solutions to requirements.

PURPOSE

The Special Defence Account Programme provides for special defence activities and purchases.

MEASURABLE OBJECTIVE

Meet South Africa's defence needs through the acquisition and maintenance of appropriate defence equipment and activities that meet the requirements of government.

OUTPUT DETAIL

Details of Special Defence Account output are reflected in Table 10.1.

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DEPARTMENT:
DEFENCE

Table 10.1: Special Defence Account Output Detail for the FY2006/07

Subprogramme	Output	Performance Measure	Target	Achievement
Landward Defence	Acquisition, Procurement and project management services for the SA Army	The degree to which the SA Army requirements are met in terms of: Percentage of project milestones achieved	95%	89,5% of the target was achieved. There was a delay on Ground Based Air Defence System due to contractor capacity. Delay in completion of the contract of the new Infantry Combat Vehicle.



Table 10.1: Special Defence Account Output Detail for the FY2006/07 (Continued)

Subprogramme	Output	Performance Measure	Target	Achievement
				programme before the end of the FY2006/07. Delay on decisions on new Logistic vehicles. With the delay in the staffing of Project Officers in the Engineer environment and the restructuring of Armscor in the same environment, milestones as indicated in baseline documents were not reached as was foreseen. Reallocation of funds is in process.
		Percentage of budget expenditure	95%	56% of the target was achieved. Delay in completion of the new Infantry Combat Vehicle programme contract before end of the FY2006/07 influenced advance payment. Delay in performance in time by Denel caused hold-ups in payment milestones. Uncommitted roll over as requested on the new Infantry Combat Vehicle programme was granted.
Air Defence	Acquisition, procurement & project management services for the SA Air Force	The degree to which the SA Air Force requirements are met in terms of: Percentage of project milestones achieved	95%	88% of the target was achieved as a result of a delay in the shipment to the RSA of the four Lynx helicopters. Contracts have been placed for delivery in the FY2007/08.
		Percentage of budget expenditure	95%	76% of the target was achieved. The main deviation has been caused by a delay in the shipment to the RSA of the four Lynx helicopters. Milestone payments will thus only be paid in FY2007/08. Other deviations have been caused by slow invoicing by industry on work carried out towards the end of the FY. The funds are committed and have rolled over. These funds will be paid early in FY2007/08.
Maritime Defence	Acquisition, procurement & project management services for the SA Navy	The degree to which the SA Navy requirements are met in terms of: Percentage of project milestones achieved	95%	57,9% of the target was achieved. Sea Mine Warfare Capability project was due for activation in January 2006 but only obtained approval in October 2006. Requested uncommitted roll over of funds.
		Percentage of budget expenditure	95%	28,4% of the target was achieved. Approval for the Sea Mine Warfare Capability project only obtained in October 2006. The process followed by main contractor of the Underwater Signature Management project to obtain an Export Licence resulted in delayed payments. There are the only two projects in this portfolio.
SAMHS, Joint Support, CMI & Spec Forces Brigade	Acquisition, procurement & project management services for the SA Air Force	The degree to which the Common Acquisition requirements are met in terms of:		73,4% of the target was achieved. Delays in the final approval of project related documentation resulted in late or non-placement of contracts.
		Percentage of project milestones achieved Percentage of budget expenditure		77,9% of the target was achieved as the late or non-placement of contracts resulted in late payments.

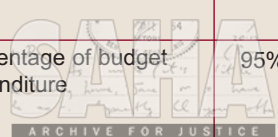


Table 10.1: Special Defence Account Output Detail for the FY2006/07 (Continued)

Subprogramme	Output	Performance Measure	Target	Achievement
Technology Development	Landward, maritime, air operations, special operations, electronics & support operations and Scientific, Engineering Technology (SET) support	The degree to which the defence-related industry and Defence Evaluation and Research Institute (DERI) are capable of supporting SANDF acquisition projects and urgent operational deficiencies in terms of: Percentage of cash flow to DRI and DERI investment	95%	89,5% of the target was achieved. Payment delayed due to administrative overload near the end of the FY2006/07. Outstanding payments will be made in the FY2007/08.
		Percentage of DERI funded by technology investment	50%	The target of 50% was 106% achieved. Target exceeded due to initially unfunded priorities that were subsequently funded.
	To maintain specialised facilities, test ranges and laboratories	Maintenance/use of facilities and test ranges. Replacement of capital laboratory equipment in terms of percentage technological upgrade of Test & Evaluation facilities	7%	92.9% of the target was achieved. The slight deviation will be addressed during the next financial year.
	To create greater collaboration between the DOD and Universities & Technikons via basic research	Involvement of students in focused postgraduate research in terms of percentage previously disadvantaged students are involved in post-graduate studies	56%	The target was 100% achieved. Currently 70 Previously Disadvantaged Individuals studying at 14 tertiary institutions.

Details of Special Defence Account Strategic Defence Procurement reflected in Table 10.2.

Table 10.2: Special Defence Account Strategic Defence Procurement Output Detail for the FY2006/07

Subprogramme	Output	Performance Measure	Target	Achievement
Air Defence	Acquisition, procurement & project management services for the SA Air Force	The degree to which the SA Air Force requirements are met in terms of: Percentage of project milestones achieved	95%	The target was 100% achieved.
		Percentage of budget expenditure	95%	94,4% of the target was achieved. A large percentage of Light Utility Helicopter project funds have rolled over from the FY2005/06. These funds are planned for additional items that still require approval. These funds thus cause an imbalance in the percentage expended. An Acquisition Plan amendment is planned for early in the FY2007/08.

Table 10.2: Special Defence Account Strategic Defence Procurement Output Detail for the FY2006/07 (Continued)

Subprogramme	Output	Performance Measure	Target	Achievement
Maritime Defence	Acquisition, procurement & project management services for the SA Navy	The degree to which the SA Navy requirements are met in terms of: Percentage of project milestones achieved	95%	97,9% of the target was achieved due to outstanding invoices that will be addressed during the next financial year.
		Percentage of budget expenditure	95%	84,8% of the target was achieved. The new Submarine project has under spent on Project Management due to invoices not being submitted to the Project Team.

Note: It must be noted that the Defence Materiel Division (formerly Departmental Acquisition and Procurement Division) can only report on the component of the Special Defence Account for which it is accountable, with the four Services and Intelligence Division having to account individually for their allocations under the Special Defence Account.

PERFORMANCE AND SERVICE DELIVERY IMPROVEMENT

Details of performance and service delivery improvement reflected in Table 10.3.

Table 10.3: Special Defence Account Programme Performance and Service Delivery for the FY2006/07

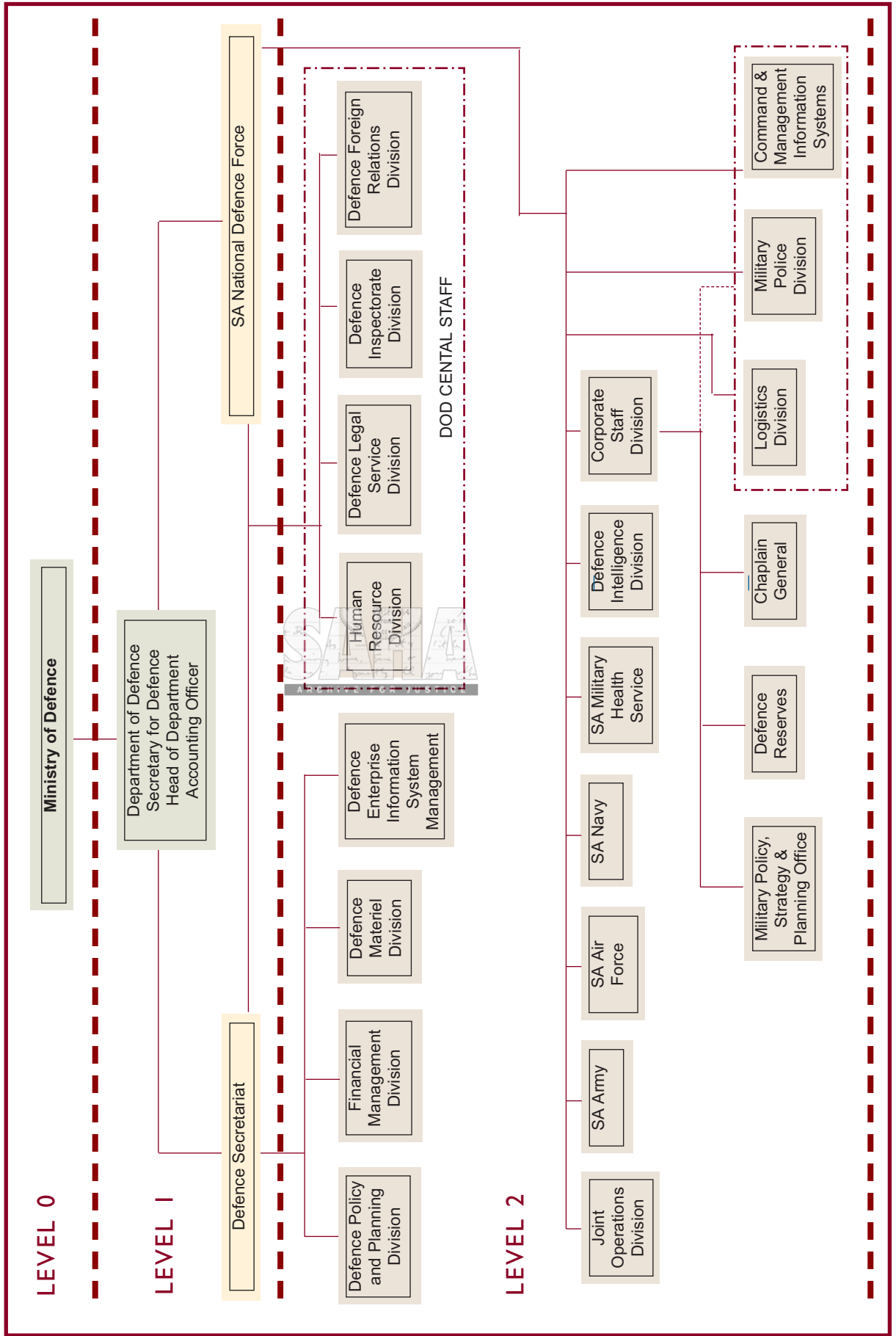
Objective	Activities	Planned Management Intervention	Anticipated Benefit	Status	Achievement
To exercise greater control in the execution of acquisition	Improve the process for authorisation of projects	Implementation of newly promulgated Armaments Acquisition Policy Control of achievement of time & cost goals on all projects	Maximised operational capabilities with extended technological life available to defence	In process	All project milestone documentation was screened to confirm adherence to applicable acquisition and statutory policies. The promulgated acquisition policy is used as the basis for project officers' courses and in-service training programmes. The concept of Integrated Project Team management has been instituted on two major acquisition projects to address inefficiencies and contractual deviations in a proactive manner. Risk management programmes have been implemented in conjunction with Armscor, clearly delineated within appropriate levels of management. The management of Intellectual Property Rights (IPR) has been initiated in conjunction with Armscor as the regulated custodian of the IPR for the Department of Defence.

Table 10.3: Special Defence Account Programme Performance and Service Delivery for the FY2006/07 (Continued)

Objective	Activities	Planned Management Intervention	Anticipated Benefit	Status	Achievement
					<p>The management of Intellectual Property Rights (IPR) has been initiated in conjunction with Armscor as the regulated custodian of the IPR for the Department of Defence.</p> <p>A review process of the existing Armscor Service Level Agreement has been initiated to address changes to be implemented as a result of a change in the registration status of Armscor, as well as to address value for money in the contracted services to be provided under this agreement. In line with policy prescripts, existing acquisition policies and directives are to be reviewed in 2007 to ensure continuous improvement in efficiency, effectiveness and economy in executing Defence acquisition and technology management.</p>



Figure 11.1: Organisational Structure of the Department of Defence for the FY2006/07



Chapter Eleven

ORGANISATIONAL STRUCTURE AND HUMAN RESOURCE MANAGEMENT

OVERVIEW

During the FY2006/07, the Department continued to regulate and maintain its HR composition and to manage the quantitative and qualitative dimensions thereof within the allocated budget. Highlights include the approval of Defence Update 2006, which provided visibility on the Department's future post establishment table and resulting staffing requirements. The year also witnessed the start of a process to review the Department's Human Resource Strategy 2010, in order to improve the efficacy of the strategy's implementation.

The rejuvenation of the Department's HR

composition continued with intakes comprising 4 492 new Military Skills Development System members. Rightsizing was given further impetus with 1 008 members having availed themselves to exit by means of the Mobility Exit Mechanism, while 719 members transferred to the SAPS.

The Department completed a policy framework to institutionalise internship programmes, while 240 young learners completed the Department's Youth Foundation Training Programme. Together with the Military Skills Development System, the above efforts gave a further boost to the Department's youth empowerment efforts.

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DEPARTMENT:
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SERVICE DELIVERY IMPROVEMENT PLAN

Table II.1: Main Services as identified from the Auditor General's Report for the FY2005/06

Main Services	Primary Clients	Secondary Clients	Standard of Service	Actual Achievement Against Standards
HR Management	Services and Divisions	Defence Act Personnel and Public Service Act personnel	<i>Unqualified Audit Report on</i>	
			<ul style="list-style-type: none"> Administration of Housing Loan Guarantees 	The DOD appointed a team whose task is to ensure that all relevant files are audited and the status verified. Progress reports are submitted monthly.
			<ul style="list-style-type: none"> Rank Review Audit 	The DOD appointed a team whose task is to ensure that, for each of the 384 non-statutory force members, a file is compiled with all relevant and appropriate documentation to support the validity of the Rank Review Process. Progress reports are submitted biweekly.
			<ul style="list-style-type: none"> Leave Administration System 	Continued seminars to Service and Divisions on request. Facilitated leave administration presentation to learners of the Joint Senior Command and Staff Programme. Amended administrative instruction on management of work attendance registers was disseminated to the Services and Divisions.
HR Strategic Direction & Policy	Services and Divisions	Defence Act Personnel and Public Service Act personnel	Unqualified Audit Report on Unrealistic Establishment	The approved Defence Update 2006 addressed the Department's future post establishment and resultant staffing requirements.

Table II.2: Consultation Arrangements with Clients

Type of Arrangement	Primary Clients	Secondary Clients	Actual Achievements
HR Staff Council	Services and Divisions	Defence Act Personnel and Public Service Act Personnel	Monthly meetings with all HR representatives of the Services and Divisions.
Departmental Programme and Budget Evaluation Committee	Services and Divisions	Defence Act Personnel and Public Service Act Personnel	4 gatherings per year with representatives of the Services and Divisions.

Table II.3: Service Delivery Access Strategies

Access Strategy	Actual Achievements
HR Planning Board	Monthly meetings with HR planners from the Services and Divisions.
Career Management Forum	Monthly meetings with Career Managers from the Services and Divisions.

Table II.4: Service Information Tool

Types of Information Tools	Actual Achievements
HR Website	Updated weekly with information on the HR function in the DOD.
SA Soldier	Published monthly with an article on a specific HR environment in the DOD.
Info Bulletins	Published as and when required to inform on latest development in the HR environment of the DOD.
Policies and Directives	Promulgated and updated annually.

Table II.5: Complaints Mechanism

Complaints Mechanism	Actual Achievements
HR Staff Council	Monthly meetings with HR representatives from the Services and Divisions.
Departmental Programme and Budget Evaluation Committee	4 gatherings per year with representatives of the Services and Divisions.

EXPENDITURE

Table II.6: Personnel Costs by Programme, 2006/07

Programme	Total Expenditure	Personnel Expenditure	Training Expenditure	Professional and Special Services	Personnel Cost as a Percent of Total Expenditure	Average Personnel Cost per Employee
Administration	1 753 818 000	592 075 490	2 844 690	8 031 322	33,8%	207 892
Landward Defence	3 989 521 000	3 195 499 808	11 861 777	19 839 934	80,1%	86 874
Air Defence	2 513 893 000	1 396 787 346	23 865 499	195 045 398	55,6%	131 909
Maritime Defence	1 311 840 000	802 182 878	5 599 841	46 381 810	61,1%	123 565
Military Health Support	1 704 107 000	1 086 399 487	2 278 670	2 196 243	63,8%	141 109
Defence Intelligence	147 494 000	126 407 406	1 473 893	4 244 879	85,7%	193 283
Joint Support	2 646 108 000	1 322 228 014	26 733 199	25 319 389	50,0%	120 159
Force Employment	1 470 065 000	707 389 455	960 180	8 950 575	48,1%	488 191
Special Defence Account	8 280 738 000	0			0,0%	0
Local and Foreign Aid Assistance	11 240 000					
TOTAL	23 828 824 000	9 228 969 883	75 617 749	310 009 550	38,7%	119 056

Note: Personnel expenditure includes payments to the value of Rm191 374, which were made to Households for attrition.

Table II.7: Personnel Costs by Salary Bands 2006/07

Salary Bands	Personnel Expenditure	% of Total Personnel Cost	Average Personnel Cost per Employee
Military Skills Development System	282 447 736	3,1%	33 641
Lower Skilled (levels 1-2)	438 686 753	4,8%	60 053
Skilled (levels 3-5)	2 408 868 190	26,1%	83 763
Highly Skilled Production (levels 6-8)	3 581 838 710	38,8%	146 305
Highly Skilled Supervision (levels 9-12)	2 282 339 407	24,7%	276 012
Senior Management (levels 13-16)	234 789 087	2,5%	762 302
TOTAL	9 228 969 883	100,0%	119 056

Table II.8: Salaries, Overtime, Home Owners Allowance and Medical Assistance by Programme 2006/07

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	411 125 473	69,44%	663 670	0,11%	7 229 917	1,22%	5 421 956	0,92%
Landward Defence	2 270 060 913	71,04%	20 857 871	0,65%	61 214 151	1,92%	11 038 730	0,35%
Air Defence	918 138 702	65,73%	1 290 189	0,09%	21 186 209	1,52%	2 566 541	0,18%
Maritime Defence	560 697 790	69,90%	9 033 267	1,13%	14 335 270	1,79%	9 862 514	1,23%
Military Health Support	730 207 749	67,21%	63 698 927	5,86%	13 517 828	1,24%	6 365 870	0,59%
Defence Intelligence	93 626 841	74,07%	117 756	0,09%	1 416 437	1,12%	611 630	0,48%
Joint Support	940 182 366	71,11%	6 079 324	0,46%	25 128 433	1,90%	8 003 872	0,61%
Force Employment	161 979 728	22,90%	1 228 733	0,17%	3 219 305	0,46%	340 692	0,05%
TOTAL	6 086 019 562	65,94%	102 969 737	1,12%	147 247 554	1,60%	44 211 805	0,48%

Table II.9: Salaries Overtime Home Owners Allowance and Medical Assistance by Salary Bands 2006/07

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
Military Skills Development	194 908 506	69,01%	2 978 822	1,05%	0	0,00%	0	0,00%
Lower Skilled (levels 1-2)	306 893 461	69,96%	2 537 238	0,58%	15 845 441	3,61%	10 364 600	2,36%
Skilled (levels 3-5)	1 642 124 724	68,17%	14 109 468	0,59%	55 167 230	2,29%	5 946 541	0,25%
Highly Skilled Production (levels 6-8)	2 412 726 526	67,36%	29 500 394	0,82%	57 487 142	1,60%	21 570 526	0,60%
Highly Skilled Supervision (levels 9-12)	1 428 598 074	62,59%	44 825 279	1,96%	17 406 640	0,76%	5 224 146	0,23%
Senior Management (levels 13-16)	100 768 272	42,92%	9 018 536	3,84%	1 341 101	0,57%	942 637	0,40%
TOTAL	6 086 019 563	65,94%	102 969 737	1,12%	147 247 554	1,60%	44 048 450	0,48%

EMPLOYMENT AND VACANCIES

Table II.10: Employment and Vacancies by Programme 31 March 2007

Programme	Number of Posts	Number of Employees	Vacancy Rate	Number of posts filled additional to the Establishment
Administration	3 083	2 848	7,62%	-235
Landward Defence	40 931	36 783	10,13%	-4 148
Air Defence	13 044	10 589	18,82%	-2 455
Maritime Defence	9 340	6 492	30,5%	-2 848
Military Health Support	9 234	7 699	16,6%	-1 535
Defence Intelligence	969	654	32,5%	-315
Joint Support	15 688	11 004	29,9%	-4 684
Force Employment	2 344	1 449	38,2%	-895
TOTAL	94 633	77 518	18,1%	-17 115

Note: 12 875 Training posts are included in the post establishment of 94 633. The 94 633 posts refer only to the active posts captured on the post establishment.

Table II.11: Employment and Vacancies by Salary Bands 31 March 2007

Salary Bands	Number of Posts	Number of Employees	Vacancy Rate	Number of posts filled additional to the Establishment
Military Skills Development System	11 541	8 396	27,3%	-3 145
Lower Skilled (levels 1-2)	9 820	7 305	25,6%	-2 515
Skilled (levels 3-5)	30 642	28 758	6,2%	-1 884
Highly Skilled Production (levels 6-8)	32 070	24 482	23,7%	-7 588
Highly Skilled Supervision (levels 9-12)	10 185	8 269	18,8%	-1 916
Professionals (level 13-16)	106	50	52,8%	-56
Senior Management (levels 13-16)	269	258	4,1%	-11
TOTAL*	94 633	77 518	18,1%	-17 115

Note: *The 94 633 posts refer only to the active posts captured on the post establishment.

Table II.12: Employment and Vacancies by Critical Occupation 31 March 2007

Critical Occupations	Number of Posts	Number of Employees	Vacancy Rate	Number of posts filled additional to the Establishment
Anti-aircraft	969	822	15,2%	-147
Air Space Control	604	534	11,6%	-70
Artillery	1 292	1 173	9,2%	-119
Technical	10 034	6 903	31,2%	-3 131
Engineer	262	177	32,4%	-85
Medical Professional	1 584	1 352	14,6%	-232
Nursing	1 978	1 535	22,4%	-443
Aircrew	822	607	26,2%	-215
Combat Navy	337	406	-	69
TOTAL	17 882	13 509	24,5%	-4 373

Note: The 17 882 posts refer only to the active posts captured on the post establishment.

JOB EVALUATION

Table II.13: Job Evaluation 01 April 2006 to 31 March 2007

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
Military Skills Development System	11 541	0	0,0%	0	0,0%	0	0,0%
Lower Skilled (levels 12)	9 820	532	5,4%	10	1,9%	0	0,0%
Skilled (levels 3-5)	30 642	381	1,2%	9	2,4%	0	0,0%
Highly Skilled Production (levels 6-8)	32 070	175	0,5%	6	3,4%	4	2,3%
Highly Skilled Supervision (levels 9-12)	10 185	103	1,0%	6	5,8%	0	0,0%
Professionals (levels 13-16)	106	0	0,0%	0	0,0%	0	0,0%
Senior Management Service Band A	203	17	8,4%	0	0,0%	0	0,0%
Senior Management Service Band B	53	2	3,8%	0	0,0%	0	0,0%
Senior Management Service Band C	11	1	9,1%	0	0,0%	0	0,0%
Senior Management Service Band D	2	0	0,0%	0	0,0%	0	0,0%
TOTAL	94 633	1 211	1,3%	31	2,6%	4	0,3%

Table II.14: Profile of Employees whose Salary Positions were upgraded due to their Posts being upgraded from 01 April 2006 to 31 March 2007

Beneficiaries	African	Indian	Coloured	White	TOTAL
Female	5	0	7	6	18
Male	4	0	1	8	13
TOTAL	9	0	8	14	31
Employees with a disability					0

Table II.15: Employees whose Salary Levels exceed the Grade determined by Job Evaluation 1 April 2006 to 31 March 2007 (in terms of PSR I.V.C.3)

Employees whose salary levels exceed the grade determined by job evaluation	Nil
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Table II.16: Profile of Employees whose Salary Levels exceed the Grade determined by Job evaluation 1 April 2006 to 31 March 2007 (in terms of PSR I.V.C.3)

Profile of employees whose salary levels exceed the grade determined by job evaluation	Nil
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EMPLOYMENT CHANGES

Table II.17: Annual Turnover Rates by Salary Band for the Period 01 April 2006 to 31 March 2007

Salary Bands	Number of Employees per Salary Band as at 1 April 2006	Appointments and Transfers into the Department	Terminations and Transfers out of the Department	Turnover Rate
Military Skills Development System	8 298	4 492	945	42,7%
Lower Skilled (Levels 1-2)	7 818	52	361	-4,0%
Skilled (Levels 3-5)	28 700	107	1 637	-5,3%
Highly Skilled Production (Levels 6-8)	24 467	261	1 570	-5,4%
Highly Skilled Supervision (Levels 9-12)	8 261	137	850	-8,6%
Senior Management Service Band A	217	3	18	-6,9%
Senior Management Service Band B	80	1	10	-11,3%
Senior Management Service Band C	13	0	2	-15,4%
Senior Management Service Band D	4	0	0	0,0%
TOTAL	77 858	5 053	5 393	-0,4%

Table II.18: Annual Turnover Rates by Critical Occupation for the Period 01 April 2006 to 31 March 2007

Salary Bands	Number of Employees per Salary Band as at 1 April 2006	Appointments and Transfers into the Department	Terminations and Transfers out of the Department	Turnover Rate
Anti-aircraft	765	1	54	-6,9%
Air Space Control	494	80	48	6,5%
Artillery	1 100	1	105	-9,5%
Technical	7 041	252	595	-4,9%
Engineer	183	17	17	,0%
Medical Professional*	1 392	271	330	-4,2%
Nursing	1 569	96	122	-1,7%
Aircrew	608	41	42	-,2%
Combat Navy	443	0	48	-10,8%
TOTAL	13 595	759	1 361	-4,4%

Note: *Occupations included in the Medical Professional category are Medical Practitioners, Pharmacists, Specialists and Ancillary Health. 445 MSDS members are included in the appointment figure of 759.

Table II.19: Reasons why Staff are leaving the Department

Termination Type	Number	% of Total
Death	780	14,5%
Resignation	1 104	20,5%
Contract Expiry	1 023	19,0%
Transfer to other Public Service Departments	830	15,4%
Dismissal - Operational Required	0	0,0%
Dismissal - Ill Health	142	2,6%
Dismissal - Misconduct	194	3,6%
Discharged - Incapacity	0	0,0%
Retirement	312	5,8%
Mobility Exit Mechanism/Employer Initiated Severance Package	1 008	18,7%
Total	5 393	100,0%
Total number of employees who left as a % of the total employment as at 31 March 2007	7,0%	

Table II.20: Promotions by Critical Occupation

Critical Occupation	Employees as at 1 April 2006	Promotions to Another Salary Level	Salary Level Promotions as a % of Employees by Occupation	Progression to another Notch within a Salary Level	Notch Progression as a % of Employees by Occupation
Anti-aircraft	765	175	22,9%	678	88,6%
Air Space Control	494	119	24,1%	325	65,8%
Artillery	1 100	385	35,0%	740	67,3%
Technical	7 041	1 388	19,7%	5 140	73,0%
Engineer	183	62	33,9%	103	56,3%
Medical Professional	1 392	136	9,8%	841	60,4%
Nursing	1 569	255	16,3%	1 295	82,5%
Aircrew	608	152	25,0%	215	35,4%
Combat Navy	443	166	37,5%	275	62,1%
TOTAL	13 595	2 838	20,9%	9 612	70,7%

Table II.21: Promotions by Salary Band

Salary Band	Employees as at 1 April 2006	Promotions to Another Salary Level	Salary Bands Promotions as a % of Employees by Salary Level	Progression to Another Notch within a Salary Level	Notch Progression as a % of Employees by Salary Band
Military Skills Development System	8 298	510	6,1%	0	,0%
Lower Skilled (levels 1-2)	7 818	0	,0%	7 222	92,4%
Skilled (levels 3-5)*	28 700	3 686	12,8%	31 894	111,1%
Highly Skilled Production (levels 6-8)	24 467	4 347	17,8%	19 183	78,4%
Highly Skilled Supervision (levels 9-12)	8 261	1 313	15,9%	6 718	81,3%
Professionals (levels 13-16)	54	0	,0%	24	44,4%
Senior Management (levels 13-16)	260	26	10,0%	160	61,5%
TOTAL	77 858	9 882	12,7%	65 201	83,7%

Note: Migration from Military Skills Development System to Core Service System.

EMPLOYMENT EQUITY

Table II.22: Total number of Employees (INCLUDING Employees with Disabilities) in each of the following Occupational Categories as on 31 March 2007

Occupational Category (SASCO)	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators Snr Officials and Managers	114	5	4	108	15	0	2	14	262
Professionals	660	117	82	622	540	144	75	671	2 911
Technicians and Associate Professionals	2 447	387	58	1 533	921	256	58	734	6 394
Clerks	5 191	1 487	103	1 498	2 250	505	63	2 839	13 936
Service and Sales Workers	22 882	2 943	175	2 243	3 701	618	23	590	33 175
Craft and Related Trades Workers	3 985	1 324	226	2 967	708	155	13	321	9 699
Plant and Machine Operators And Assemblers	296	111	1	28	1	1	0	0	438
Elementary Occupations	5 754	1 209	29	618	2 305	600	8	180	10 703
TOTAL	41 329	7 583	678	9 617	10 441	2 279	242	5 349	77 518

Table II.22a: Total number of Employees (ONLY Employees with Disabilities) in each of the following Occupational Categories as on 31 March 2007

Occupational Category (SASCO)	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators Snr Officials and Managers	0	0	0	0	0	0	0	0	0
Professionals	1	0	0	3	0	0	0	4	8
Technicians and Associate Professionals	13	3	0	10	1	0	0	8	35
Clerks	56	19	1	30	3	3	0	32	144
Service and Sales Workers	99	10	0	19	2	0	0	2	132
Craft and Related Trades Workers	25	8	1	34	0	0	0	6	74
Plant and Machine Operators And Assemblers	1	0	0	0	0	0	0	0	1
Elementary Occupations	13	14	0	3	1	1	0	6	38
TOTAL	208	54	2	99	7	4	0	58	432

Table II.23: Total number of Employees (INCLUDING Employees with Disabilities) in each of the following Occupational Bands as at 31 March 2007

Occupational Category (SASCO)	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	19	0	1	3	3	0	0	1	27
Senior Management	104	5	6	129	17	0	3	17	281
Professionally Qualified	1 964	621	143	3 765	544	61	64	1 107	8 269
Skilled Technical	9 035	3 257	378	4 566	2 659	807	113	3 667	24 482
Semi-skilled	21 113	2 493	118	820	3 087	604	51	472	28 758
Unskilled	4 123	690	4	17	1 996	467	0	8	7 305
Military Skills Development System	4 971	517	28	317	2 135	340	11	77	8 396
TOTAL	41 329	7 583	678	9 617	10 441	2 279	242	5 349	77 518

Table II.23a: Total number of Employees (ONLY Employees with Disabilities) in each of the following Occupational Bands as at 31 March 2007

Occupational Category (SASCO)	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	0	0	0	0	0
Professionally Qualified	13	0	0	33	0	0	0	7	53
Skilled Technical	48	23	2	55	2	3	0	41	174
Semi-skilled	134	20	0	8	4	0	0	10	176
Unskilled	13	11	0	3	1	1	0	0	29
Military Skills Development System	0	0	0	0	0	0	0	0	0
TOTAL	208	54	2	99	7	4	0	58	432

Table II.24: Recruitment (INCLUDING Employees with Disabilities) for the Period 01 April 2006 to 31 March 2007

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Senior Management	2	0	0	0	1	0	1	0	4
Professionally Qualified	30	7	18	13	33	8	21	7	137
Skilled Technical	51	9	5	13	102	28	15	38	261
Semi-skilled	46	4	0	2	43	6	2	4	107
Unskilled	15	7	0	1	16	10	0	3	52
Military Skills Development System	2 575	231	18	178	1 279	167	8	36	4 492
TOTAL	2 719	258	41	207	1 474	219	47	88	5 053

Table II.24a: Recruitment (ONLY Employees with Disabilities) for the Period 01 April 2006 to 31 March 2007

Recruitment employees with disabilities	Nil
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Table II.25: Promotions (INCLUDING Employees with Disabilities) for the Period 01 April 2006 to 31 March 2007

Occupational Band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Senior Management	11	0	0	9	3	0	0	3	26
Professionally Qualified	524	124	25	317	153	21	8	141	1 313
Skilled Technical	2 195	443	76	526	644	164	19	280	4 347
Semi-skilled	2 249	322	34	267	586	133	12	83	3 686
Military Skills Development System	280	31	5	39	126	17	1	11	510
TOTAL	5 259	920	140	1 158	1 512	335	40	518	9 882

Table II.25a: Promotions (ONLY Employees with Disabilities) for the Period 01 April 2006 to 31 March 2007

Occupational Band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Senior Management	0	0	0	0	0	0	0	0	0
Professionally Qualified	2	0	0	3	0	0	0	0	5
Skilled Technical	9	1	0	3	0	1	0	3	17
Semi-skilled	12	4	0	0	0	0	0	0	16
Military Skills Development System	0	0	0	0	0	0	0	0	0
TOTAL	23	5	0	6	0	1	0	3	38

Table II.26: Terminations (INCLUDING Employees with Disabilities) for the Period 01 April 2006 to 31 March 2007

Occupational Band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Senior Management	6	0	0	20	1	1	2	0	30
Professionally Qualified	92	25	11	508	41	4	13	156	850
Skilled Technical	365	141	59	533	106	33	5	328	1 570
Semi-skilled	1 238	110	26	98	93	23	5	44	1 637
Unskilled	213	40	0	2	88	18	0	0	361
Military Skills Development System	400	96	11	103	247	44	7	37	945
TOTAL	2 314	412	107	1 264	576	123	32	565	5 393

Table II.26a: Terminations (ONLY Employees with Disabilities) for the Period 1 April 2006 to 31 March 2007

Occupational Band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Senior Management	0	0	0	0	0	0	0	0	0
Professionally Qualified	0	0	0	2	0	0	0	3	5
Skilled Technical	4	0	0	9	0	0	0	3	16
Semi-skilled	6	0	0	2	0	0	0	0	8
Unskilled	4	0	0	0	0	0	0	0	4
Military Skills Development System	0	0	0	0	0	0	0	0	0
TOTAL	14	0	0	13	0	0	0	6	33

PERFORMANCE REWARDS

Table II.27: Performance Rewards by Race, Gender and Disability for Personnel below Senior Management Service (INCLUDING Members with Disabilities) 1 April 2006 to 31 March 2007

Race	Gender	Number of Beneficiaries	Total number of Employees in Group as at 01 April 2006	% of Total within Group	Total Cost	Average Cost per Employee
African	Male	9 335	40 804	22,9%	38 134 619	4 085
	Female	2 065	9 527	21,7%	8 496 442	4 114
Subtotal: AFRICAN		11 400	50 331	22,7%	46 631 061	4 090
Indian	Male	214	737	29,0%	1 396 862	6 527
	Female	67	223	30,0%	400 488	5 977
Subtotal: INDIAN		281	960	29,3%	1 797 350	6 396
Coloured	Male	2 381	7 731	30,8%	11 616 392	4 879
	Female	681	2 182	31,2%	2 826 146	4 150
Subtotal: COLOURED		3 062	9 913	30,9%	14 442 539	4 717
White	Male	3 120	10 530	29,6%	24 622 161	7 892
	Female	2 247	5 810	38,7%	14 178 406	6 310
Subtotal: WHITE		5 367	16 340	32,8%	38 800 567	7 229
TOTAL		20 110	77 544	25,9%	101 671 517	5 056

Table II.27a: Performance Rewards (ONLY Members with Disabilities) | April 2006 to 31 March 2007

Number of Beneficiaries	Total number of Employees in Group as at 01 April 2006	% of Total within Group	Total Cost	Average Cost per Employee
126	459	27,4%	676 793	5372

Table II.28: Performance Rewards by Salary Band for Personnel below Senior Management Service for the Period | April 2006 to 31 March 2007

Salary bands	Beneficiary Profile			Cost		
	Number of Beneficiaries	Number of Employees as at 01 April 2006	% Total within Salary Band	Total Cost	Average Cost per Employee	Total Cost as a % of the Total Personnel Expenditure
Military Skills Development System	0	8 298	,0%	0	0	,0%
Lower Skilled (levels 1-2)	2 236	7 818	28,6%	5 852 816	2 618	1,33%
Skilled (levels 3-5)	7 560	28 700	26,3%	26 589 466	3 517	1,10%
Highly Skilled Production (levels 6-8)	7 820	24 467	32,0%	43 986 770	5 625	1,23%
Highly Skilled Supervision (levels 9-12)	2 494	8 261	30,2%	25 242 465	10 121	1,11%
TOTAL	20 110	77 544	25,9%	101 671 517	5 056	1,10%

Table II.29: Performance Rewards by Critical Occupations | April 2006 to 31 March 2007

Critical Occupations	Beneficiary Profile			Cost	
	Number of Beneficiaries	Number of Employees as at 01 April 2006	% Total within Salary Band	Total Cost	Average Cost per Employee
Anti-aircraft	148	765	19,3%	678 707	4 586
Air Space Control	160	494	32,4%	1 120 953	7 006
Artillery	401	1 100	36,5%	2 036 068	5 077
Technical	1 676	7 041	23,8%	10 692 683	6 380
Engineer	16	183	8,7%	186 140	11 634
Medical Professional	282	1 392	20,3%	2 416 745	8 570
Nursing	425	1 569	27,1%	2 272 311	5 347
Aircrew	96	608	15,8%	1 173 200	12 221
Combat Navy	90	443	20,3%	816 135	9 068
TOTAL	3 294	13 595	24,2%	21 392 942	6 495

Table II.30: Performance Related Rewards (cash bonus) by salary band for Senior Management Service I April 2006 to 31 March 2007

Salary Band	Beneficiary Profile			Total Cost (R'000)	Average Cost per Employee	Total Cost as a % of the Total Personnel Expenditure
	Number of Beneficiaries	Number of Employees as at 01 April 2006	% Total within Salary Band			
Band A*	5	217	2,3%	96 246	19 249	0,00%
Band B	0	80	,0%	0	0	
Band C	0	13	,0%	0	0	
Band D	0	4	,0%	0	0	
TOTAL	5	314	1,6%	96 246	19 249	0,00%

Note: *54 Professionals (levels 13-16) were included in the total of 217 employees for Band A.

FOREIGN WORKERS

Table II.31: Foreign Workers I April 2006 to 31 March 2007 by Salary Band

Foreign Workers by salary band	Nil
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Table II.32: Foreign Workers I April 2006 to 31 March 2007 by Major Occupation

Foreign Workers by major occupation	Nil
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LEAVE UTILISATION FOR THE PERIOD 1 JANUARY 2006 TO 31 DECEMBER 2006



Table II.33a: Sick Leave (taken by Defence Act Personnel) I January 2006 to 31 December 2006

Salary Band	Total Days	Number of Employees using Sick Leave	% of Total Employees using Sick Leave	Average Days per Employee using Sick Leave	Estimated Cost (Rand)
Lower Skilled (Levels 1-2)	363	55	51,4%	7	5 9878
Skilled (Levels 3-5)	69 691	10 666	32,3%	7	15 081 989
Highly Skilled Productions (Levels 6-8)	71 208	10 971	53,8%	6	27 564 172
Highly Skilled Supervision (Levels 9-12)	22 214	3 620	48,1%	6	14 881 303
Professionals (Levels 13-16)	104	20	50,0%	5	124 832
Senior Management (Levels 13-16)	609	91	42,1%	7	727 677
Total	164 189	25 423	46,3%	6	58 439 851

Table II.33b: Sick Leave (Public Service Act Personnel) | January 2006 to 31 December 2006

Salary Band	Total Days	Number of Employees using Sick Leave	% of Total Employees using Sick Leave	Average Days per Employee using Sick Leave	Estimated Cost (Rand)
Lower Skilled (Levels 1-2)	26 523	3 781	52,0%	7	4 253 871
Skilled (Levels 3-5)	8 673	1 177	63,2%	7	1 916 405
Highly Skilled Productions (Levels 6-8)	20 325	2 709	67,2%	8	7 748 161
Highly Skilled Supervision (Levels 9-12)	2 348	349	49,9%	7	1 771 650
Professionals (Levels 13-16)	10	3	30,0%	3	12 677
Senior Management (Levels 13-16)	112	19	50,0%	6	142 035
Total	57 991	8 038	56,0%	6	15 844 799

Note: Employees are entitled to 36 working days sick leave in a cycle of 3 years on an average norm of 12 working days per year. Derived from the above it is evident that less than 50% of DOD employees utilised sick leave in the last year of the cycle ending on 31 December 2006.

Table II.34a: Disability Leave (Temporary and Permanent - Defence Act Personnel) | 01 January 2006 to 31 December 2006

Salary Band	Total Days	Number of Employees using Sick Leave	% of Total Employees using Sick Leave	Average Days per Employee using Sick Leave	Estimated Cost (Rand)
Lower Skilled (Levels 1-2)	368	6	5,6%	61	62 296
Skilled (Levels 3-5)	31 159	1 296	3,9%	24	6 898 414
Highly Skilled Productions (Levels 6-8)	29 573	1 415	6,9%	21	11 657 411
Highly Skilled Supervision (Levels 9-12)	7 752	376	5,0%	21	5 134 013
Professionals (Levels 13-16)	38	1	2,5%	38	41 703
Senior Management (Levels 13-16)	268	13	6,0%	21	311 077
Total	69 158	3 107	4,9%	31	24 104 914

Table II.34b: Disability Leave (Temporary and Permanent - Public Service Act Personnel) | 01 January 2006 to 31 December 2006

Salary Band	Total Days	Number of Employees using Sick Leave	% of Total Employees using Sick Leave	Average Days per Employee using Sick Leave	Estimated Cost (Rand)
Lower Skilled (Levels 1-2)	19 864	864	11,9%	23	3 226 808
Skilled (Levels 3-5)	8 244	385	20,7%	21	1 874 713
Highly Skilled Productions (Levels 6-8)	19 283	943	23,4%	20	7 246 924
Highly Skilled Supervision (Levels 9-12)	1 141	61	8,7%	19	862 131
Professionals (Levels 13-16)	0	0	0%	0	0
Senior Management (Levels 13-16)	23	1	2,6%	23	59 059
Total	48 555	2 254	13,4%	21	13 269 635

Note: Employees are entitled to disability leave after the 36 working days of normal sick leave have been fully utilised. It is evident that only 7,1% of DOD personnel used on average 22 days disability leave in excess of their normal sick leave.

Table II.35a: Annual Leave (Defence Act Personnel) 01 January 2006 to 31 December 2006

Salary Band	Total Days Taken	Average per Employee
Lower Skilled (Levels 1-2)	2 643	24
Skilled (Levels 3-5)	510 357	19
Highly Skilled Productions (Levels 6-8)	435 753	23
Highly Skilled Supervision (Levels 9-12)	162 966	24
Professionals (Levels 13-16)	897	24
Senior Management (Levels 13-16)	4 749	25
Total	1 117 365	23

Table II.35b: Annual Leave (Public Service Act Personnel) 01 January 2006 to 31 December 2006

Salary Band	Total Days Taken	Average per Employee
Lower Skilled (Levels 1-2)	179 317	24
Skilled (Levels 3-5)	43 044	25
Highly Skilled Productions (Levels 6-8)	95 306	26
Highly Skilled Supervision (Levels 9-12)	11 867	24
Professionals (Levels 13-16)	244	27
Senior Management (Levels 13-16)	774	24
Total	330 552	25

Note: Employees with less than 10 years service are entitled to 22 working days annual leave and employees with more than 10 years service are entitled to 26 working days annual leave. On average the annual leave taken is therefore within the norms.

Table II.36a: Capped Leave (Defence Act Personnel) 01 January 2006 to 31 December 2006

Salary Band	Total Days of Capped Leave Taken	Average Number of Days Taken per Employee	Average Capped Leave per Employee as at 31 December 2006
Lower Skilled (Levels 1-2)	491	10	84
Skilled (Levels 3-5)	59 406	7	28
Highly Skilled Productions (Levels 6-8)	60 607	8	33
Highly Skilled Supervision (Levels 9-12)	27 811	11	70
Professionals (Levels 13-16)	186	14	90
Senior Management (Levels 13-16)	791	14	180
Total	149 292	10	87

Table II.36b: Capped Leave (Public Service Act Personnel) 01 January 2006 to 31 December 2006

Salary Band	Total Days of Capped Leave Taken	Average Number of Days Taken per Employee	Average Capped Leave per Employee as at 31 December 2006
Lower Skilled (Levels 1-2)	7 752	2	55
Skilled (Levels 3-5)	1 598	3	54
Highly Skilled Productions (Levels 6-8)	3 928	4	34
Highly Skilled Supervision (Levels 9-12)	635	6	54
Professionals (Levels 13-16)	12	12	40
Senior Management (Levels 13-16)	8	2	120
Total	13 933	4	65

Note: Although 9,5% of employees took capped leave (leave days credit taken in excess of annual leave entitlement) it is to the benefit of the DOD, as it will reduce the financial contingent liability on the DOD with respect to leave credits

Table II.37a: Leave payouts (Defence Act Personnel) for the period 01 April 2006 to 31 March 2007

<i>Reason</i>	<i>Total Amount</i>	<i>Number of Employees</i>	<i>Average Payment per Employee</i>
Leave payout for 2006/07 due to non-utilisation of leave for previous cycle	64 663	11	5 878
Leave payout for 2006/07 due to discounting of leave.	27 697 417	3 835	7 222
Leave payouts for 2006/07 on termination of service	55 729 964	1 978	28 175
TOTAL	83 492 044	5 824	14 336

Table II.37b: Leave payouts (Public Service Act Personnel) for the period 01 April 2006 to 31 March 2007

<i>Reason</i>	<i>Total Amount</i>	<i>Number of Employees</i>	<i>Average Payment per Employee</i>
Leave payout for 2006/07 due to non-utilisation of leave for previous cycle	31 398	5	6 280
Leave payout for 2006/07 due to discounting of leave.	1 503 738	603	2 494
Leave payouts for 2006/07 on termination of service	9 180 672	668	13 744
TOTAL	10 715 808	1 276	8 398

Note: All vacation leave to an employee's credit on termination of service by means of retirement, medical retirement, early retirement, contract expiry or exit mechanisms is paid out. Discharges (misconduct) are excluded.

HIV AND AIDS & HEALTH PROMOTION PROGRAMMES

Table II.38: Steps taken to reduce the risk of occupational exposure

<i>Units/categories of employees identified to be at high risk of contracting HIV & related diseases (if any)</i>	<i>Key steps taken to reduce the risk</i>
Low risk: All members	<ul style="list-style-type: none"> ● HIV Workplace Programs ● Peer Education ● Buddy Aid Lectures ● First Aid Boxes ● OHS Programme
Medium risk: Members on Deployment (Internal to RSA)	<ul style="list-style-type: none"> ● Peer Education ● Buddy Aid Lectures ● Trained Operational Emergency Care Orderlies ● Plastic Gloves
High risk: Members on Deployment (External to RSA)	<ul style="list-style-type: none"> ● Peer Education ● Trained Operational Emergency Care Orderlies ● Plastic Gloves ● Specific HIV Prevention Programme

Table II.39: Details of Health Promotion and HIV/AIDS Programmes. (Tick the applicable boxes and provide the required information)

Question	Yes	No	Details if yes
Has the Department designated as 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		Brigadier General M.E.S. Swanepoel Director HIV/AIDS DOD HIV & 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 employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose	X		Dedicated HIV and AIDS Programme Manager who coordinates the Comprehensive Plan for Care Management and Treatment of HIV and AIDS in the DOD. Project Phidisa, a five-year clinical research programme, maintains dedicated staff members to establish the best ARV combination for military members.
Has the Department introduced an Employee Assistance or Health Promotion Programme for you employees? If so, indicate the key elements/services of this Programme	X		The SA Military Health Service has a Comprehensive Plan for Care Management and Treatment of HIV and AIDS in the DOD that includes prevention of HIV and Health Promotion. The key elements of the HIV Prevention Programme are: <ul style="list-style-type: none"> • HIV and AIDS Workplace Programmes. • Mass Awareness • Management of occupational transmission. • Prevention of mother to child transmission. • Prevention of opportunistic infections. • Utilisation of all awareness opportunities (eg National Health Days, etc). • Innovative programmes/projects. • Programmes/projects that focus on abstinence and faithfulness. Key elements of the Health Promotion Programmes are: <ul style="list-style-type: none"> • Counselling. • Education Training and Development. • Management of Sexually Transmitted Infections. • Health promotion through physical training, sport and recreation.
Has the Department established (a) committee(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 they represent		X	The HIV and AIDS Advisory Board of the Department of Defence has been reconstituted to start functioning in 2007. During the year under review all Command Structures assumed this responsibility.
Has the Department reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed	X		<ul style="list-style-type: none"> • DOD Directive. Development of Department Level Policy in the DOD (DOD) regarding the Management of Human Immunodeficiency Virus and Acquired Immune Deficiency Syndrome Programme. • DOD Instruction. DOD (DOD) Instruction on Development Promulgation Maintenance and Management of the DOD Human Immunodeficiency Virus and Acquired Immune Deficiency Syndrome Programme. • Joint Defence Publication. Policy Process and Procedures for the Development Promulgation and Maintenance of the DOD HIV and AIDS Programme.

Table II.39: Details of Health Promotion and HIV/AIDS Programmes. (Tick the applicable boxes and provide the required information) (Continued)

Question	Yes	No	Details if yes
Has the Department introduced measures to protect HIV-positive employees or those perceived to be HIV positive from discrimination? If so, list the key elements of these measures	X		The current DOD Instruction provides specific guidelines in this regard, as well as processes to be followed when such discrimination is found or perceived.
Does the Department encourage its employees to undergo voluntary counseling and testing? If so, list the results that you have achieved.	X		Last KAP Survey indicates that 81% of all members have had an HIV test and 66% of members indicated that they have had an HIV test in the past year.
Has the Department developed measures/indicators to monitor & evaluate the impact of its health promotion programme? If so, list these measures/indicators	X		The DOD HIV and AIDS Monitoring and Evaluation Subprogramme was approved for implementation in 2005. This plan includes monitoring and evaluation of inputs, processes outputs, outcomes and impact through more than 200 established indicators.

LABOUR RELATIONS

Table II.40: Collective Agreements | April 2006 to 31 March 2007

Total Collective Agreements	None
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Table II.41: Misconduct and disciplinary hearings finalised | April 2006 to 31 March 2007

Outcomes of Disciplinary Hearings	Number	% of Total
Correctional Counseling	5	17%
Verbal Warning	1	3,3%
Written Warning	5	17%
Final Written Warning	8	27%
Suspended Without Pay	1	3,3%
Fine *	0	0%
Demotion	0	0%
Dismissal	5	17%
Not guilty	1	3,3%
Case withdrawn	4	13,3%
TOTAL	30	100%

Note: *Fines do not form sanctions as contained in PSCBC Resolution 2/99 as amended by PSCBC Resolution 1/03.

Table 11.42: Types of Misconduct addressed at Disciplinary Hearings

<i>Type of Misconduct</i>	<i>Number</i>	<i>% of Total</i>
Absence Without Permission	7	20%
Theft	2	6%
Fraud	3	9%
Punctuality	1	3%
Insubordination	2	6%
Assault	1	3%
Abusive Language	1	3%
Under the Influence	2	6%
Damage of State Property	1	3%
Disobedience	1	3%
Disrespect	1	3%
Unauthorised Use of State Property	5	14,3%
Negligence	4	11,4%
Mismanagement/Loss of Funds	4	11,4%
TOTAL	35	100%

Note: The figures indicated in tables 11.41 and 11.42 differ due to the reason that an employee may be charged for more than one offence at a single disciplinary hearing.

Table 11.43: Grievances Lodged for the Period 01 April 2006 to 31 March 2007

<i>Grievances</i>	<i>Number</i>	<i>% of Total</i>
Number of Grievances Resolved	7	29,2%
Number of Grievances not Resolved	19	79,2%
TOTAL Number of Grievances Lodged	24	100%

Table 11.44: Disputes Lodged with Councils for the Period 01 April 2006 to 31 March 2007

<i>Disputes</i>	<i>Number</i>	<i>% of Total</i>
Number of disputes upheld	0	0%
Number of disputes dismissed	16	32%
TOTAL number of disputes lodged	50	100%

Table 11.45: Strike Actions for the Period 01 April 2006 to 31 March 2007

Total number of man-days lost	0
Total cost of working days lost	0
Amount recovered as a result of no work, no pay	0

Table 11.46a: Precautionary Suspensions (Defence Act Personnel) for the Period 01 April 2006 to 31 March 2007

Number of people suspended	36
Number of people whose suspension exceeded 30 days	36
Average number of days suspended	365
Cost of suspensions	R4 286 015

Table II.46b: Precautionary Suspensions (Public Service Act Personnel) for the Period 01 April 2006 to 31 March 2007

Number of people suspended	8
Number of people whose suspensions exceeded 30 days	8
Average number of days suspended	272
Cost of suspensions	R709 769

SKILLS DEVELOPMENT

Table II.47: Training Needs Identified, 01 April 2006 to 31 March 2007

Occupational Categories	Gender	Number of Employees as at 01 April 2006	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	20	0	22	1	23
	Male	195	0	36	3	39
Professionals	Female	1477	0	277	344	621
	Male	1513	0	473	1156	1 629
Technicians and associate professionals	Female	1931	13	139	448	600
	Male	4512	29	1003	2961	3 993
Clerks	Female	5651	26	253	843	1 122
	Male	8479	63	750	1229	2 042
Service and sales workers	Female	4471	202	3135	1378	4 715
	Male	28559	43	4192	4175	8 410
Craft and related trades workers	Female	1100	0	257	54	311
	Male	8568	0	399	514	913
Plant and machine operators and assemblers	Female	2	0	1	5	6
	Male	453	0	19	32	51
Elementary occupations	Female	3128	23	52	215	290
	Male	7799	12	78	532	622
Subtotal	Female	17780	264	4136	3288	7 688
	Male	60078	147	6950	10602	17 699
TOTAL		77858	411	11086	13890	25 387

Table II.48: Training Provided, 01 April 2006 to 31 March 2007

Occupational Categories	Gender	Number of Employees as at 01 April 2006	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	20	0	25	12	37
	Male	195	0	36	3	39
Professionals	Female	1 477	0	244	308	552
	Male	1 513	0	396	1 143	1 539
Technicians and associate professionals	Female	1 931	9	208	435	652
	Male	4 512	22	604	3 049	3 675
Clerks	Female	5 651	26	253	837	1 116
	Male	8 479	48	928	1 439	2 415

Table II.48: Training Provided, 01 April 2006 to 31 March 2007 (Continued)

Occupational Categories	Gender	Number of Employees as at 01 April 2006	Training Needs Identified at Start of Reporting Period			
			Leaverships	Skills Programmes and other Short Courses	Other Forms of Training	Total
Service and sales workers	Female	4 471	200	3 121	1 118	4 439
	Male	28 559	43	3 016	4 558	7 617
Craft and related trades workers	Female	1 100	0	258	31	289
	Male	8 568	0	390	668	1 058
Plant and machine operators and assemblers	Female	2	0	1	2	3
	Male	453	0	19	32	51
Elementary occupations	Female	3 128	23	44	195	262
	Male	7 799	12	71	493	576
Subtotal	Female	17 780	258	4 154	2 938	7 350
	Male	60 078	125	5 460	11 385	16 970
TOTAL		77 858	383	9 614	14 323	24 320

INJURY ON DUTY

Table II.49: Injury on Duty (Defence Act Personnel) 01 April 2006 to 31 March 2007

Nature of Injury on Duty	Number	% of Total
Required Basic Medical Attention only ¹	1 106	98,0%
Temporary Total Disablement ²	10	0,9%
Permanent Disablement ³	11	1,0%
Fatal ⁴	2	0,2%
TOTAL	1 129	100,0%

Table II.49a: Injury on Duty (Public Service Act Personnel) 01 April 2006 to 31 March 2007

Nature of Injury on Duty	Number	% of Total
Required Basic Medical Attention only ¹	31	83,8%
Temporary Total Disablement ²	4	10,8%
Permanent Disablement ³	1	2,7%
Fatal ⁴	1	2,7%
TOTAL	37	100,0%

- Required Basic Medical Attention Only.** This is the action or manner of treating an individual medically or surgically to stabilise and promote healing.
- Temporary Total Disablement.** This is the temporary alteration of an individual's physical or mental status that limits activity. Medical or surgical treatment may stabilise the condition and restore the health of an individual to normal within a defined period.
- 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.
- Fatal.** An injury disease or condition causing or ending in organ or multi-organ failure and death.

UTILISATION OF CONSULTANTS

Table II.50: Report on Consultant appointments using Appropriate Funds

<i>Project Title</i>	<i>Total Number of Consultants that Worked on Project</i>	<i>Duration: Work Days</i>	<i>Contract Value in Rand</i>
Defence Policy Strategy and Planning Division: DIMS	2	499	1 475 593
SA Army	2	339	1 060 909
Defence Policy Strategy and Planning Division: LOQUACIOUS	5	836	2 896 890
Defence Policy Strategy and Planning Division: DOMINO	8	1 651	7 779 662
Balanced Scorecard	4	250	1 237 800
Acquisition of Representative Candidates into Core Mustering: Pilot/Navigator selection	5	49	278 939
	1	49	18 240
Military Health Support: PPP since November 2003	1	Fixed contract price with Treasury Approvals as milestones.	1 782 300
SA Navy: Design Drawing of specifications, submarine support facilities in Simon's Town	5	76,75	488 843
Total Number of Projects	Total Individual Consultants	Total Duration: Work Days	Total Contract Value in Rand
8	33	3 749, 75	17 019 176



APPENDIX A

STATUS OF THE SANDF RESERVES

Progress has been made over the past year in preparing the Reserves strategically to provide the bulk of the forces in the landward defence capability. Despite the progress in developing a professional, transformed, effective and combat ready Reserve capable of fulfilling its role with regulars in

the Force in terms of the core growth one force policy, much still needs to be done. The progress to date and the challenges for the future are described below.

Numerous key developments took place in the SA Army over the past year. There was a significant increase in the budget allocated to the Reserve Force. An additional 2 500 selected, retrained members of the Army Territorial Reserve were transferred to the Army Conventional Reserve. The first, albeit small, contingent of trained MSDS members were transferred to the Reserves. A total of 95 junior officers and 60 junior non-commissioned officers were trained. The period under review further witnessed the deployment of additional infantry companies, accompanied by an engineer troop, in peace-support operations in the region of the great lakes. Reserves were deployed internally in deployments on borderline control, swine fever curtailment and the guarding of military installations.

The SA Air Force's focus over the past year has been placed on improving representivity amongst the leader group. Pilots from previously disadvantaged backgrounds have been recruited.

The SA Navy's redeployment of Reserve members in new post structures has been completed, following the deactivation of the Reserve Force Naval units. This has been accompanied by an increased number of sea-going posts being filled by Reserve Force members. Approximately 15% of the Naval Reserve is called up for service at any given time. An employment placement agency has also been established in Simon's Town to assist MSDS members joining the Reserve Force in finding civilian employment.

The SAMHS succeeded in recruiting a total of 14 third and fourth-year medical students who completed their basic training in the pilot University Reserve Training Unit. The group is currently undergoing leadership training. In addition to conducting BATLS and BARTS training for Reserves, specialist medical personnel have been recruited.

Within the divisions, emphasis has also been placed on the Reserves. Defence Military Legal Services makes extensive use of Reserve legal practitioners. The Command and Management Information Systems Division has continued

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with training exercises, while Chaplain Services has launched an initiative to improve representivity and made Reserve chaplains available for deployment in peace-support operations.

The challenges that remain in order to achieve an available and efficient Reserve Force, and that are being addressed, include increasing the numbers of fully trained MSDS members who are committed to serve in the Reserves, budget allocations for continuation training, representivity of the leader group and support for Reserve services amongst employers.

RESERVE FORCE COUNCIL

The Reserve Force Council (RFC) is a statutory body in terms of the Defence Act, 2002. The Minister of Defence ratified the appointment of 11 Council members under the Chairmanship of Col (Dr) John Job.

The RFC briefed the Joint Standing Committee on Defence in September 2006. The RFC regularly interacted with the leadership of the DOD and the SANDF this past year in line with their mandates as consultative and advisory bodies representing the Reserve Force. The RFC has been well represented on the Defence Reserve Board and Army Territorial Entry/Exit Committee, Honours Advisory Panel, Shield Committee and Army Reserve Shooting Association, to name but a few. The RFC has made significant inputs to the revision of the Defence Act, 2002, Defence Update 2006 and Draft General Regulations on the Reserve Force. The RFC participated in an Inter-allied Confederation of Reserve Officers (CIOR) comparative study regarding the concept of a liability to serve by volunteer reservists in time of peace. This resulted in the RFC being able to make a significant contribution to the drafting of amending legislation to introduce such an obligation to serve to guarantee the availability of the Reserve Force in times of serious crises and times of peace. The

RFC, as requested by the Plenary Defence Staff Council, made an input to the Military Discipline Bill as it affects members of the Reserves.

The RFC led the South African delegation to the international congress of the CIOR/ Inter-allied Confederation of Medical Reserve Officers (CIOMR) in Italy during July 2006. The RFC, in cooperation with the SANDF, has embarked on a training programme of reserves for the Military Skill Competition, the international combat fitness exercise in which Reserve Force officers compete for the highest place in the NATO competition.

The RFC has paid particular attention to the phasing out of the Army Territorial Reserves and their role replacement by the SAPS. The RFC is still concerned that certain security vacuums could occur in some instances. The RFC regions have been involved in numerous workshops to motivate the transfer of former Commando members to the Army Conventional Reserves and/or SAPS. The RFC has been monitoring and attending the closure of a number of units.

The 10 RFC regions in the nine provinces have played very active roles, and better feedback is being received as a result thereof. Members of the RFC took part in a number of local parades, which included working with local government authorities. The RFC is encouraging all ATR units to record where their assets, colours and memorabilia are being housed and to place these in appropriate museums, both locally and nationally. Once again the RFC has been directly involved in the major shooting competitions, inter alia the Gold Cup, White Horse Shield and Edinburgh Bisley.

The RFC Association (RFCA) was revitalised last year and its main focus is ensuring that ex-ATR (Commando) members receive their Closure Commemoration Medal. The RFCA is liaising with other military-aligned organisations, especially those that are interested in Reserves.

APPENDIX B

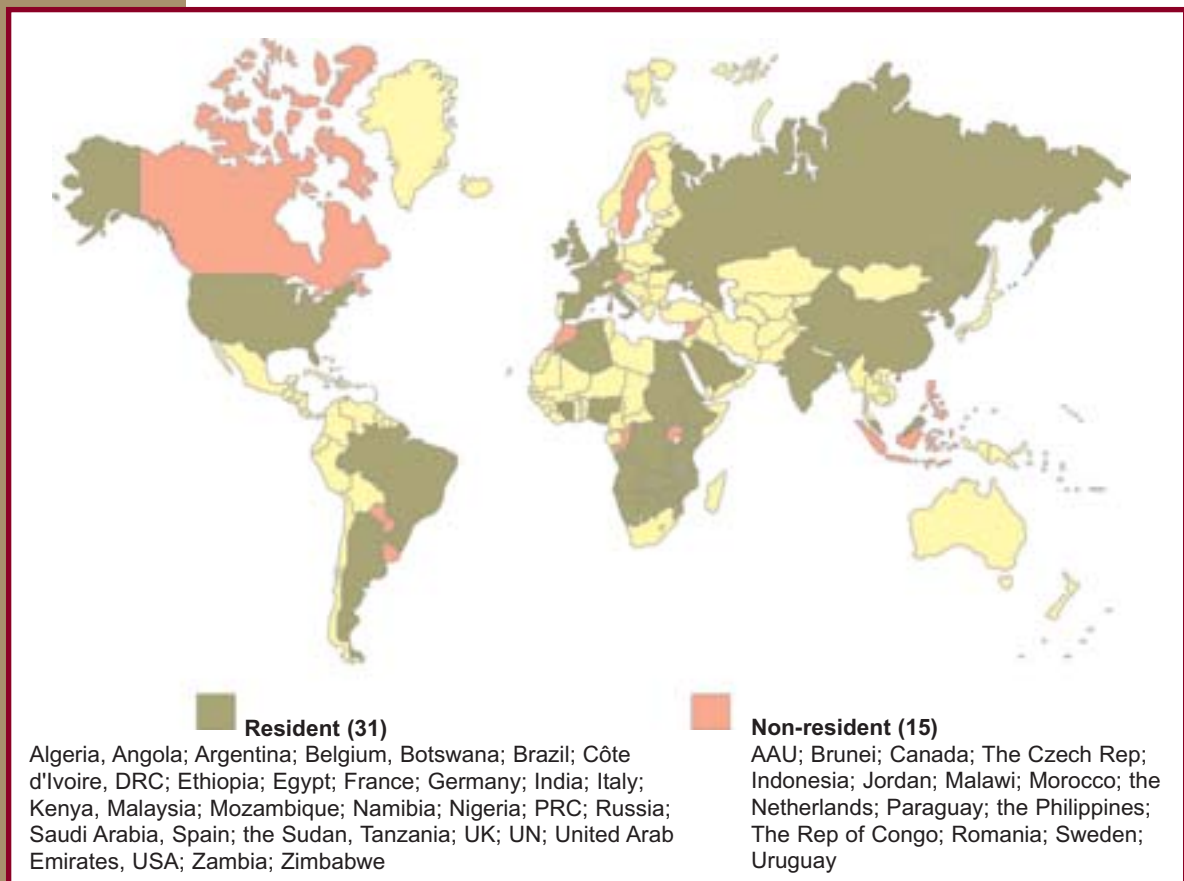
DEFENCE DIPLOMACY

DOD REPRESENTATION BY DEFENCE ATTACHÉS

The SANDF has 34 defence attachés deployed in 31 countries and organisations and they also have

further non-residential accreditation in 15 other countries/multinational organisations. These attachés are the first line of the DOD's defence diplomacy efforts internationally and is reflected in Figure 1.

Figure 1: Map of deployment of SANDF Defence Attachés
SANDF DEFENCE ATTACHÉS





MILITARY ATTACHÉ AND ADVISOR CORPS (MAAC) REPRESENTATION IN SOUTH AFRICA

There are 69 members from 41 countries accredited to the SANDF and two members have non-residential accreditation. See Figure 2.

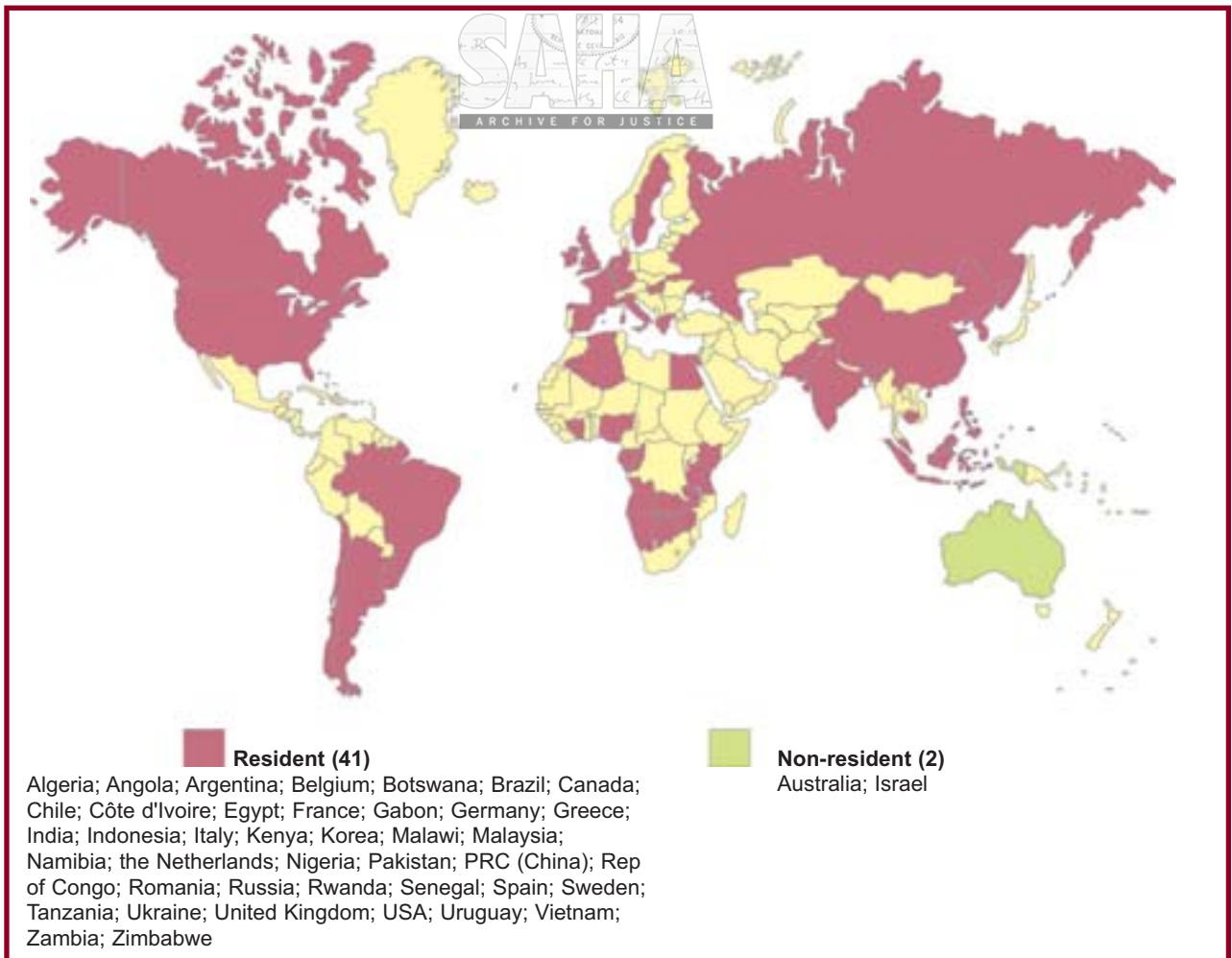
BILATERAL AND MULTILATERAL INTERACTION

Defence bilateral structural meetings were conducted with 19 countries to enhance bilateral relations and defence-to-defence cooperation. The meetings were the following: Defence Committee meeting between Zambia and South Africa in Livingstone, Zambia; Inaugural Defence Committee meeting between Lesotho and South Africa in Maseru; consultative talks between the Deputy Ministers of Defence from South Africa and Sweden in Cape Town; joint commission between South Africa and the Sudan in Pretoria; Defence Committee meeting

between South Africa and India in Pretoria; Defence Committee meeting between the USA and South Africa in New York; Defence Committee meeting between Ghana and South Africa in Accra; joint commission on Cooperation between Rwanda and South Africa in Kigali; Inaugural Defence Committee meeting between Tunisia and South Africa in Cape Town; Joint Commission between the Netherlands and South Africa in Pretoria; Defence Committee meeting between Sweden and South Africa in Pretoria; binational commission between Germany and South Africa in Berlin; Joint Defence Committee meeting between Mozambique and South Africa in Maputo; Inaugural Defence Committee meeting between Belgium and South Africa in Belgium; Joint Permanent Commission on Defence and Security between South Africa and Botswana in Durban; Joint Permanent Commission on Defence and Security between Zimbabwe and South Africa in Zimbabwe; Defence Committee Meeting between South Africa and the People's Republic of China (PRC) in Pretoria; Joint Commission on Cooperation between South Africa and Mali in Bamako;

Figure 2: Map of MAAC Representation in South Africa

MILITARY ATTACHÉ AND ADVISOR CORPS IN SOUTH AFRICA



Defence Committee meeting between South Africa and the United Kingdom (UK) in Cape Town; binational commission between South Africa and Argentina in Pretoria; Bilateral Training and Assistance Conference between South Africa and the USA in Pretoria; and a binational commission between Pakistan and South Africa in Islamabad.

Two service-related bilateral discussions took place during the FY2006/07, namely Air Force-to-Air Force staff talks between Germany and South Africa in Germany and Navy-to-Navy staff talks between Germany and South Africa in Germany.

SADC, INTERSTATE DEFENCE AND SECURITY COMMITTEE (ISDSC) ACTIVITIES AND OTHER MULTINATIONAL INTERACTION

The DOD participated in 15 SADC, ISDSC and other multinational interaction activities. The activities were the following: Standing Aviation Committee meeting in Angola; Operations Subsubcommittee (OSSC) meeting in Namibia; Interstate Politics and Diplomacy Committee meeting; the 27th session ISDSC meeting held in Namibia, Windhoek; Ministerial Committee of the Organ held in Windhoek, Namibia; Logistics Work Group meeting in Luanda, Angola; Standing Maritime Committee meeting held in Dar es Salaam, Tanzania; Spiritual and Moral Services Work Group Meeting in Gaborone, Botswana; Military Health Service Work Group meeting in Lilongwe, Malawi; ISDSC meeting in Windhoek; Legal Work Group meeting in Pretoria; Joint Troika of the Defence Subcommittee (DSC) and Chiefs of Police held in Dar es Salaam, Tanzania; Workshop on the evaluation of the SADC Implementation of the SIPO and Operation Subsubcommittee (OSSC) joint extraordinary meeting held in Pretoria; Extraordinary meeting of OSSC/Police

chief representatives in Dar es Salaam, Tanzania; and Telecommunications Work Group meeting in Maputo, Mozambique.

DOD PARTICIPATION IN FOREIGN VISITS

Conducting foreign visits is a way in which the DOD can enhance bilateral international relations and obtain knowledge, especially in areas where such knowledge is required to perform tasks or investigate more economic, effective and efficient ways to conduct business. DOD members participated in 897 visits abroad in the FY2006/07.

FOREIGN TRAINING AND LEARNING OPPORTUNITIES

A total number of 192 DOD members utilised foreign learning opportunities offered by friendly defence forces. These opportunities were offered to the DOD to have members trained in scarce skills, obtain specific knowledge and honour bilateral agreements regarding the exchange of training opportunities.

EQUIPMENT DONATED TO FOREIGN RECIPIENTS

The DOD has transferred equipment to foreign recipients. Impala Aircraft spares to the estimated value of Rm1,9 were donated to the Zambian Air Force on 06 June 2006. Flying clothing to the estimated value of Rm243,300 was donated to the Zambian Air Force on 11 August 2006. General equipment to the value of R15 087 928 was donated to the Mozambican Defence Force on 09 October 2006. Clothing and general equipment to the value of R3 558 149 was donated to the Central African Republic on 08 February 2007.

Appendix C

FOREIGN AID ASSISTANCE TO THE SANDF FOR THE FY2006/07

Programme	Donor Country (Source)	Type of Aid (Funds or In Kind)	Rand Value	Intended Use of Assistance	Performance on the Use of the Assistance	Reason for Deviation	Pending Applications for Assistance
Air Defence	USA	Foreign Military Funding	Rm2,857	C-130 Spares, Technical Support and Simulator Training	The aircrew underwent simulator training in the USA to the value of Rm2,857. Aircraft spares, C-130 brake assemblies, two sets each for nine aircraft) were supplied. Value unknown	None	None
Maritime Defence	France	Donation in kind of three 150hp outboard engines	R300 000	Engines to be fitted on harbour patrol boats donated to Malawi	Engines are currently waiting to be fitted on the boats	None	None
	UK	In-kind operational sea training and evaluation for strategic defence packages	Unknown	Evaluation of and assistance to the SA Navy with regard to training and onboard procedures on the new frigates	Valuable and constructive input with regard to determining and measuring onboard procedures	None	None
	Germany	Operational sea training and evaluation for strategic defence packages	Unknown	Evaluation of and assistance to the SA Navy with regard to training and onboard procedures on the new frigates	Valuable and constructive input with regard to determining and measuring onboard procedures	None	None

Reporting on Foreign Aid Assistance to the SANDF for the FY2006/07 (Continued)

Programme	Donor Country (Source)	Type of Aid (Funds or In Kind)	Rand Value	Intended Use of Assistance	Performance on the Use of the Assistance	Reason for Deviation	Pending Applications for Assistance
Military Health Service	USA (US DOD)	In kind funds controlled by the USA	R586 773	Project MASIBAM-BISANE (Programme to educate and prevent the transmission of HIV among DOD members)	A comprehensive database of implemented programmes is available at the Military Psychological Institute. There has been a deviation from planned programmes/activities	There are various reasons for the deviation, such as a delay in processing by the US Office for Defence Cooperation, management change in the SAMHS Directorate HIV and AIDS, units planning more than they can execute due to Human Resources shortages	Ongoing project until donors indicate otherwise
	USA (US DOD and Henry Jackson Foundation)	In-kind funds controlled by the USA	R37 233 152	Project PHIDISA (Establish a clinical research capability and, through six clinics, secure the participation of 10 000 members on protocol 1 and 2 800 members on protocol 2.)	6 clinics have been established PHIDISA Protocol 1 = 5 162 patients PHIDISA Protocol 2 = 1 491 patients	6th clinic actual opening delayed to 1 April 2007 due to staffing challenges and National Health accreditation process	5-year project that commenced on 26 April 2005 and ends in 2010
	UK Department for International Development (DIFID)	In kind	R96 233	Capacity-building training of 100 health care professionals to assist with the ARV roll-out programme. In addition, planned for refresher training of 50 Health Care Practitioners	86 members were trained in the FY2006/07	14 members did not report for the course for different reasons. Refresher training has been postponed until May 2007 in order to build a capacity of mirror trainers from within the SAMHS to sustain training after donor funding has been completed	Further funding will be available until June 2008
	USA President Bush's Emergency Plan for AIDS Relief (PEPFAR)	In-kind funds controlled by the USA	Rm2 804 835	Sponsorship of anti-retroviral drugs	Less donor funding was utilised than planned and projected	Fewer patients than projected have come forward for treatment and three of the accredited anti-retroviral rollout sites are not fully functional due to staff shortages and delays in infrastructure development processes with the National Department of Public Works	Nil

Reporting on Foreign Aid Assistance to the SANDF for the FY2006/07 (Continued)

Programme	Donor Country (Source)	Type of Aid (Funds or In Kind)	Rand Value	Intended Use of Assistance	Performance on the Use of the Assistance	Reason for Deviation	Pending Applications for Assistance
Joint Support (Joint Training)	USA African Contingency Operations Training Assistance (ACOTA)	In kind	Rm2 1	Donation of a mobile peacekeeping training simulation capability (computers and associated equipment)	The system was utilised to provide pre-mission training to SANDF personnel deployed in peacekeeping missions	Nil Nil	Nil Nil
Command Management and Information Systems Division	USA European Command (USEUCOM)	Funds	R605,395	Payment of vendor and supplier accounts for Exercise AFRICA ENDEAVOUR	The exercise was conducted successfully and the USA paid all accounts as contracted.		



FINANCIAL PERFORMANCE

REPORT OF THE AUDIT COMMITTEE

for the year ended 31 March 2007

Report of the Audit Committee

We present our report for the financial year ended 31 March 2007.

Audit Committee Members and Attendance:

The Audit Committee consists of the members listed hereunder and meets at least 4 times per annum as per its approved terms of reference. During the current year 5 meetings were held.

<i>Name of External Members</i>	<i>Number of Meetings Attended</i>
Dr L Konar (Chairperson)	5
Mr D S Molapo	4
Mr K A Ross	5
Mr G R Witthöft	5

<i>Name of Internal Members</i>	<i>Number of Meetings Attended</i>
Mr T E Motumi	3
Lt Gen J L Jansen van Rensburg	3

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 38(1)(a) of the PFMA and Treasury Regulation 3.1.13.

S38(1)(a) S38(1)(a)(ii) of the PFMA states the following:

- (a) The accounting officer must ensure that the department has and maintains -
 - (i) effective, efficient and transparent systems of financial and risk management and internal control;
 - (ii) a system of internal audit under the control and direction of an audit committee complying with and operating in accordance with regulations and instructions prescribed in terms of sections 76 and 77;
 - (iii) an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective.

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DEPARTMENT OF DEFENCE, VOTE 21
REPORT OF THE AUDIT COMMITTEE
for the year ended 31 March 2007 (continued)

The Audit Committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

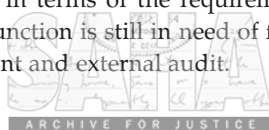
The system of internal control was not entirely effective for the year under review, as compliance with prescribed policies and procedures were lacking in certain instances. During the year under review, several instances of non-compliance were reported by internal and external auditors that resulted from a breakdown in the functioning of controls. Significant control weaknesses have been reported by the Auditor-General under a qualified opinion and in the management letter. In certain instance, the weaknesses reported previously have not been fully and satisfactorily addressed. The effect of these instances has been included in the annual financial statements and the report of the Accounting Officer.

The quality of in year management and monthly and quarterly reports submitted in terms of the PFMA and the Division of Revenue Act

The Audit Committee is largely satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer and the Department during the year under review.

Internal Audit Function

The Department of Defence does have a dedicated Internal Audit Function that is carried out by the Inspector General. While it has carried out various activities in terms of the requirements of the Public Finance Management Act and Treasury Regulations, the Internal Audit Function is still in need of further capacity and enhanced skills to enable it to provide the required support to management and external audit.



Evaluation of Financial Statements

The Audit Committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General's management letter and management's response thereto;
- reviewed changes in accounting policies and practices; and
- reviewed significant adjustments resulting from the audit.

The Audit Committee concurs and accepts the Auditor-General's conclusions on the annual financial statements, and is of the opinion that the audited annual statements be accepted and read together with the report of the Auditor-General.

Dr L Konar
.....
Chairperson of the Audit Committee

29 August 2007
.....
Date

DEPARTMENT OF DEFENCE VOTE 21

REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2007

Report by the Accounting Officer to the Executive Authority and Parliament of the Republic of South Africa.

1. General review of the state of financial affairs

1.1 Strategic decisions and issues

1.1.1 Strategic decisions

1.1.1.1 The Department of Defence (DOD) has consciously developed a framework through which it continuously reviews its positioning and sustainability strategy through co-operation, in pursuit of both the DOD as well as government wide destiny, defining priorities and programmes premised on the Core-growth One-force concept.

1.1.1.2 To ensure alignment between the DOD Planning Processes and that of Government, the DOD decided that the Defence Strategy will consist of the White Paper on Defence (1996), the Defence Review (1998), and the Defence Update (2006), respectively, to execute its Constitutional obligations. This will ensure alignment with the Ten-Year-Review (2014) of Government and Government's annual strategic direction amendments through the Cabinet *Makgotla* minutes and Government's Programme of Action. The Defence Review Update 2006 incorporated strategic decisions taken in 2004, which included aspects such as the desired outcome of determining a credible Force Design and Structure.

1.1.1.3 The DOD continued to support the peace and security objectives of the South African Government, as expressed in the Medium Term Strategic Framework (MTSF) and the annual Government Programme of Action through the employment of its military capabilities for Peace Support Operations and General Military Assistance Missions.

1.1.1.4 The Department conducted a high-level strategic analysis with respect to contribution towards Accelerated and Shared Growth Initiative-South Africa (ASGISA) as well as its potential future contribution. The analysis comprises the functional areas of human resources, defence acquisition, information and communication technology, military health service support, as well as the collateral capabilities of the SANDF.

1.1.1.5 To ensure that the DOD has a viable and comprehensive systemic performance

a national
partnership
to build a
better life
for all

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DEPARTMENT OF DEFENCE, VOTE 21
REPORT OF THE ACCOUNTING OFFICER
for the year ended 31 March 2007 (continued)

management tool, the DOD has piloted the Balanced Score Card project through the SA Navy and the Financial Management Division and will in the Financial Year 2007/08 train the DOD's top management and there after cascade the implementation thereof to other Services and Divisions in the following years.

1.1.2 Strategic issues

1.1.2.1 The DOD annually monitors its internal and external environment as part of its Governance Process to ensure alignment and synchronisation with Government's strategic intent as reflected in the Cabinet *Makgotla* minutes and Government's Programme of Action. This allows the DOD to detect changes that have a significant impact on the achievement of the DOD's vision, mission, strategic objectives and plan.

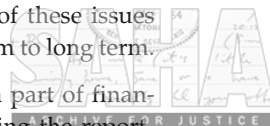
1.1.2.2 The DOD identified thirteen strategic issues during 2005. The nature and extent of these issues can only be resolved in the medium to long term.

1.1.2.3 The following issues, which form part of financial matters, were addressed during the reporting period:

- Project LOQUACIOUS, with the aim to align core and support processes with the PFMA imperatives, was registered and initiated to establish Business Process Management within the DOD and was adopted in Chapter One of the Defence Update 2006. These processes will ensure that the DOD's business processes are aligned to its strategy and policy framework, that resources are aligned to its business processes thereby promoting the effective, efficient and economical utilisation of resources. This will allow the DOD to cope with the external and internal change imperatives.
- The software solution to facilitate all aspects of Enterprise Architecture (including Business Architecture) was acquired in March 2007 and is in process of implementation. It is anticipated that significant progress will be made with the alignment between processes and the regulatory framework during the forthcoming financial year.
- Progress continues to be made with the transformation and revitalisation of the Reserve Force so that it can fulfil its 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. Although the Reserves are currently rejuvenated through the Military Skills Development System (MSDS), alternative systems are being investigated to complement the rejuvenation of the Reserves.

- The DOD is consulting with other government departments and defence related role players to formulate and implement a Defence Related Industry Strategy to ensure an economically viable, and technologically appropriate defence related industry for the RSA. The to be established Defence Evaluation and Research Institute (DERI) will ensure that leading edge technology directs the defence related industry.
- The DOD prioritised the requirement for the repair and maintenance of facilities and allocated the available resources to these priorities. Additionally the DOD is in liaison with National Department of Public Works (NDPW) to support this focused effort and is in process of creating an in-house capability in the form of a Works Regiment to support the repair and maintenance of infrastructure.
- The DOD has completed its policy update on the White Paper on Defence and the Defence Review in the form of the Defence Update 2006. The update addresses the alignment of policy aspects and is in the process of being prepared for Cabinet approval. The update also addresses the issue of Force Design and Structure and the related funding needs for the Medium Term Expenditure Framework.
- A Defence Enterprise Information System (DEIS) Master Plan has been developed and approved by the DOD. The first phase of implementation is currently being initiated to ensure an integrated Information and Communication Technology (ICT) solution for the Defence function.
- An anti-fraud strategy (Fraud Prevention Plan) has been developed to protect DOD assets and is in the process of being implemented.
- The rightsizing of the DOD is in process through the implementation of HR Strategy



DEPARTMENT OF DEFENCE, VOTE 21
REPORT OF THE ACCOUNTING OFFICER
for the year ended 31 March 2007 (continued)

2010 and the continuous implementing of measures to optimise its support structures.

1.1.3 Significant events

1.1.3.1 Restructuring of the DOD. The restructuring efforts resulted in the development and adoption of new high-level processes according to which the DOD would conduct its future business. To this end, the constitutions of all relevant governing bodies of the DOD were overhauled and their agenda frameworks were developed to support the high-level process outcomes.

1.1.3.2 Strategic Defence Packages. As part of the recapitalisation of the DOD, three frigates and one submarine were commissioned for the SA Navy to give it, for the first time in twenty years, a blue water surface capability, and sixteen Hawk trainer aircraft delivered to 85 Combat Flying School for the SA Air Force.

1.1.3.3 Military Skills Development System (MSDS) and Youth Foundation Training Programme (YFTP). The MSDS was introduced in 2003 and has led to 12 490 young people entering the SANDF since its introduction; with the fourth intake, 2006, peaking at 4 733 members. This infusion of youth has significantly improved the rejuvenation challenge in the SANDF's junior ranks where 40 % of all Regular Force privates currently fall within the required age bracket of 18 - 24 years. Through the YFTP and MSDS programmes, the DOD is already contributing towards skills development and job creation, being amongst the objectives of ASGISA that should lead to the halving of poverty and unemployment by 2014.

1.1.3.4 Revenue Management. The Financial Management System (FMS) has been enhanced to improve the accounting of revenue collected and supporting management information. The interaction between the financial, salary and logistics systems will be enhanced further to promote interaction and better revenue management.

1.1.3.5 In the peace support operations the following events are worth mentioning:

- **Disarmament, Demobilisation and Reintegration in the Democratic Republic of the Congo (DRC).** An amount of Rm38,750 was administered by the DOD on behalf of the Royal Kingdom of the

Netherlands for the refurbishment of the two integration centres in the Eastern DRC. The project was successfully completed and the integration centres were handed over to the DRC government in June 2006.

- **African Renaissance Fund (ARF).** The ARF granted the DOD Rm7,5 for the initiatives in the DRC. These funds were utilised for the refurbishment of equipment at the aforementioned integration centres. This project was also successfully accomplished.

1.2 Defence Vote: Rm23 830,105 (Appropriation Act 2006 (Act No 7 of 2006)).

1.2.1 The DOD 2006/2007 budget was compiled on a cash basis per programme and amounted to Rm23 830,105. The approved budget covered the period 1 April 2006 to 31 March 2007 and included all entities under control of the Minister of Defence. The original budget was approved through legislative action and specifically the Appropriation Act, 2006 (Act No 7 of 2006). The original budget objectives and policies per main division of the Vote were published in the 2006/2007 Strategic Business Plan and the performance against objectives are reported on in detail in Part 3 of the Annual Report.

1.2.2 The 2006/2007 Defence Vote increased by Rm1 242,401 (5,5%) from the 2005 MTEF allocation for the same year and increased with Rm1 159,623 (5,12%) from the previous financial year. Defence's Vote amounted to 1,36% of South Africa's gross domestic product or 5,06% of total government expenditure. These percentages largely correspond with the 2005/2006 Defence Vote. The relatively large MTEF-to-MTEF increase in the overall Defence budget is mainly due to additional allocations for military skills development and defence modernisation as well as the devolvement of property management portfolios from the NDPW to the national departments. The relatively low year-on-year increase in the overall Defence budget is mainly due to the decrease in the provision for the Strategic Defence Procurement Programme which is nearing completion.

1.2.3 The following additional allocations were major contributors to the increase in the 2006/2007 Defence Vote:

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- Property Management - Rm999
- Procurement of a strategic airlift capability - Rm370
- Maintenance of operational vehicles - Rm150
- Defence intelligence systems - Rm121
- Military skills development system - Rm100
- Armscor (VAT adjustment) - Rm59
- Defence information and communication systems - Rm50
- Defence anti-retroviral roll-out programme - Rm26

1.2.4 The Special Defence Account (34,51%) and Landward Defence (17,02%) remain the two largest programmes within the Defence Vote. The year-on-year increase of 14,5% in the Administration programme was mainly due to the increased provision for the DOD's property management portfolio as received from the Department of Public Works. The other large year-on-year increase of 15,5% in the Landward Defence programme was mainly due to the additional allocations for the maintenance of operational vehicles and the Military Skills Development System. The continued strengthening of the SA Rand against other major currencies has resulted in a further decrease of the projected cost of the overall Strategic Defence Procurement Programme from Rb52,944 (2003/2004) to Rb48,744 (2004/2005) to Rb45,615 (2005/2006) to an estimated Rb44,793 for the reporting period.

1.2.5 Exploring the 2006/2007 budget from an economic classification perspective, Transfers and Subsidies (36,24%) and Compensation of Employees (37,67%) combined represents 73,91% of the Vote leaving an available 26,09% for the operating of the Department. Significant Standard Chart of Accounts classification provided for were:

- Maintenance, repair and running costs - Rm1 853
- Inventory - Rm1 225
- Computer services - Rm 671
- Travel and subsistence - Rm 654
- Operating leases - Rm 200
- Consultants, contractors and special services - Rm 153

1.3 Defence Adjustment Vote: Rm72,799 (Adjustment Appropriation Act, 2006).

1.3.1 The Defence Vote was increased by Rm72,799 through the Adjustment Vote from self financing expenditure resulting from the sale of equipment during the previous financial year originally procured through:

- The General Defence Account - Rm16,621
- The Special Defence Account - Rm56,178

1.3.2 No claims were submitted for roll-over expenditure from the financial year 2005/2006 as there was no under spending for that particular financial year.

1.3.3 Unforeseeable requests from the United Nations and the African Union for participation in peace support operations in Africa were funded by the DOD through the reprioritising of activities within the department's budget allocation. These services included the following:

- OP CORDITE (Sudan). The African Union's request to increase the number of deployed personnel: Rm35.
- OP MISTRAL (DRC). The United Nation's request to redeploy aircraft from Burundi to the DRC: Rm27.
- OP TRITON IV (Comores). An African Union's request to deploy additional personnel for the elections: Rm12.
- OP CURRICULUM (Burundi VIP protection). Changing the deployment from a United Nations mission to an African Union mission: Rm12.

1.4 Adjusted Defence Vote : Rm23 902,904

1.5 Expenditure

1.5.1 The total expenditure against the Adjusted Vote amounted to Rm23 817,584 resulting in an under expenditure of Rm85,320. This under expenditure is primarily as a result of:

- Under spending of the Property Management Portfolio funds as devolved from the National Department of Public Works - Rm58,083
- Committed capital works funds not spent and to be claimed as a roll-over in the financial year 2007/2008 - Rm24,924
- Unspent transfer payments - Rm0,512

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1.6 Spending trend

Defence has again achieved an immaterial under expenditure of Rm85,320 for unavoidable reasons as indicated in par 1.5.1 above. The expenditure for the reporting year in comparison with the last two years is indicated below:

<i>Financial year</i>	<i>2004/2005</i>	<i>2005/2006</i>	<i>2006/2007</i>
Vote Rm	19 411,819	22 670,482	23 902,904
Expenditure Rm	19 410,812	22 664,846	23 817,584
Amount surrendered Rm	1,007	5,636	85,320
Amount surrendered as a percentage of Vote	0,01%	0,02%	0,36%

of expenditure on the Mobility Exit Mechanism.

1.7.2.4 From Programme 2: Landward Defence; Programme 4: Maritime Defence and Programme 7: Joint Support to Programme 1: Administration; Programme 3: Air Defence; Programme 5: Military Health Support;

1.7 Virements. The following virements were approved during the reporting period.

1.7.1 Approved by the National Treasury.

1.7.1.1 From the Economic Classification: Goods and Services to the Economic Classification: Compensation of Employees, the amount of Rm146,000 to facilitate the increase in the compensation of employees resulting from:

- Mobility Exit Mechanism
- Rejuvenation of the Force
- Military Aviation Career Incentive Pay and Technical Career Incentive Pay
- Internal Deployments
- Peace Support Operations

1.7.2 Approved by the Accounting Officer.

1.7.2.1 From Programme 2: Landward Defence to Programme 7: Joint Support. Rm11,149 to correctly allocate the expenditure of the Human Resource Support Satellites after the transformation of the organisational structure of the Department.

1.7.2.2 From the Economic Classification: Goods and Services to the Economic Classification: Compensation to Employees within Programme 8: Force Employment. Rm110,000 to correctly allocate the payment of foreign allowances for peace support operations.

1.7.2.3 From the Economic Classification: Compensation of Employees to the Economic Classification: Transfers to Households. Rm191,374 to provide for the correct allocation

Programme 6: Defence Intelligence and Programme 8: Force Employment, to cover inter alia the shortfall in the expenditure on peace support operations, the increase in SITA tariffs, the short payment of the Regional Services Council levies and other smaller adjustments.

2. Services rendered by Defence

2.1 The services rendered by Defence are detailed in Chapter 2 of the Annual Report.

2.2 Tariff policy

2.2.1 DOD tariff policy consists of the following elements:

- Tariffs instituted by law.
- Tariffs prescribed by a national department that are applicable to all spheres of government.
- Tariffs unique to the DOD as determined by the tariff owner and where the tariff structure was approved by the National Treasury.

2.3 Free services

The following free services were provided by the DOD during the reporting period:

- 2.3.1 Fire fighting services provided by the SA Air Force to the total amount of Rm0,021.
- 2.3.2 Harbour services provided by the SA Navy to various vessels to the total amount of Rm0,092.
- 2.3.3 Technical training provided by the Service Corps in assistance to the Mozambique Skills Development Project to the amount of Rm2,292.

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2.4 Inventory. The DOD is unable to disclose the accurate monetary value of its inventory at year-end because accurate prices are not carried in current DOD logistic systems. Values for inventory, reported in previous periods, were also materially inaccurate to the extent that it should be ignored.

3. Capacity constraints

3.1 Operationalisation of the Defence Update 2006. Since the promulgation of the Defence White Paper on Defence 1996 and the Defence Review 1998 cognisance was taken of the mismatch between the required funding of the force design and actual allocation of funds to Defence. In an effort to formulate a force design that represents the absolute minimum level of Defence, the DOD launched a process in updating the Defence White Paper/Review. The Defence Update 2006 culminated in a proposed force design that still requires funding in excess of 30% of present Defence funding levels.

3.2 The successful execution of the DOD's mission is dependent on the SANDF being a technologically advanced force. This requirement has led to significant investment by Government in equipping the SANDF with technology that requires advanced, scarce skills competencies. The DOD's scarce skills competencies are however eroded mainly due to market forces beyond its control.

3.3 The DOD is facing the challenge of retaining scarce skills due to competitive salary packages that the private sector labour market offers. This challenge is to the extent that, during the reporting period, the department lost 988 members comprising of professional and technical personnel, professional engineers, military health workers, Special Forces operators, gunners and anti-air defence operators.

3.4 To mitigate this unacceptable outflow of skills, the DOD developed various incentive schemes for a number of scarce skills groups. The financial implication of this is that a substantial portion of funds, which were allocated for operating costs, were utilised to fund these incentives. The amount involved was Rm250,657 which led to the erosion of the operating budget.

3.5 Furthermore the DOD still faces a challenge to

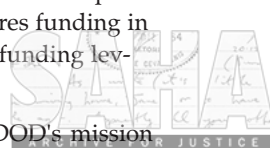
capacitate the Defence Procurement and Acquisition function. Efforts were made in the previous financial year to investigate the effectiveness of all affected structures. Although progress has been made, some functions remain incapacitated and some challenges still need to be resolved. The initiative to capacitate the commanders with appropriate delegations is starting to show positive results. The DOD is in process of training all commanders on the PFMA, supply chain management processes and the relevant policies. The codification function has been established within the logistic environment and is beginning to stabilise. Delays are still experienced with the generation of suppliers' codes as a result of users not providing correct information timeously. The latter is also being addressed through continuous training. The DOD and Armscor are engaging in a new process to realign the agency with the new ministerial guidelines, which may result in its classification being reviewed. This process may result in further enhancement of the capacity of the DOD as a whole.

3.6 Impact on planned programmes

3.6.1 The above-mentioned capacity constraints had a negative impact on the delivery of the programmes that are planned to realise the Core-growth One-force concept as well as ensuring adequate force readiness and preparation. There is a critical capacity constraint between resources and the operational mandate. This translates into the consumption of all reserve capacity at the cost of sustainability of Defence capabilities and the subsequent ability to deploy soldiers in support of Peace Missions.

3.6.2 Insofar as the human resource constraint is concerned, this arises primarily from using the operating budget for incentive schemes to curb skills migration. As such, the operating budget is insufficient and this adversely affects the various programmes of the DOD, including provision of training facilities required for future Military Skills Development System intakes of 10,000 members per year.

3.6.3 Insofar as the procurement function goes, the impact of not having an effective codification and supplier registration system will lead to ineffective asset management. This will in turn translate to barriers for suppliers trying to enter



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the DOD procurement system.

4. Utilisation of donor funding

4.1 The DOD did not receive any donations during the reporting period that had to be directly administered by the Department.

4.2 The DOD received reimbursements from the United Nations for the DOD's participation in peace support operations, in accordance with the Memoranda of Understanding, amounting to Rm272,165. This was deposited into the National Revenue fund and recognised in Note 2.3 of the financial statements under Departmental Revenue (Transactions in Financial Assets and Liabilities).

5. Public entities

The Castle Control Board and the Armaments

Corporation of South Africa (Armcor) are reported as public entities under the ownership control of the Minister of Defence in Annexure 2B to the financial statements. A Board of Directors reporting to the Minister of Defence, controls each public entity. The transfer payment to Armcor is included in the table for transfer payments (par 6 of this report) and no transfer payment was made to the Castle Control Board. The transfer of the Castle of Good Hope to the Department of Arts and Culture is in progress.

6. Organisations to whom transfer payments have been made

Transfer payments were made to the following organisations :

<i>Transferee</i>	<i>Reason for Payment</i>	<i>Accountability Arrangements</i>	<i>Voted 2006/07 Rm</i>	<i>Expenditure 2006/07 Rm</i>
Armaments Corporation of South Africa Ltd (Armcor)	To subsidise Armcor in their mission to meet the acquisition, maintenance and disposal needs of the DOD and other clients in terms of Defence matériel, related products and services.	Armcor is a Schedule 2 Public Entity directed by a Board of Directors appointed by the Minister of Defence. Armcor annually submits a business plan and an estimate of expenditure, which are motivated by the General Manager Finance and Administration of Armcor, 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 2005/06 were submitted according to payment conditions.	396,286	396,286
Permanent Force Medical Continuation Fund (Medical Fund B)	To subsidise the Medical Fund B for Permanent Force members who retired before 1964.	Audited financial statements for the financial year 2005/06 were submitted according to payment conditions.	0,275	0,212
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 during times of national disaster and emergency.	Audited financial statements for the financial year 2005/06 were submitted according to payment conditions.	0,050	0,040

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<i>Transferee</i>	<i>Reason for Payment</i>	<i>Accountability Arrangements</i>	<i>Voted 2006/07 Rm</i>	<i>Expenditure 2006/07 Rm</i>
Reserve Force Council	To subsidise the Reserve Force Council in their aim to secure community and private sector support for the Reserve Forces and to maintain a sound relationship and communication between the Reserve forces, the Minister of Defence and the SA National Defence Force.	The Accounting Officer of the Department is represented in the National Council. The Council annually submits a business plan and estimate of expenditure before such funds are included in the Departmental Vote. Audited financial statements for the financial year 2005/06 were submitted according to payment conditions.	2,726	2,500
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 2005/06 were submitted according to payment conditions.	7,933	7,720
Special Defence Account	To acquire, procure and develop armament and technology.	Under control of the Accounting Officer of the Department of Defence. Financial statements attached to this report.	8 280,738	8 280,738
Regional Services Councils	To honour the Department's obligation to Regional Services Councils in terms of the Regional Services Councils Act, 1985 (Act No 109 of 1985).	None. Payment takes place in terms of the relevant tariffs laid down by each Regional Services Council. As announced by the Minister of Finance these transfers were stopped on 30 June 2006.	3,967	3,967
Household Employer Social Benefits	To cover the cost of employment benefits due to Defence members being separated from the department through the Mobility Exit Mechanism.	Approved by the Minister of Defence.	191,374	191,374
TOTAL			8 883,349	8 882,837

7. Public private partnerships (PPPs)

7.1 No formal Public Private Partnerships (PPPs) have been concluded in the DOD. The following projects are registered with the National Treasury as possible PPP's:

7.1.1 **SA Air Force.** The DOD is in the process of advertising for the appointment of a transaction advisor to conduct a feasibility study with respect to the viability for commercial co-use of the Air Force Base Ysterplaat in Cape Town.

7.1.2 **SA Navy.** A project was launched for a PPP to establish a Sea Safety Training Centre in Simon'sTown and a preferred bidder was identified to conclude a feasibility study.

7.1.3 **SA Military Health Services.** A feasibility study has been completed to create a PPP with private health care providers for the provision of health services for serving and retired officials of the DOD in eight regional centres in South Africa. The request for proposal is awaiting approval by the Secretary for Defence and the National

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Treasury for the establishment of the PPP.

8. Corporate Governance Arrangements (IFAS Standard)

8.1 Standard of Behaviour

8.1.1 Leadership. Senior commanders and managers of the Department exercise their leadership in accordance with the constitutional principles of transparency, good governance and accountability. Confidentiality is preserved in certain circumstances when it is in the national interest to do so.

8.1.2 Codes of Conduct. Codes of conduct have been formally adopted for military members and public employees. All officials subscribed to the standards contained in these codes by signature. Disciplinary procedures are applied for non-conformance.

8.1.3 Conflict of Interest. Senior managers declare their economic interest annually. Members of management bodies dealing with procurement and acquisition are required to declare potential conflicts and withdraw before commencement of meetings. All officials are required to declare gifts in registers open to scrutiny.

8.2 Departmental Structures and Processes

8.2.1 Compliance. Applicable statutes and regulations are complied with by the promulgation of ministerial directives and departmental instructions/orders and publications that are legally enforceable.

8.2.2 Statutory Accountability. The Secretary for Defence accounts to Parliament for the management of the implementation of the Defence Vote. All departmental budget authorities are held to account by the Secretary for the economic, efficient and effective utilisation of resource to achieve the objects of their respective programmes.

8.2.3 Communication with Stakeholders. Defence officials appear regularly before relevant Parliamentary committees on instruction of the Minister to explain departmental plans, programmes and budgets (including resource management policies) as well as account for performance. All media enquiries are answered through a corporate communication service.

8.2.4 Roles and Responsibilities. The Minister of

Defence directs and controls the Defence functions through the Council of Defence. The Secretary for Defence and the Chief of the National Defence Force implement ministerial directives through the Defence Staff Council. Top level budget authorities are members of the Defence Staff Council. Subordinate boards and committees serve this Council. A formal strategic direction and control process is followed that sets the agenda for these councils, boards and committees.

8.3 Control

8.3.1 Risk Management. Defence's risk management strategy, compiled by the Chief Financial Officer on behalf of the Secretary in his capacity as the Accounting Officer of the Department, is aimed at setting and formalising the Department's approach to risk management and also quantifies and describes Defence's risk appetite, taking into account the materiality framework and fraud prevention plan that supports this strategy. The strategy of Defence in terms of risk management is as follows:

- Risk management forms an integral part of the total management process and is the responsibility of each official in the Department.
- All pertinent risks are identified, prioritised and action plans are subsequently developed to mitigate or minimise the materiality of these risks to an acceptable level, in line with the risk management process, as indicated in the policy on risk management.
- Risks are identified as they relate to the strategic objectives of Defence or the control systems that exist for a particular resource. All identified risks are categorised in terms of the control system elements namely policy, capacity, information system and accountability and action plans developed are then aimed at addressing these elements.

All Services and Divisions must compile risk management plans as part of that Service/Division strategic plan, in line with the Accounting Officer's guidelines and quarterly reports must be submitted on the progress on the action plans developed to mitigate these risks.

8.3.2 Fraud Investigation and Prevention. The Anti-fraud Strategy of the DOD is based on three

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main outcomes of the National Anti-corruption Summit of 1999, namely preventing and combating corruption, building integrity as well as raising awareness. In order to achieve the desired result, it was important to introduce a strategy to advise, direct and guide members of the DOD on the approach to the seriousness of fraud. Defence has an ongoing programme to create a culture of honesty, openness and assistance by eliminating opportunities in order to raise fraud awareness and to promote the detection of fraud. The DOD's fraud prevention plan fits into the context of global and national measures. The Directorate Anti-corruption and Anti-fraud is the main role player in combating fraud and corruption within the DOD. To combat fraud requires an effective fraud prevention plan. Although detection and investigation is a reactive process, there are pro-active spin-offs in the sense that investigations have a major deterrent effect on potential fraudsters. Recommendations regarding corrective measures, as well as preventative systems, processes and policies are the main product of investigations. Successful investigations result in legal action - whether criminal, civil or disciplinary. During the reporting period investigators of the Directorate Anti-corruption and Anti-fraud received training from the Scorpions with specific reference to the conducting of forensic investigations, the various stages of an investigation, the writing of reports and how to investigate an incident effectively. A number of officials also attended a course in forensic investigations and fraud investigations at the University of Pretoria.

8.3.3 **Internal Audit.** Internal Audit comprised out of both compliance and performance audit, reviewing aspects of economy, efficiency and effectiveness. The Inspector General followed a risk-based approach over three years, in accordance with the Rolling Three year Internal Audit Strategy. The Defence Inspectorate was externally reviewed as a requirement of the Treasury Regulations. This provided a holistic overview of the compliance by Defence Inspectorate to the International Standards for the Professional Practice of Internal Auditing. The external review highlighted non-compliance which the Division is in the process of being rectified. Management's action addressed the appoint-

ment of a quality manager, to have an assessment plan and annual assessment schedule available. A training manager was appointed to address Internal Audit training to ensure internal auditors stay current in the latest developments of the internal audit profession. Skills training were included in the operational plan for the next financial year. The outcome of the external quality assessment emphasised the weakness in the Division.

The effectiveness of internal audit results could further be measured by the positive impact resulting from the recommendation and advice given through audit reports of the Defence Inspectorate. As a result of audits conducted within the Joint Operations environment, operational meetings became more focused on the execution of tasks. Audit reports in certain instances expedite the appointment of critical staff. Standardised procedures for peacekeeping operations were formulated and adopted. A decision with regard to deployment of designated personnel from Directorate Physical Training, Sport and Recreation (DPTSR) to co-ordinate leisure time utilisation (LTU) activities was seriously considered. Fewer members were able to deploy with incomplete Concurrent Health Assessment because of audits conducted during mobilisation in Bloemfontein. Companies that operated illegally at the mobilisation centre were finally removed and stopped from operating at the mobilisation centre. The issue regarding the treatment of members of OP TEUTONIC at United Nations Health Care Facilities in the Democratic Republic of the Congo was finally resolved.

The activities of the Professional Internal Audit Forum (PIAF) resulted in an improvement regarding co-ordination in work performed by the Defence Inspectorate and Service Inspector Generals. A thorough revision was undertaken on the Quality of Performance and Regulatory Audit Core processes. There was an improvement in the dissemination of reports. The implementation of the Rolling Three-year Internal Audit Strategy was in place and included the activities of the Service Inspector Generals, which enhanced the reporting to management of the DOD as a whole. The PIAF further improved the communication between the Auditor-General and the Inspector General of the DOD.

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8.3.4 **Audit Committee.** The Audit Committee during the reporting period provided guidance to the Internal Audit Division. Amongst many issues it included the identification of shortcomings in the Internal Audit Plan and the lack of expertise of internal auditors. The audit plan, Auditor-General's audit report and the quarterly reports revealed that financial statements were not addressed adequately, which was ascribed to lack of expertise. The external members of the Audit Committee made their services available to assist the DOD to identify suitable candidates that could assist the DOD to bridge the gap. The Audit Committee also approached the Secretary for Defence to provide assistance to the Chief Audit Executive to enable and to equip the internal audit function in order to deliver the required services and to improve the Internal Audit function.

The Defence Inspectorate provided the secretarial services for the Audit Committee. The following information regarding the Audit Committee is relevant:

8.3.4.1 **Composition.** During the year under review, the Audit Committee for the Department of Defence (DOD AC) was duly constituted according to the Public Finance Management Act (PFMA). The external members were (appointment dates indicated in brackets): Dr D. Konar (Chairperson) (27 May 2005); Mr D.S. Molapo (27 May 2005); Mr K.A. Ross (27 May 2005) and Mr G.R. Withhöft (7 June 2005). The internal members were Lt Gen J.L. Jansen van Rensburg: (Chief of Corporate Staff) (1 February 2006) and Mr T.E. Motumi: (Chief of Policy and Planning) (7 February 2006).

8.3.4.2 **Responsibilities.** The Audit Committee complied with its responsibilities in terms of Section 38(1)(a) of the PFMA and Treasury Regulation 3.1.13. Four scheduled and two special meetings were held. Special In-Committee Meetings were held between the Audit Committee members. Activities of the Audit Committee were formalised into a plan, allowing the coverage of the total spectrum of risk areas that needed to be assessed and monitored, in accordance with the Public Finance Management Act and the National Treasury Regulations. The terms of reference, which guide the activities of the DOD's

Audit Committee, were reviewed by the Audit Committee during the reporting period and was approved by the Accounting Officer. The external and internal members, Ex-Officio Officers, the Auditor-General, Chief Audit Executive and the Accounting Officer, formally assessed the DOD Audit Committee.

8.3.4.3 **Activities.** Audit Committee members during the reporting period had an opportunity to be exposed to DOD units through a physical visit and also accompanied audit team members in conducting audits. The Audit Committee had direct access to the Auditor-General, the Secretary for Defence and the Chief of the SANDF.

8.3.5 **Internal Control.** A framework of internal control has been implemented for financial management in the Department. The framework consists of the various resource subsystems of control that are impacting on the revenue, expenditure, assets and liabilities of the Department. Each sub-system is evaluated bi-annually for compliance with the regulatory framework taking risks and adverse audit findings into account. Certain control systems are inefficient but are being improved through corrective measures that are monitored through the related management council or board.

8.3.6 **Budgeting and Financial Management.** The departmental strategic business plan and related budget is tabled in Parliament and authorised by the related Appropriation Act. The plan, programme and budget is based on Government's Plan of Action and related guidelines by the Minister, Secretary for Defence and Chief of the National Defence Force. Budgeting is integrated with the accounting and cash management functions. The Minister, Secretary for Defence and budget authorities monitor execution of the budget monthly regarding expenditure, cash flow including improper expenditure and under-collection of revenue. The Financial Management System is still cash-based, consequently financial information for decision-making is fairly limited. A system is being developed to support revenue management on a par with expenditure management.

8.4 External reporting

8.4.1 **Annual Report.** The Minister tables the annual

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report including financial statements to provide an account of the Department's performance against the objectives set in the strategic business plan and its financial position and performance against the appropriate budget.

8.4.2 **Accounting Standards.** The financial statements are set out in accordance with Generally Recognised Accounting Practices (GRAP) as determined by the National Treasury.

8.4.3 **Performance Measures.** The performance measures for departmental outputs are set out in the strategic business plan as measurable outputs and targets. The actual performance against these measures is reported in the main portion of the annual report. The performance measures to ensure that resources are procured economically and utilised efficiently and effectively have not been established since the financial management information system is still cash-based and the other resource management information systems are not integrated. The implementation of the integrated financial management system described below will enable the establishing of performance measures for resource utilisation.

8.4.4 **External Audit.** An objective and professional relationship has been established with the Auditor-General. The Secretary for Defence chairs first and final audit steering committee meetings. Co-ordination meetings are held with the Secretary for Defence quarterly and with the Chief Financial Officer monthly. The Audit Committee co-ordinates the internal audit programme with that of the Auditor-General.

8.5 Occupational Health and Safety (OHS)

8.5.1 The Surgeon General is the delegated authority to direct and monitor occupational health and safety in the DOD. This function is executed in conjunction with all Defence Services and Divisions. Occupational health and safety policy are implemented to direct the provision and maintenance of working environments that are safe and without risk to DOD officials.

8.5.2 Non-compliance with governance is vigorously investigated in conjunction with the Inspectorate of the Department of Labour to enforce corrective actions. All corrective actions are monitored to ensure that it is reasonably practical to eliminate or mitigate the hazards and risks before resorting to personal protective equipment.

8.5.3 Daily health assessments and occupational hygiene surveys contribute to the enhancement of operational readiness within the DOD and support the compensation process for occupational injuries and diseases. The shortages of specialised resources, including occupational hygiene, are constantly being addressed.

8.5.4 Current challenges include OHS restructuring delays, the OHS awareness training at all levels of command, the human resources to manage the work environment, risks and quality related governance and the restricted management of the non-compliance with the Facilities Regulations and Ammunition and Explosive Regulations of the OHS Act, No 85 of 1993.

8.5.5 The suitable rehabilitation of Defence facilities in compliance with the OHS Act is being supported by the government to correct the funding constraints experienced within the DOD and at the Department of Public Works.

8.5.6 Policy developments include the revised Defence instruction on OHS Management, the hearing conservation policy and an OHS Manual for commanding officers and supervisors in the SA National Defence Force. Under revision are the policies on the prevention of occupational stress fractures during military training, immunisation, tobacco control (smoking policy), occupational health monitoring and a joint defence publication on the OHS management system in Defence. A complete OHS practitioner's manual has been completed and will soon be available in the form of an information database loaded on the Defence Intranet. This will enable all commanding officers, supervisors and Defence personnel to be empowered with occupational health and safety management tools.

8.6 Environmental Matters

8.6.1 **Military Integrated Environmental Management (MIEM) - Green Soldering.** If not managed properly in accordance with national environmental legislative provisions, military activities can have a profound impact as well as a detrimental effect on the environment. The aim of environmental management in the DOD is to ensure the sustainable management of military activities and facilities in order to continuously support the military mission both inside and outside the borders of South Africa. Through

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incorporating environmental considerations in the planning and execution of all military activities, the environmental footprint can be reduced or mitigated. This is achieved through various programmes of which the following are considered the most prominent:

- 8.6.1.1 **Environmental Considerations in Military Operations (ECOps).** The guidebook on ECOps was finalised in conjunction with the United States Defence Department and distributed throughout the DOD. Lessons learnt during OP TRITON in the Comores were incorporated in the planning and deployment of an environmental staff member in Burundi to ensure that a minimal footprint is left after the peace support operation. Various environmental staff members received practical training with respect to ECOps during Ex Seboka. An ECOps co-ordinator has been appointed to manage the implementation thereof in conjunction with the Joint Operations Division.
- 8.6.1.2 **International co-operation.** The RSA-USA Environmental Security Working Group (ESWG) under the Defence Committee continued to work on several joint projects. Five US DOD members visited the South Africa and two RSA members visited the US to initiate a joint project on the development of a guidebook on Integrated Waste Management (IWM) of which the draft document was completed. The joint Guidebook on ECOps was finalised, printed and distributed. The next project that has been initiated with the visit of five US members to South Africa, is the development of a Plan of Learning for the African Countries Operational Training Assistance (ACOTA) with regard to ECOps.
- 8.6.1.3 **Water Efficiency Programme.** This co-operative programme between the Department of Water Affairs and Forestry (DWAFF) and the Department of Public Works (DPW), which will have a financial benefit of cost reduction and reduce the pressure on water resources, has progressed with the identification of AFB Hoedspruit as a trial base for implementation.
- 8.6.1.4 **Operation Vuselela.** The partnership with DWAFF and the sub-programme of Working for Water Programme on the eradication of alien invaders through the utilisation of military veterans has been extended to the Free State Province. The National Co-ordinating

Committee continued to manage the teething problems with respect to the implementation of the programme.

- 8.6.1.5 **Environmental Clean-up and Rehabilitation.** During the reporting period, environmental staff members have been involved in the clean-up and rehabilitation of the environment at the Hell's Gate Training Area as part of the settlement of the restitution claim on this property. This involvement provided the basis for future involvement in the closure of unused properties as well.

9. Discontinued activities/activities to be discontinued

- 9.1 Discontinued activities and activities to be discontinued are described in Chapter 1 of the Annual Report.

10. New and proposed activities

- 10.1 New and proposed activities are described in Chapter 1 of the Annual Report.

11. Asset Management

Asset management in the DOD has progressed from item management to a more comprehensive management approach of through life (life cycle) and financial management of assets. This approach has been adopted by the DOD to align the Department with National Treasury requirements and international standard of asset management in the public sector.

- 11.1 **Progress with regard to capturing assets in the asset register.** Defence has progressed well in capturing all items on the asset register. More than 90% of all items are currently on record and the remaining items, mainly consisting of the Strategic Defence Packages items recently received, are presently being codified and catalogued in order to bring it on record. This is done in collaboration between the DOD, suppliers and international codification bureaus. Currently, the minimum requirements for asset registers are being updated to accommodate for information not previously captured on the asset register and are still to be fully updated. Defence is also integrating its four major logistic accounting systems into one system, being the Operating Support Information System (OSIS) to facilitate better control and management of Defence's inventory. This will enable improved

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compliance with current and future National Treasury reporting requirements. In the process the small number of units still currently using manual logistic accounting systems will be computerised and converted to OSIS.

11.2 **Establishment of asset management units and asset management teams.** The DOD has a large number of asset management units distributed throughout the country under command and control of the different Services and Divisions. These units operate as depots and distribution points for goods as well as administration centres performing the logistic accounting function for the depot itself and for the units within its area of responsibility. The DOD has established a corporate asset management team to oversee the following functions:

- Ensure a smooth transition of the different logistic accounting systems to a single system to improve control of assets and to establish a high standard of asset management.
- Ensure that DOD becomes fully compliant with National Treasury requirement in respect of accrual accounting by means of applications and training.
- Ensure that logistic functions and systems are managed to the extent that a smooth transition to the Integrated Financial Management System is achievable.

11.3 **Compliance with minimum asset management requirements.** The DOD continues to manage its inventory according to the North Atlantic Treaty Organisation (NATO) prescripts for asset management and not in accordance with the Standard Chart of Accounts (SCOA) as required by the National Treasury. This is due to the fact that commonality between the DOD and other Defence Forces is a requirement during the execution and support of joint military operations. SCOA classifications are dissimilar to the classification used by NATO. However to be able to report in the SCOA format, the DOD has created a conversion table to bridge the differences between the two formats and significant progress has already been achieved. Unfortunately, due to the complexity of both formats the updated version is still found to be sufficient for budget purposes but insufficient for logistic reporting purposes. The DOD will con-

tinue to upgrade and update the bridging tool to meet the reporting requirements as soon as possible but, as reported in the previous year, the vast DOD inventory still makes it very difficult to report in the SCOA format. The DOD will therefore have to continue to report in the NATO format until all items have been allocated both a NATO and a SCOA code. Meetings and follow-up meetings are to be held with other departments to share knowledge and experience in this regard and to achieve quick success to fast track the solution to the impasse currently experienced by the DOD.

11.4 **Compliance with Asset Management Reform milestones.** A departmental investigation is still in progress to determine the gap between the present status of the asset register versus the new requirements. Currently the asset register conforms largely to the requirements determined but is lacking in primarily the pricing and the financial management of assets. Measures will be affected to fully comply with required standards, however conclusion in this regard will be slow due to the fact that only with the full migration to one logistic system the DOD will be fully compliant. Basic asset management policies are in place based on cash accounting principles and distributed throughout the Department. Policies based on accrual accounting principles have been formulated and distributed as a discussion document at the Logistic Staff Council. Approval, promulgation and distribution is planned for the financial year 2007/2008. An asset management strategy and life cycle management plans, for capital equipment only, have been formulated and published and the strategy and plan for all other equipment and stores is still in process to be formulated and will be managed by the appointed Asset Management Task Team.

11.5 **Movement in Tangible and Intangible Capital Assets.** Opening balances, current year adjustments to prior year balances, disposals and closing balances for Tangible and Intangible Capital Assets (Notes 29 and 30 to the Annual Financial Statements of the General Defence Account) could not be disclosed because accurate prices are not carried in current DOD logistic systems.

11.6 **Accounting and Reporting in terms of GRAP**

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11.6.1 Historically, the DOD expensed assets at date of purchase in terms of cash based accounting and thereafter accounted for assets in terms of item accounting. Due to the moratorium by the National Treasury the DOD was restricted to enhance its asset accounting systems in lieu of the envisaged IFMS. The DOD is thus unable to report on assets as required by GRAP. The National Treasury was approached for authority to deviate from GRAP, however approval was denied.

11.6.2 Subsequent to the submission for a deviation, numerous meetings with National Treasury and the Auditor General to resolve the matter has taken place. It was made clear by the DOD at these meetings that the Department was unable to report in terms of GRAP.

11.6.3 The DOD subsequently has endeavoured to clean up its asset register by means of verifying data and items on charge as well as to formulate accrual accounting policies. Simultaneously benchmarking has taken place with other National Departments to expedite progress while a substantial number of members have been trained by the South African Institute for Government Auditors (SAIGA) to improve accrual accounting competency levels.

11.6.4 It is foreseen that problems regarding accrual accounting and reporting in terms of GRAP will only be solved in the long term without the option of quick solutions. A draft plan has been formulated concerning the way forward.

12. Events after the reporting date

12.1 The transfer of the SA Naval Dockyard to Armscor on 1 April 2007 did not materialise as intended due to an interdict obtained by the National Education; Health and Allied Workers Union against the DOD. At the main hearing the interim interdict was dismissed affording the

DOD to proceed with the transfer. The transfer is now intended for 1 September 2007.

12.2 A loan, authorised by the Minister of Finance, to the amount of R13 400 000 was granted to the South African Forces Institute to be paid back by 31 March 2007. The borrower has failed to comply with the loan conditions by not redeeming the loan on the determined date. The DOD will request the Minister of Finance for an extension of the pay back period. (See Note 14 to the Financial Statements.)

13. Performance information

13.1 Performance information, per programme, is comprehensively reported on in Chapters 3 to 11 of the Annual Report.

14. SCOPA Resolutions

14.1 SCOPA Resolutions on the 2002/2003 and 2003/2004 financial year were listed in the Annual Report for the previous period, together with the DOD's progress on the action plans implemented to address these resolutions. As there was no SCOPA hearing held in 2006, both the 2004/2005 and the 2005/2006 financial years were covered during the SCOPA hearing held on 9 March 2007. To date the DOD has not yet received any SCOPA Resolutions forthcoming from this hearing. The DOD did, however, submit a response to SCOPA dated 8 August 2007 on certain issues raised during the hearing of 9 March 2007.

14.2 Further progress on the Resolutions from the hearing on 14 September 2005 are provided:

15. Progress with financial management improvement

15.1 The DOD is in the third phase of a long-term strategy reported on previously to improve the

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<i>Reference to the 2003/2004 Annual Report</i>	<i>SCOPA Resolutions dated 14 Sep 05</i>	<i>Recommendations by SCOPA</i>	<i>Progress on Action Plans</i>
Page 143, par 3.1	Par 2 - Contingent Liabilities and Leave	Adherence to all relevant rules, regulations and instructions of the internal control system. Proper management controls, including independent checking and reviewing of attendance and leave registers.	CSANDF has instituted numerous control measures to further strengthen internal controls over the administration of leave and compliance by all members. SecDef has instructed that members responsible for non-compliance be disciplined.
Page 144, par 3.2	Par 3 - Physical and Intangible Asset Movement Schedules	Establish a single logistical system or upgrade the present logistical systems to make provision for accrual accounting.	Presently the DOD's logistic accounting does not comply with National Treasury's requirements for accrual accounting and therefore the DOD is not able to provide figures as required for the "Movement in tangible and intangible capital assets". The DOD has investigated the bridging of the SCOA categories with NATO categories. A bridging tool has been developed after consultation between the DOD and National Treasury. The tool has been found to be successful when higher order groupings, for example budgeting purposes, are required. However the accuracy of reporting required for the "Movement in tangible and intangible capital assets" is greater than what the bridging tool presently can give in respect of individual items. The DOD is presently planning a long-term project to upgrade its systems to become compliant. However due to the moratorium placed on the DOD by National Treasury, the Department cannot procure or develop new systems and will therefore remain non-compliant until a new or upgraded system is in place.



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<i>Reference to the 2003/2004 Annual Report</i>	<i>SCOPA Resolutions dated 14 Sep 05</i>	<i>Recommendations by SCOPA</i>	<i>Progress on Action Plans</i>
Page 144, par 3.2 (continued)	Par 3 - Physical and Intangible Asset Movement Schedules (continued)	Submit timeframes for implementation of a system that is integrated and able to report the financial information required.	The DOD is presently planning a long-term project to upgrade its systems to become compliant. However due to the moratorium placed on the DOD by National Treasury, the Department cannot procure or develop new systems and will therefore remain non-compliant until a new or upgraded system is in place. However, the DOD will approach the IFMS Clearinghouse of the GITO council, to carry out enhancement of current systems in order to solve the matter. According to the draft DOD Log Accounting and Accrual Accounting Plan, phase one started 1 August 2007 and full reporting on accrual is envisaged for 29 March 2013.
Page 144-146, par 5.1	Par 4 - Inventory, Machinery and Equipment	Internal control procedures be revised and improved where necessary.	CSANDF has instructed Services and Divisions to revise and improve their internal control procedures.
		Vacancies should be filled with skilled personnel and relevant training should be given and Portfolio Committee on Defence should monitor progress.	Posts are being identified and staffed. Training is done via the existing Command and Staff programs. The Portfolio Committee on Defence is briefed regularly regarding progress made.
		Disciplinary action is to be taken where non-compliance is detected.	The delegations have been signed and will be implemented according to the Implementation Instruction. Service and Divisional Chiefs have already received the delegations.
		Storage facilities are to be upgraded.	C Log is tasked to engage DPW to affect upgrades where needed.
		The reporting structure should be investigated to ensure that officers commanding are held responsible.	Some GSBs are being decommissioned and delegations are given back to Service Chiefs and their level 4 commanders to ensure a wider span of control.
		Logistic systems are to be integrated.	Implementation of the IFMS by NT will achieve this requirement.
		Disposal plans must be finalised on time and SCOPA must receive a progress report within 60 days of tabling this report.	Disposal plans are monitored via quarterly reports submitted to the Log Staff Council and the AMC. A progress report was submitted to SCOPA on 26 Oct 05.
Page 144, par 3.4	Par 5 - Purchases and Payables (Accruals)	An integrated system must be implemented to ensure compliance with accrual accounting principles or that the current systems are upgraded /replaced or that National Treasury revisits its requirements on disclosure.	The DOD is working with NT to implement a suited IFMS. The DOD is currently busy migrating its Log systems to OSIS. NT granted the DOD approval to deviate from the prescribed accounting practices for 04/05 and 05/06 FYs in respect of accruals. For the 06/07 FY deviation wrt accruals was again requested.

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<i>Reference to the 2003/2004 Annual Report</i>	<i>SCOPA Resolutions dated 14 Sep 05</i>	<i>Recommendations by SCOPA</i>	<i>Progress on Action Plans</i>
Page 144, par 3.3	Par 6 - Departmental Income	Steps to ensure that monies received are regularly reconciled and checked by senior personnel at unit level; and systems must be reconfigured to ensure that income can be managed and controlled at unit level.	The Revenue Management Policy is being revised and will be promulgated. A Tariff Policy and Database are being developed whilst budget guidelines were enhanced to include revenue estimates. The Financial Management System has been enhanced to account for income at the point of origin to ensure effective control. Performance agreements of Chiefs of Services and Divisions were amended to include the responsibility for revenue collection.
Page 144, par 3.5	Par 7 - Irregularities and Losses	Losses must be reported and the loss register must be updated, reviewed and reconciled regularly.	<p>The policy was revised and is promulgated to ensure compliance.</p> <p>An integrated system of reporting incidents, namely the Consolidated Control Project, is being developed by the CFO in conjunction with all other role-players. This system will give the DOD the ability to trace and manage all incidents at all levels, thereby improving follow-up and corrective actions. It has been confirmed that damages and losses are included in the evaluation sheet of the Stores Control Specialists and in-post training is being given during these evaluations.</p> <p>Where irregularities exist, rectification plans are perused to ensure that these aspects are addressed. Feedback is given on a monthly basis to the Materiel Administration Management Meeting.</p> <p>Services and Divisions have been instructed to monitor outstanding cases and provide quarterly progress report with regards to these cases.</p> <p>In order to ensure management involvement in the management and administration of damages and losses, Services and Divisions have been instructed to convene a Review Board at least monthly to scrutinise investigations (BOIs/OCIs/UI/BI) in respect of line and functional command matters.</p> <p>Presently the Losses and Damages DODI is being upgraded by the Logistic and Finances Divisions to accommodate the weakness</p> <p>Services and Divisions have been instructed to ensure that registers are checked and signed by the GOCs/OCs on a monthly basis to ensure that all reported incidents are investigated.</p> <p>Follow up inspections at units where these omissions took place is scheduled. Management action will be taken against units who do not comply with policy.</p>
		Training in financial management for senior personnel at unit level must be implemented.	E-learning and awareness programs are being implemented. Formal compulsory courses are developed for implementation.



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<i>Reference to the 2003/2004 Annual Report</i>	<i>SCOPA Resolutions dated 14 Sep 05</i>	<i>Recommendations by SCOPA</i>	<i>Progress on Action Plans</i>
Page 146, par 5.3	Par 9 - Gifts, Donations and Sponsorships	Revision of internal control measures to ensure that all gifts, donations and sponsorships are reported and reflected correctly in the financial statements.	Two policies were promulgated and internal control measures were implemented on 1 Apr 06 to enhance accurate registering and reporting of gifts, donations and sponsorships.
Page 147, par 5.7	Par 11 - Information Systems	Improvement of CALMIS security management	SITA implemented a register on 11 Mar 05 to log all DBA activities, monitored by the DOD. Oracle logs were activated by SITA on 31 Mar 05.
Page 146, par 5.5	Par 12 - Revenue and Receivables (Foreign Aid in Kind)	The Committee recommends that a progress report be submitted to SCOPA within 30 days.	Two policies were promulgated and internal control measures were implemented on 1 Apr 06 to enhance accurate registering and reporting of gifts, donations and sponsorships. A report was submitted to SCOPA on 26 Oct 05.
Pages 49 & 89	Par 13 - Rooivalk Helicopter	SCOPA must be supplied with a cost benefit analysis of the project and how future operational cost will be funded.	A report on the operational requirement, acquisition costs and process as well as the life cycle operating costs was submitted to SCOPA on 26 Oct 05.



financial management of the Department substantially. The current phase consists of broadening the scope of implementation of the public financial management framework to other functions affected by public financial management such as personnel, matériel and information management. The initiatives include ensuring promulgation of legally enforceable instructions, an integrated financial management information system supporting generally recognised accounting practices, building of departmental capacity and reinforcing accountability arrangements.

15.2 The principal constraint in the third phase has been the legacy resource management information systems that are unique to the DOD and were developed independently from a cash-based transaction-processing origin. These systems are unable to support emergent generally recognised accounting practices including reporting requirements and are inadequate to detect and prevent non-compliance with financial management policies and instructions. The cost-effectiveness of developing and integrating these systems to support compliance with the emergent accounting standards and financial reporting requirements is questionable. Cabinet

has decided that a common integrated financial management information system that supports recognised accounting practices be implemented in the next five years. The DOD is thus obliged to continue with the legacy resource management information systems making only essential enhancements to accommodate policy changes and breach serious control weaknesses.

15.3 The DOD is busy implementing new structures for resource management systems such as personnel, matériel (including supply chain) and information management. Structural components are being consolidated and streamlined to improve efficiency and accountability arrangements. Personnel are undergoing functional and skills training based on the duties and authorities defined in departmental prescripts. An in-house training programme for the statutory general financial management responsibilities contained in PFMA Section 45 has been designed and was implemented during the financial year 2006/2007 as a medium to long term project to train all departmental officials.

15.4 The Accounting Officer chairs a monthly Accountability Management Committee through which all cases of non-compliance with financial management prescripts (identified by

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departmental detective measures as well as internal and external audit findings) are dealt with. The effectiveness of this committee has been improved by the compulsory attendance of top managers to personally account for non-compliance with departmental prescripts by officials within their respective areas of responsibility. Accountability management was further enhanced by the compulsory attendance of audit steering committee meetings by Chiefs of Services and Divisions.

- 15.5 The migration from a cash basis of accounting to the accrual basis of accounting as required by the National Treasury still poses a serious challenge to the Department to comply with the emergent practices and reporting requirements given the current state of the legacy resource management information systems and organisational capacity. The DOD nevertheless remains committed to active participation in National Treasury financial management improvement initiatives during the reporting period by providing extensive inputs on the development of the Integrated Financial Management System.

16. Appreciation

The progress and success of the Department's achievements over the past year is due to the efforts of many. The strategic guidance and support of the Minister and Deputy Minister of Defence has been consistent exemplary and is acknowledged. The funding and support pro-

vided 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.

Approval

The audited Annual Financial Statements set out in pages 199 to 279 have been approved by the Accounting Officer.



(J.B. Masilela)

Secretary for Defence: Director General

Pretoria
31 August 2007

REPORT OF THE AUDITOR- GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF VOTE 21 - DEPARTMENT OF DEFENCE for the year ended 31 March 2007

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Department of Defence which comprise the statement of financial position as at 31 March 2007, appropriation statement, statement of financial performance, statement of changes in net assets and cash flow statement for the year that ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 199 to 266.

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting determined by National Treasury as set out in accounting policy 1.1 and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996, read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 647 of 2007*, issued in *Government Gazette No. 29919 of 25 May 2007*. Those standards require that I comply with ethical

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requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

8. The department's policy is to prepare financial statements on the modified cash basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 to the financial statements.

Basis for qualified opinion

9. Tangible and intangible capital assets

The movement in tangible and intangible capital assets per asset register was not disclosed. Disclosure in notes 30 and 31 was limited to cash additions as disclosed in note 8. It did not include the opening balance, current year adjustments to prior year balances, non-cash additions and disposals and did not conform to the modified cash basis of accounting determined by National Treasury. Consequently, the closing balance is understated. The effect of these omissions could not be quantified due to the inadequacy of the asset registers in use and the weaknesses identified in internal control.

10. Irregular expenditure: R481 000 (2005-06: R955 000)

Irregular expenditure, as disclosed in note 26 to the financial statements, is understated mainly due to:

- The salary increase granted to the South African National Defence Force members not being approved in accordance with section 55, subsection (1) and subsection (2) of the Defence Act, 2002 (Act No. 42 of 2002). It therefore constitutes irregular expenditure in terms of section 45(c) of the Public Finance Management Act, 1999 (Act No. 1 of 1999). Irregular expenditure, as disclosed in note 27 to the financial statements, is understated by an amount of approximately R170 000 000 for the period 1 July 2006 to 31 March 2007. The department is of the opinion that the salary increases do not constitute irregular expenditure and did not report or disclose the expenditure as such.
- The department did not classify and disclose the expenditure incurred on contract RT3 of 2000 and RT3 of 2003 as irregular expenditure. Practice note 5 of 2006/07 issued by National Treasury granted approval for the irregular expenditure incurred as a result of departments entering into finance lease transactions in terms of National Treasury's transversal contract RT3 of 2000 and RT3 of 2003.

11. Travel and subsistence: R463 415 000 (2005-06: R567 669 000)

The sample drawn from the financial management system (FMS) to test the validity of travel and subsistence claims could not be traced back to the relevant documentation supporting the claims. The completeness of the expenses could also not be verified as the supporting documentation supporting the claim could not be traced back to the FMS. This resulted in a limitation of scope as 49% of the identified sample in rand value could not be tested for validity. No practicable alternative procedures could be performed.

12. Prepayments and advances: R176 471 000 (2005-06: R144 659 000)

The sample drawn from the FMS to test the existence, valuation, rights and obligation assertions on advances outstanding at year-end could not be traced back to the relevant documentation supporting the advances outstanding. This resulted in a limitation of scope on advances as 95% of the identified sample in rand value could

not be tested for existence, valuation and rights and obligations. No practicable alternative procedures could be performed.

13. Accruals: R272 966 000 (2005-06: R155 100 000)

The department's accounting policy changed during 2007 to include goods and services for which an invoice had been received by year-end but final authorisation for payment had not been effected on the system, and where goods and services were received but an invoice had not been received. The accruals for both 2006 and 2007 did not include goods and services received for which an invoice had not been received at year-end. This resulted in an understatement of accruals by an unquantifiable amount. Further to the above, the result of the sample of accruals tested from the accrual listing included accruals to an amount of approximately R7 800 000 that could not be substantiated, and accruals amounting to R1 901 858 that were incorrectly classified. Therefore the accruals disclosed in note 23 to the financial statements are not fairly presented.

14. Lease commitments: R1 648 000 (2005-06: R8 060 000)

With reference to paragraph 6.11 of my previous report on page 266 of the 2005-06 annual report, the existence, rights and obligations, completeness and valuation and allocation of lease commitment as disclosed in note 25 to the financial statements could not be confirmed. This year there was again no efficient and effective system of control over the recording of operating lease commitments on which we could rely for the purpose of our audit, and the auditing procedures performed could not provide reasonable assurance that all operating lease commitments were properly recorded and disclosed.

Furthermore, the department did not disclose any finance lease commitments despite the fact that the department used transversal contract RT3 of 2000 and RT3 of 2003 entered into by National Treasury for the supply of photocopiers.

15. Regional Service Council levies: R3 967 000 (2005-06: R15 144 000)

With reference to paragraph 6.5 of my previous report, the test for completeness, once again, revealed that the amount paid in respect of Regional Service Council (RSC) levies, as disclosed in note 7 and annexure 1A, is understated by an amount of approximately R3 130 038. Furthermore, no supporting evidence could be submitted for audit purposes to substantiate the recalculation of RSC levies accruals amounting to R37 922 268, as disclosed in note 23, which resulted in a limitation of scope as the existence, obligation, valuation and completeness of the RSC accruals disclosed could not be confirmed. No alternative cost-effective procedures could be performed.

16. Contingent liability: R1 513 838 000 (2005-06: R1 162 105 000)

The completeness of contingent liabilities as disclosed in note 21 and annexure 3B could not be confirmed. No practicable alternative procedures could be performed to quantify the amount of the understatement.

17. Misclassification of expenditure

Transactions amounting to R3 115 322 in respect of current expenditure: compensation of employees, goods and services and transfers and subsidies were incorrectly classified in the accounting records and the financial statements of the department. Expenditure amounting to R9 195 234 was incorrectly classified within note 5: Goods and services.

18. Receivables: R688 693 000 (2005-06: R103 317 000)

The completeness of receivables could not be confirmed. The alternative audit procedure performed indicated the absolute minimum understatement of receivables as R5 043 108. Consequently, this also resulted in an understatement of recoverable revenue amounting to R3 594 850 and an overstatement of current expenditure: Goods and services amounting to R1 448 258.

19. Departmental revenue: R492 792 000 (2005-06: R729 136 000)

With reference to paragraph 4.2 on page 262 of my previous report, sufficient appropriate audit evidence could not be obtained as to the completeness and recording of revenue in the correct accounting period. Furthermore, the department is losing revenue due to unserviceable equipment situated in the mission areas, which could have been prevented had reasonable care been taken.

20. Commitments: R1 632 353 000 (2005-06: R1 359 847 000)

The department only included commitments under "approved but not yet contracted", for which a financial

authority exists. All contracts approved by the different procurement committees, for which financial authorities do not exist, should also be included under approved but not yet contracted. This resulted in the commitments as disclosed in note 22 for approved but not yet contracted commitments to be understated by an amount of R3 192 509.

21. Clearing accounts

According to Treasury Regulation 17.1.2 the usage of clearing/suspense accounts should be limited to exceptional cases and the accounting officer should ensure that the amounts included in clearing or suspense accounts are cleared and correctly allocated to the relevant cost centres on a monthly basis. The department could not provide information/detail in respect of the credit posted to a suspense account during 2006-07 amounting to R29 100 579 which arose due to the payment of severance packages in 2005-06. Consequently, the recording of R29 100 579 could not be confirmed. The department should investigate the recording of this amount and submit the audit evidence required to the auditors during the 2007-08 financial year audit.

22. Fruitless and wasteful expenditure: R959 000 (2005-06: R472 000)

Sufficient appropriate audit evidence could not be obtained as to the completeness, allocation and presentation and disclosure of fruitless and wasteful expenditure as disclosed in note 10 to the financial statements. According to the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA), section 40(3)(b)(ii), the annual report and audited financial statements must include particulars of any criminal or disciplinary steps taken as a result of fruitless and wasteful expenditure. This resulted in the disclosure of criminal or disciplinary steps taken also being incomplete. The lack of policies and procedures for the identification, recording and reporting of fruitless and wasteful expenditure has contributed, in the main, to the understatement of fruitless and wasteful expenditure. No reasonable alternative procedures could be performed to quantify the total understatement.

23. Rank review audit

With reference to paragraph 4.4 on page 263 of my previous report, the department could still not submit sufficient and appropriate documentation in terms of the set criteria supporting the validity of each separate rank adjustment for audit purposes. The department did institute a process whereby condonation was requested from the Minister of Defence to deviate from the guidelines prescribed by him. The Minister of Defence condoned 154 former non-statutory force members' files. The remainder of the files, however, must still be scrutinised and submitted for audit purposes. It is anticipated that this audit will be conducted during October 2007. I will be reporting on the final outcome in the 2007-08 audit report.

24. Comparatives

National Treasury did not approve certain deviations for the department for the 2006-07 financial year. The department should have adjusted certain comparative figures to account for the effect of the changes in accounting policies. The comparative figures for the following were not adjusted:

- Accruals; and
- Notes for tangible and intangible capital assets.

Qualified opinion

25. In my opinion, except for the effects of the matters described in the Basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of Department of Defence as at 31 March 2007 and its financial performance and cash flows for the year then ended, in accordance with the modified cash basis of accounting determined by the National Treasury as set out in accounting policy note 1.1 to the financial statements, and in the manner required by the PFMA.

Emphasis of matters

I draw attention to the following matter:

26. Basis of accounting (departures and deviations)

The National Treasury granted the Department of Defence approval to deviate from the prescribed comprehensive basis of accounting for the year ended 31 March 2007, as indicated in accounting policy note 1.1 in respect of the following notes to and requirements for the financial statements:

- Note 27: Related-party transactions - Disclosure should have included the type of the related-party rela-

tionship, the type of transaction that occurred and the elements of the transactions. Disclosure was limited to the entities where the Minister of Defence is registered as the intermediary and the type of related-party transactions that had occurred between the department and the related party without quantifying the extent of the transactions and balances between the two parties.

- Investments: Given that the National Treasury is in the process of investigating the definition of ownership control for the public sector, the department may refrain from recognising and disclosing investment in the statement of financial position and the related annexures.

OTHER MATTERS

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

27. Internal control

27.1 Control environment

Employees are not provided with orientation, training and tools to perform their duties and responsibilities, improve performance, enhance their capabilities, and meet the demands of changing organisational needs in respect of receivables.

27.2 Control activities

- Appropriate policies, procedures, techniques and mechanisms do not exist with respect to the proper identification and recording of irregular, fruitless and wasteful expenditure, related parties, contingent liabilities arising from the National Environmental Management Act, 1998 (Act No. 107 of 1998) and commitments;
- Transactions and other significant events are not properly classified and not promptly recorded with respect to lease commitments, contingent liabilities, receivables and capital assets;
- The control activities identified as necessary are not in place and are not being applied with respect to revenue, receivables, capital assets and clearing accounts;
- Management does not review at functional or activity levels the appropriate control activities which should be employed, such as reconciliation of summary information to supporting details in respect of revenue, receivables and capital assets;
- The department does not use physical control to safeguard vulnerable assets;
- Key duties and responsibilities are not divided or segregated among different people to reduce the risk of error, waste or fraud in respect of capital assets;
- Transactions and events relating to capital assets are not timeously authorised;
- Access to resources and records is not limited and accountability for their custody is not assigned;
- Transactions and other significant events are not clearly documented as the documentation supporting the rank review process was not readily available for examination.

27.3 Information and communication

The department is unable to manage, develop and revise its information systems in an effort to continually improve the usefulness and reliability of its communication of information. The department's current information systems do not comply with National Treasury's requirements as per the accounting framework, specifically in respect of accruals, subsistence and travel expenditure, subsistence and travel advances, tangible and intangible assets. The department may not procure or develop new systems due to the moratorium placed on the procurement, development or major enhancement of information systems by National Treasury. The department will remain non-compliant until new or upgraded systems are in place.

28. Material corrections made to the financial statements submitted for audit

The financial statements, approved by the accounting officer and as submitted for audit on 31 May 2007, have been significantly revised in respect of the following misstatements identified during the audit:

- Accruals to the amount of R96 006 483 were not complete;
- Receivables and payables relating to performance awards to a net amount of R3 514 233 were not complete;
- Unconfirmed interdepartmental balances to the amount of R28 338 158 were not complete;

- Receivables for departmental revenue to the amount of R109 373 000 were not valid;
29. Performance audit reports issued during the year
- Two performance audits were finalised during the year under review. The focus areas of the two performance audits were:
- The rendering of catering services at the Department of Defence; and
 - The management and provision of official accommodation to staff at the Department of Defence.
- The management reports were submitted to the management of the department. Separate performance audit reports will be tabled in Parliament.
30. Matters of governance
- The National Treasury granted a deviation to the department in respect of related-party transactions, provided that the department, during 2007-08 financial year, investigates the relationship with entities internal to the department, e.g. funds and institutions, including the South African Forces Institute, to determine whether these should be classified and disclosed as related parties to the department.
31. Defence Industrial Participation Programme - Strategic Defence Packages
- The achievement of milestones in terms of the Defence Industrial Participation Programme is included in note 11 of the notes to the financial statements of the Special Defence Account. With regard to the National Industrial Participation Programme, reference is made to the Department of Trade and Industry's annual report.
32. Value for money matters
- An audit was performed on the vetting process in terms of South African National Defence Force Order: The Maintenance of Security in the SANDF (SANDFO/INT DIV/2/96). The following findings in terms of compliance to the SANDFO were brought to the attention of the department:
- Standing data with regard to members' personal details is incomplete;
 - A vacancy rate of 40% exists in the functional sections of the Vetting Directorate as at June 2007;
 - It could not be determined what processes and procedures were put in place to reduce the backlog of 6 464 applications dating back to April 1997, while further unfinalised applications were noted dating back to 1974;
 - The period to process a security clearance application doubled since the 2002-03 year;
 - Policies and procedures are not in place to ensure that aspects or incidents which may adversely influence the security competence of a member are reported;
 - Processes and procedures are not in place to ensure that photographs are not taken and sketches are not made of military premises or installations;
 - A total of 10 313 members' clearances had expired as at 31 March 2007, for which no renewal of their clearance occurred and a further 19 139 members do not have a security clearance grading;
 - Members do not apply for the necessary or correct security clearance according to their post in the department;
 - A total of 652 active posts in the department do not have a security clearance grading attached to the post;
 - Unit Counter Intelligence Officers (UCIO) in the department do not comply with the guidelines for UCIOs as set in the SANDFO; and
 - Compliance with the SANDFO with regard to non-RSA citizens employed in the department could not be determined;
33. Delay in finalisation of audit
- Due to the national public sector strike action during June 2007 the Auditor-General had to delay the finalisation of affected departments. As a result, the Auditor-General's consistency review process of the audit reports could only be conducted subsequent to 31 July 2007, the consequence of which was a delay in the finalisation of the audit of this department for the 2006-07 financial year.

OTHER REPORTING RESPONSIBILITIES

Reporting on performance information

34. I have audited the performance information which is reported upon per programme as set out on pages 13 to 129.

Responsibility of the accounting officer

35. The accounting officer has additional responsibilities as required by section 40(3)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the department.

Responsibility of the Auditor-General

36. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with General Notice 646 of 2007, issued in Government Gazette No. 29919 of 25 May 2007.
37. In terms of the foregoing, my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
38. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings

39. Non-compliance with regulatory requirements

The strategic business plan, budget and annual report of the Department of Defence did not include the sub-programme outputs, indicators (measures) and targets of the sub-programme: Departmental Support under programme 7: Joint Support as required by Treasury Regulation, chapter 5, section 5.2.3(d).

40. Evidence materially inconsistent with reported information or lack of adequate evidence.

The following actual achievement of targets could not be substantiated by adequate evidence/source documentation:

The evidence provided to support the performance information reported in the annual report was materially

Programme	Sub-programme	Output	Target	Achievements
Programme 2: Landward Defence	Support capability	Command and control capability	Formation headquarters required standard of at least 80% during all evaluations.	The Formation Headquarters achieved 85% during all internal evaluations on all administrative aspects
Programme 3: Air Defence	Technical support services capability	Aircraft servicing capability	Six aircraft servicing units that provide serviceable aircraft in accordance with system group business plans	Six aircraft servicing units met 65% of system group requirements for serviceable aircraft. Loss of skilled technical personnel and deteriorating infrastructure contributed to a reduction in output. An improvement in technical allowances was implemented wef July 2006 and should contribute to improved output in the FY2007/08.
Programme 7: Joint Support	Joint Logistics services	Integrated logistic services; logistic management; logistic resource management; facility support services; engineering support services; supply support; and logistic support in accordance with client and force employment requirements	Three ammunition depots	The target was 90% achieved. The deeper level depot storage of ammunition was successfully executed. Ammunition was maintained according to priorities and levels as instructed. The Ammunition warehouse is licensed. Munitions support to operations was successful. Rm10 was obtained as additional funding for policy options. Rm12 was expended. The additional funds were allocated from DOD Logistic Agency's budget to ensure ammunition safety. Five ranges qualified for

Programme	Sub-programme	Output	Target	Achievements
				disposal by open detonation. A total of 1 000 tons of dangerous ammunition was disposed. Ammunition logistic infrastructure at depots improved. Corrective action is being taken to improve the warehousing facilities at Jan Kempdorp.
			One air supply unit	The DOD Air Supply Unit achieved its objectives. Support was provided to courses and combined training exercises such as Exercise YOUNG EAGLE. Air supply was provided in support of SANDF operations. The facilities at the DOD Air Supply Unit are in a poor state.
			One mobilisation centre	The target was achieved. The DOD Mobilisation Centre in Bloemfontein provided the 4th line warehousing capability for the DOD. Effective mobilisation and demobilisation of forces took place with each deployment of SANDF forces. However, the levels of the operational reserves to be maintained are not acceptable. The realignment of the mandate, structure and functions of the Mobilisation Centre is underway in order to reposition the unit to effectively respond to new operational challenges.
			One technical service unit	The management of universal equipment of the DOD Logistic Agency (Pretoria) through maintenance, repair or reconditioning was 75% achieved due to challenges related to the structure, mandate and resourcing of the unit. The presence of sinkholes at the present location complicates the execution of repair tasks. Different stakeholders do not adhere to stipulations regarding standardisation resulting in a proliferation of products and related support.
			Five maintenance units (Reserve) Six Field workshops (Reserve) One transit maintenance unit (Reserve)	The target was not achieved. The renewal and transformation of the Reserve in the DOD Logistic Agency were not accomplished. The Reserves in the DOD Log Agency are not fully trained, properly structured, adequately resourced or well equipped. Since 1999 all formal recruitment and training have ceased.
			90% serviceability of deployed equipment	Only 60 % serviceability of deployed equipment was achieved due to the lack of support resources such as funds to repair and maintain material handling equipment in depots. The turn-around time of repair to the soft skin military cargo carrying vehicles is not acceptable. The DOD Logistic Agency is currently cooperating with SA Army to improve availability and serviceability.



Programme	Sub-programme	Output	Target	Achievements
			Three joint support bases	The target was 80% achieved. The Joint Support Bases (Joint Support Base Garrison and General Support Base Ministry of Defence) are incapable of rendering an effective, efficient service to its clients. Due to the structures being under-staffed and under-funded. The closure and migration of the joint support base concept within the DOD Logistic Support Formation was completed. An implementation instruction and a closing down and migration plan per joint support base was completed and handed over to the Chief of Corporate Staff. The DOD Logistic Agency is currently in a planning process with the SA Army for the transfer of JSB Garrison.
			Three commodity/technical/Reserve vehicle depots	The target was not achieved. The renewal and transformation of the Reserves in the DOD Logistic Agency were not accomplished. The Reserves in the DOD Logistic Agency are not fully trained, properly structured, adequately resourced or well equipped. Since 1999 all formal recruitment and training have ceased.
			National Codification Bureau established by 31 March 2007	The target was 25% achieved. The Codification Bureau is established but not yet fully functioning. The backlog inherited is currently being addressed. The rejuvenation of the current structure is in process and full capacity should be reached by December 2008.
			Repair and maintenance of infrastructure as per client requirements in the Repair and Maintenance Plan (RAMP)	The target was achieved as the DOD spent 99.42% of the available funds for infrastructure maintenance. The amount of Rm50 was insufficient to address the maintenance backlog resulting in an increasing backlog. The rate of progress to eliminate the backlog is therefore not according to plan. The DOD once again obtained additional funding from the National Treasury for the FY2007/08.
			Management of disposal and environment according to client requirements	100% of the identified high-risk ammunition (1 000 tons) was destroyed. Three demolition ranges were qualified (Bergspits at 93 Ammunition Depot Jan Kempdorp, Roodewal bombing range at Polokwane and DOD Ammunition Sub-Depot Mookgopong). Five of the seven ranges now qualified with Simon's Town and De Aar scheduled for the FY2007/08. A mass ammunition disposal by open detonation capability for ammunition of 60mm calibre and higher was established. Risk management actions were taken at Jan Kempdorp to mitigate risk factors.

inconsistent with the reported performance information.

Programme	Sub-programme	Output	Target			
			Target	Reported	Source of information	Variance
Programme 2: Landward Defence	Infantry capability Logistic support services	Training Capability	- One School of Infantry	1	1	0
			- 129 Learning opportunities	131	125	6
			- 7 073 learners	6 719	7 900	1 181
Programme 7: Joint Support		Integrated logistic services; logistic management; logistic resource management; facility support services; engineering support services; supply support; and logistic support in accordance with client and force employment requirements	- Three training schools: technical, ammunition and hospitality	3	3	0
			- 191 learning opportunities	187	165	22
			- 2 929 learners	3 043	2 008	1035

APPRECIATION

41. The assistance rendered by the staff of the Department of Defence during the audit is sincerely appreciated.



G J Lourens for Auditor-General

Pretoria

31 August 2007



DEPARTMENT OF DEFENCE

VOTE 21

ACCOUNTING POLICIES

for the year ended 31 March 2007

The Financial Statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the Financial Statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), and the Treasury Regulations issued in terms of the Act.

1. Presentation of the Financial Statements

1.1 Basis of preparation

The Financial Statements have been prepared on a modified cash basis of accounting, except where stated otherwise. The modified cash basis constitutes the cash basis of accounting supplemented with additional disclosure items. Under the cash basis of accounting transactions and other events are recognised when cash is received or paid.

1.2 Presentation currency

All amounts have been presented in the currency of the South African Rand (R) which is also the functional currency of the department.

1.3 Rounding

Unless otherwise stated all financial figures have been rounded to the nearest one thousand Rand (R'000).

1.4 Comparative figures

Prior period comparative information has been presented in the current year's financial statements. Where necessary figures included in the prior period financial statements have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year's financial statements.

1.5 Comparative figures - Appropriation Statement

A comparison between actual amounts and final appropriation per major classification of expenditure is included in the appropriation statement.

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to build a
better life
for all

DEPARTMENT:
DEFENCE

DEPARTMENT OF DEFENCE, VOTE 21
ACCOUNTING POLICIES
for the year ended 31 March 2007 (continued)

2. Revenue

2.1 Appropriated funds

Appropriated and adjusted appropriated funds are recognised in the financial records on the date the appropriation becomes effective. Adjustments to the appropriated funds made in terms of the adjustments budget process are recognised in the financial records on the date the adjustments become effective.

Total appropriated funds are presented in the statement of financial performance.

Unexpended appropriated funds are surrendered to the National Revenue Fund. Amounts owing to the National Revenue Fund at the end of the financial year are recognised in the statement of financial position.

2.2 Departmental revenue

All departmental revenue is paid into the National Revenue Fund when received, unless otherwise stated. Amounts owing to the National Revenue Fund at the end of the financial year are recognised in the statement of financial position. Amounts receivable at the reporting date are disclosed in the disclosure notes to the annual financial statements.

2.2.1 Sales of goods and services other than capital assets

The proceeds received from the sale of goods and/or the provision of services is recognised in the statement of financial performance when the cash is received.

2.2.2 Fines, penalties & forfeits

Fines, penalties & forfeits are compulsory unrequited amounts which were imposed by a court or quasi-judicial body and collected by the department. Revenue arising from fines, penalties and forfeits is recognised in the statement of financial performance when the cash is received.

2.2.3 Interest, dividends and rent on land

Interest, dividends and rent on land is recognised in the statement of financial performance when the cash is received.

2.2.4 Sale of capital assets

The proceeds received on sale of capital assets are recognised in the statement of financial per-

formance when the cash is received.

2.2.5 Financial transactions in assets and liabilities

Repayments of loans and advances previously extended to employees and public corporations for policy purposes are recognised as revenue in the statement of financial performance on receipt of the funds.

Cheques issued in previous accounting periods that expire before being banked are recognised as revenue in the statement of financial performance when the cheque becomes stale. When the cheque is reissued the payment is made from Revenue.

Forex gains are recognised on payment of funds.

2.2.6 Gifts, donations and sponsorships (transfers received)

All cash gifts, donations and sponsorships are paid into the National Revenue Fund and recorded as revenue in the statement of financial performance when received. Amounts receivable at the reporting date are disclosed in the disclosure notes to the financial statements.

All in-kind gifts, donations and sponsorships are disclosed at fair value in the annexures to the financial statements.

2.3 Local and foreign aid assistance

Local and foreign aid assistance is recognised as revenue when notification of the assistance is received from the National Treasury or when the department directly receives the cash from the donor(s).

All in-kind local and foreign aid assistance are disclosed at fair value in the annexures to the annual financial statements.

The cash payments made during the year relating to local and foreign aid assistance projects are recognised as expenditure in the statement of financial performance. The value of the assistance expensed prior to the receipt of the funds is recognised as a receivable in the statement of financial position.

Inappropriately expensed amounts using local and foreign aid assistance and any unutilised

DEPARTMENT OF DEFENCE, VOTE 21
ACCOUNTING POLICIES
for the year ended 31 March 2007 (continued)

amounts are recognised as payables in the statement of financial position.

3. Expenditure

3.1 Compensation of employees

Salaries and wages comprise payments to employees. Salaries and wages are recognised as an expense in the statement of financial performance when the payment is effected on the system (by no later than 31 March of each year). Capitalised compensation forms part of the expenditure for capital assets in the statement of financial performance¹.

All other payments are classified as current expense.

Social contributions include the employer's contribution to social insurance schemes paid on behalf of the employee. Social contributions are recognised as an expense in the statement of financial performance when the payment is effected on the system.

3.1.1 Short term employee benefits

Short term employee benefits comprise of leave entitlements (including capped leave), thirteenth cheques and performance bonuses. The cost of short-term employee benefits is expensed as salaries and wages in the statement of financial performance when the payment is effected on the system (by no later than 31 March of each year).

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.

3.1.2 Long-term employee benefits

3.1.2.1 Termination benefits

Termination benefits such as severance packages are recognised as an expense in the statement of financial performance as a transfer (to households) when the payment is effected on the system (by no later than 31 March of each year).

3.1.2.2 Post employment retirement benefits

The department provides medical benefits for certain of its employees. Employer contributions to the medical funds are expensed when the payment to the fund is effected on the system (by no later than 31 March of each year).

3.2 Goods and services

Payments made for goods and/or services are recognised as an expense in the statement of financial performance when the payment is effected on the system (by no later than 31 March of each year). The expense is classified as capital if the goods and services were used for a capital project or an asset of R5000 or more is purchased. All assets costing less than R5000 will also be reflected under goods and services.

3.3 Interest and rent on land

Interest and rental payments are recognised as an expense in the statement of financial performance when the payment is effected on the system (by no later than 31 March of each year). This item excludes rental for the use of buildings or other fixed structures. If it is not possible to distinguish between payment for the use of land and the fixed structures on it, the whole amount should be recorded under *goods and services*.

3.4 Financial transactions in assets and liabilities

Debts are written off when identified as irrecoverable. Debts written off are limited to the amount of savings and/or underspending of appropriated funds. The write-off occurs at year-end or when funds are available. No provision is made for irrecoverable amounts, but amounts are disclosed as a disclosure note.

Forex losses are recognised on payment of funds.

All other losses are recognised when authorisation has been granted for the recognition thereof.

3.5 Unauthorised expenditure

When discovered unauthorised expenditure is recognised as an asset in the statement of financial position until such time as the expenditure is either approved by the relevant authority, recov-

¹ This accounting policy is only relevant where the department elects to capitalise the compensation paid to employees involved on capital projects.

DEPARTMENT OF DEFENCE, VOTE 21
ACCOUNTING POLICIES
for the year ended 31 March 2007 (continued)

ered from the responsible person or written-off as irrecoverable in the statement of financial performance.

Unauthorised expenditure approved with funding is recognised in the statement of financial performance when the unauthorised expenditure is approved and the related funds are received. Where the amount is approved without funding it is recognised as expenditure, subject to availability of savings, in the statement of financial performance on the date of approval.

3.6 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is recognised as an asset in the statement of financial position until such time as the expenditure is recovered from the responsible person or written-off as irrecoverable in the statement of financial performance.

3.7 Irregular expenditure

Irregular expenditure is recognised as expenditure in the statement of financial performance. If the expenditure is not condoned by the relevant authority it is treated as an asset until it is recovered or written off as irrecoverable.

3.8 Transfers and subsidies

Transfers and subsidies are recognised as an expense when the payment is effected on the system (by no later than 31 March of each year).

3.9 Expenditure for capital assets

Payments made for capital assets are recognised as an expense in the statement of financial performance when the payment is effected on the system (by no later than 31 March of each year).

4. Assets

4.1 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held, other short-term highly liquid investments and bank overdrafts.

4.2 Prepayments and advances

Amounts prepaid or advanced are recognised in

the statement of financial position when the payments are made.

4.3 Receivables

Receivables included in the statement of financial position arise from cash payments made that are recoverable from another party.

Revenue receivable not yet collected is included in the disclosure notes. Amounts that are potentially irrecoverable are included in the disclosure notes.

4.4 Loans

Loans are recognised in the statement of financial position at the nominal amount when cash is paid to the beneficiary. Loan balances are reduced when cash repayments are received from the beneficiary. Amounts that are potentially irrecoverable are included in disclosure note 29.

4.5 Inventory

Inventories purchased during the financial year are disclosed at cost in the notes.

4.6 Capital assets

A capital asset is recorded on receipt of the item at cost. Cost of an asset is defined as the total cost of acquisition. Where the cost cannot be determined accurately, the capital asset may be stated at fair value. Where fair value cannot be determined, the capital asset is included in the asset register at R1.

Projects (of construction/development) running over more than one financial year relating to assets, are only capitalised as assets on completion of the project and at the total cost incurred over the duration of the project.

Disclosure Notes 30 and 31 reflect the total movement in the asset register for the current financial year.

5. Liabilities

5.1 Payables

Recognised payables mainly comprise of amounts owing to other governmental entities. These payables are recognised at historical cost in the statement of financial position.



DEPARTMENT OF DEFENCE, VOTE 21
ACCOUNTING POLICIES
for the year ended 31 March 2007 (continued)

5.2 Lease commitments

Lease commitments represent amounts owing from the reporting date to the end of the lease contract. These commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

Operating and finance lease commitments are expensed when the payments are made. Assets acquired in terms of finance lease agreements are disclosed in the annexures and disclosure notes to the financial statements.

5.3 Accruals

Accruals represent goods/services that have been received, but where no invoice has been received from the supplier at the reporting date, or where an invoice has been received but final authorisation for payment has not been effected on the system.

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.

5.4 Contingent liabilities

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 future events not wholly within the control of the department; or

A contingent liability is a present obligation that arises from past events but is not recognised because:

- It is not probable 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.

Contingent liabilities are included in the disclosure notes.

5.5 Commitments

Commitments represent goods/services that have been approved and/or contracted, but where no delivery has taken place at the reporting date.

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.

6. Net Assets

6.1 Recoverable revenue

Amounts are recognised as recoverable revenue when a payment made in a previous financial year becomes recoverable from a debtor in the current financial year.

7. Related party transactions

Related parties are departments that control or significantly influence entities in making financial and operating decisions. Specific information with regards to the type of related party transactions that have occurred between the department and the related party where the Minister of Defence is identified as the intermediary between the relevant parties, is included in the disclosure notes.

8. Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the department.

Compensation paid to key management personnel including their family members where relevant, is included in the disclosure notes.

DEPARTMENT OF DEFENCE, VOTE 2 I

APPROPRIATION STATEMENT

for the year ended 31 March 2007

Programme	Appropriation per Programme									
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000	2005/06
1. Administration										
Current payment	1 748 629	-	30 799	1 779 428	1 721 345	58 083	96.7%	761 025	760 889	
Transfers and subsidies	215	-	16 632	16 847	16 847	-	100.0%	9 005	9 005	
Payment for capital assets	10 305	-	5 321	15 626	15 626	-	100.0%	14 559	14 559	
2. Landward Defence										
Current payment	4 052 477	-	(171 255)	3 881 222	3 879 421	1 801	100.0%	3 383 818	3 378 437	
Transfers and subsidies	1 441	-	44 126	45 567	45 567	-	100.0%	29 072	29 072	
Payment for capital assets	7 129	-	57 404	64 533	64 533	-	100.0%	24 279	24 279	
3. Air Defence										
Current payment	2 480 941	-	(48 878)	2 432 063	2 432 063	-	100.0%	2 431 665	2 431 665	
Transfers and subsidies	385	-	37 256	37 641	37 641	-	100.0%	11 154	11 154	
Payment for capital assets	23 162	-	21 027	44 189	44 189	-	100.0%	36 636	36 636	
4. Maritime Defence										
Current payment	1 299 682	-	(45 626)	1 254 056	1 254 056	-	100.0%	1 158 048	1 158 048	
Transfers and subsidies	363	-	21 652	22 015	22 015	-	100.0%	9 241	9 241	
Payment for capital assets	19 128	-	16 641	35 769	35 769	-	100.0%	34 130	34 130	
5. Military Health Support										
Current payment	1 640 134	-	(47 543)	1 592 591	1 592 591	-	100.0%	1 489 685	1 489 685	
Transfers and subsidies	401	-	23 484	23 885	23 885	-	100.0%	9 770	9 770	
Payment for capital assets	43 287	-	44 344	87 631	87 631	-	100.0%	57 451	57 451	
6. Defence Intelligence										
Current payment	140 296	-	2 039	142 335	142 335	-	100.0%	136 921	136 921	
Transfers and subsidies	67	-	1 960	2 027	2 027	-	100.0%	3 176	3 176	
Payment for capital assets	3 299	-	(167)	3 132	3 132	-	100.0%	4 219	4 219	
7. Joint Support										
Current payment	2 219 672	-	(125 456)	2 094 216	2 094 216	-	100.0%	1 859 689	1 859 689	
Transfers and subsidies	408 038	-	37 127	445 165	444 653	512	99.9%	381 514	381 395	
Payment for capital assets	112 970	-	19 193	132 163	107 239	24 924	81.1%	132 894	132 894	

DEPARTMENT OF DEFENCE, VOTE 2 I

APPROPRIATION STATEMENT
for the year ended 31 March 2007 (continued)

Programme	Appropriation per Programme							2005/06	
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
8. Command and Control									
Current payment	1 331 116	-	53 328	1 384 444	1 384 444	-	100.0%	1 321 044	1 321 044
Transfers and subsidies	59	-	9 405	9 464	9 464	-	100.0%	4 195	4 195
Payment for capital assets	78 970	-	(2 813)	76 157	76 157	-	100.0%	108 453	108 453
9. Special Defence Account									
Transfers and subsidies	8 280 738	-	-	8 280 738	8 280 738	-	100.0%	9 258 839	9 258 839
Total	23 902 904	-	-	23 902 904	23 817 584	85 320	99.6%	22 670 482	22 664 846
Reconciliation with Statement of Financial Performance									
Add: Departmental receipts								729 136	
Local and foreign aid assistance								38 750	
Actual amounts per Statement of Financial Performance (Total Revenue)								23 438 368	
Add: Local and foreign aid assistance					11 240				27 510
Actual amounts per Statement of Financial Performance Expenditure					23 828 824				22 692 356

DEPARTMENT OF DEFENCE, VOTE 2 I

APPROPRIATION STATEMENT

for the year ended 31 March 2007 (continued)

	Appropriation per Economic Classification							2005/06	
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
Current payments									
Compensation to employees	9 085 985	-	(48 390)	9 037 595	9 037 595	-	100.0%	8 196 352	8 196 352
Goods and services	5 826 962	-	(322 159)	5 504 803	5 444 919	59 884	98.9%	4 245 435	4 239 918
Financial transactions in assets and liabilities	-	-	17 957	17 957	17 957	-	100.0%	100 108	100 108
Transfers and subsidies									
Provinces and municipalities	3 699	-	268	3 967	3 967	-	100.0%	15 144	15 144
Departmental agencies and accounts	8 288 671	-	-	8 288 671	8 288 458	213	100.0%	9 265 940	9 265 940
Public corporations and private enterprises	396 286	-	-	396 286	396 286	-	100.0%	359 515	359 515
Non-profit institutions	3 051	-	-	3 051	2 752	299	90.2%	2 911	2 792
Households	-	-	191 374	191 374	191 374	-	100.0%	72 456	72 456
Payments on capital assets									
Buildings and other fixed structures	74 097	-	-	74 097	49 173	24 924	66.4%	73 884	73 884
Machinery and equipment	222 598	-	161 222	383 820	383 820	-	100.0%	336 173	336 173
Software and other intangible assets	1 555	-	(272)	1 283	1 283	-	100.0%	2 564	2 564
Total	23 902 904	-	-	23 902 904	23 817 584	85 320	99.6%	22 670 482	22 664 846

DEPARTMENT OF DEFENCE, VOTE 21

DETAIL PER PROGRAMME I - ADMINISTRATION
for the year ended 31 March 2007

Programme per subprogramme	2006/07						2005/06		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
1.1 Minister									
Current payment	887	-	-	887	887	-	100.0%	843	843
1.2 Deputy Minister									
Current payment	721	-	-	721	721	-	100.0%	685	685
1.3 Political Direction									
Current payment	12 533	-	1 708	14 241	14 241	-	100.0%	12 392	12 256
Transfers and subsidies	4	-	6	10	10	-	100.0%	14	14
Payment for capital assets	232	-	484	716	716	-	100.0%	586	586
1.4 Departmental Direction									
Current payment	12 900	-	(125)	12 775	12 775	-	100.0%	10 052	10 052
Transfers and subsidies	2	-	-	2	2	-	100.0%	6	6
Payment for capital assets	161	-	1 003	1 164	1 164	-	100.0%	377	377
1.5 Policy and Planning									
Current payment	74 578	-	(16 248)	58 330	58 330	-	100.0%	53 856	53 856
Transfers and subsidies	18	-	2 186	2 204	2 204	-	100.0%	1 326	1 326
Payment for capital assets	412	-	208	620	620	-	100.0%	933	933
1.6 Financial Services									
Current payment	183 310	-	(22 198)	161 112	161 112	-	100.0%	151 608	151 608
Transfers and subsidies	12	-	2 381	2 393	2 393	-	100.0%	1 083	1 083
Payment for capital assets	835	-	1 535	2 370	2 370	-	100.0%	3 140	3 140
1.7 Human Resources Support Services									
Current payment	194 447	-	70 285	264 732	264 732	-	100.0%	275 707	275 707
Transfers and subsidies	80	-	6 305	6 385	6 385	-	100.0%	2 090	2 090
Payment for capital assets	2 557	-	54	2 611	2 611	-	100.0%	1 938	1 938

DEPARTMENT OF DEFENCE, VOTE 21

DETAIL PER PROGRAMME I - ADMINISTRATION
 for the year ended 31 March 2007 (continued)

Programme per subprogramme	2006/07				Variance	Expenditure as % of final appropriation	2005/06	
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000			Actual Expenditure R'000	Final Appropriation R'000
1.8 Legal Services								
Current payment	80 381	-	(4 343)	76 038	-	100.0%	71 125	71 125
Transfers and subsidies	42	-	2 529	2 571	-	100.0%	747	747
Payment for capital assets	2 621	-	21	2 642	-	100.0%	1 693	1 693
1.9 Inspection Services								
Current payment	41 312	-	(7 155)	34 157	-	100.0%	33 954	33 954
Transfers and subsidies	18	-	41	59	-	100.0%	708	708
Payment for capital assets	1 740	-	(51)	1 689	-	100.0%	2 238	2 238
1.10 Acquisition Services								
Current payment	40 702	-	(901)	39 801	-	100.0%	36 812	36 812
Transfers and subsidies	16	-	731	747	-	100.0%	2 004	2 004
Payment for capital assets	175	-	360	535	-	100.0%	656	656
1.11 Corporate Communications								
Current payment	21 499	-	(2 365)	19 134	-	100.0%	17 351	17 351
Transfers and subsidies	8	-	(2)	6	-	100.0%	81	81
Payment for capital assets	124	-	169	293	-	100.0%	478	478
1.12 SANDF Command and Control								
Current payment	6 648	-	(621)	6 027	-	100.0%	5 495	5 495
Transfers and subsidies	2	-	891	893	-	100.0%	292	292
Payment for capital assets	170	-	7	177	-	100.0%	338	338
1.13 Religious Services								
Current payment	4 469	-	777	5 246	-	100.0%	4 430	4 430
Transfers and subsidies	2	-	-	2	-	100.0%	6	6
Payment for capital assets	36	-	93	129	-	100.0%	82	82

DEPARTMENT OF DEFENCE, VOTE 2 I

DETAIL PER PROGRAMME I - ADMINISTRATION
for the year ended 31 March 2007 (continued)

Programme per subprogramme	2006/07					2005/06			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
1.14 Reserve Component									
Current payment	10 410	-	(3 103)	7 307	7 307	-	100.0%	8 331	8 331
Transfers and subsidies	-	-	3	3	3	-	100.0%	613	613
Payment for capital assets	42	-	25	67	67	-	100.0%	13	13
1.15 Defence Foreign Relations									
Current payment	64 431	-	4 622	69 053	69 053	-	100.0%	63 390	63 390
Transfers and subsidies	11	-	1 561	1 572	1 572	-	100.0%	35	35
Payment for capital assets	1 200	-	1 413	2 613	2 613	-	100.0%	2 087	2 087
1.16 Property Management									
Current payment	999 401	-	-	999 401	941 318	58 083	94.2%	-	-
Transfers and subsidies	-	-	-	-	-	-	0.0%	-	-
Payment for capital assets	-	-	-	-	-	-	0.0%	-	-
1.17 Authorised Losses									
Current payment	-	-	11 636	11 636	11 636	-	100.0%	16 505	16 505
1.18 Income									
Current payment	-	-	(1 170)	(1 170)	(1 170)	-	100.0%	(1 511)	(1 511)
Total	1 759 149	-	52 752	1 811 901	1 753 818	58 083	96.8%	784 589	784 453

DEPARTMENT OF DEFENCE, VOTE 21

DETAIL PER PROGRAMME I - ADMINISTRATION
for the year ended 31 March 2007 (continued)

Economic classification	2006/07						2005/06		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
Current payments									
Compensation of employees	548 561	-	26 872	575 433	575 433	-	100.0%	580 600	580 600
Goods and services	1 200 068	-	(7 709)	1 192 359	1 134 276	58 083	95.1%	163 920	163 784
Financial transactions in assets and liabilities	-	-	11 636	11 636	11 636	-	100.0%	16 505	16 505
Transfers and subsidies									
Provinces and municipalities	215	-	(11)	204	204	-	100.0%	877	877
Households	-	-	16 643	16 643	16 643	-	100.0%	8 128	8 128
Payments for capital assets									
Machinery and equipment	10 263	-	5 363	15 626	15 626	-	100.0%	14 531	14 531
Software and other intangible assets	42	-	(42)	-	-	-	0.0%	28	28
Total	1 759 149	-	52 752	1 811 901	1 753 818	58 083	96.8%	784 589	784 453

DEPARTMENT OF DEFENCE, VOTE 2 I

DETAIL PER PROGRAMME 2 - LANDWARD DEFENCE
for the year ended 31 March 2007

Programme per subprogramme	2006/07					2005/06			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
2.1 Strategic Direction									
Current payment	124 378	-	(8 360)	116 018	116 018	-	100.0%	117 493	112 112
Transfers and subsidies	29	-	5 515	5 544	5 544	-	100.0%	5 486	5 486
Payment for capital assets	8	-	473	481	481	-	100.0%	13 856	13 856
2.2 Infantry Capability									
Current payment	1 520 444	-	(142)	1 520 302	1 518 501	1 801	99.9%	1 398 239	1 398 239
Transfers and subsidies	667	-	10 469	11 136	11 136	-	100.0%	7 719	7 719
Payment for capital assets	13	-	4 853	4 866	4 866	-	100.0%	1 605	1 605
2.3 Armour Capability									
Current payment	141 677	-	1 317	142 994	142 994	-	100.0%	125 574	125 574
Transfers and subsidies	59	-	2 091	2 150	2 150	-	100.0%	717	717
Payment for capital assets	24	-	390	414	414	-	100.0%	125	125
2.4 Artillery Capability									
Current payment	124 755	-	76	124 831	124 831	-	100.0%	105 642	105 642
Transfers and subsidies	40	-	2 591	2 631	2 631	-	100.0%	224	224
Payment for capital assets	227	-	656	883	883	-	100.0%	78	78
2.5 Air Defence Artillery Capability									
Current payment	93 973	-	(1 757)	92 216	92 216	-	100.0%	85 007	85 007
Transfers and subsidies	49	-	1 253	1 302	1 302	-	100.0%	462	462
Payment for capital assets	-	-	1 182	1 182	1 182	-	100.0%	220	220
2.6 Engineering Capability									
Current payment	233 068	-	(26 113)	206 955	206 955	-	100.0%	178 554	178 554
Transfers and subsidies	96	-	3 560	3 656	3 656	-	100.0%	1 721	1 721
Payment for capital assets	323	-	928	1 251	1 251	-	100.0%	246	246
2.7 Operational Intelligence									
Current payment	77 536	-	(7 024)	70 512	70 512	-	100.0%	59 579	59 579
Transfers and subsidies	26	-	814	840	840	-	100.0%	805	805
Payment for capital assets	79	-	99	178	178	-	100.0%	37	37

DEPARTMENT OF DEFENCE, VOTE 2 I

DETAIL PER PROGRAMME 2 - LANDWARD DEFENCE
 for the year ended 31 March 2007 (continued)

Programme per subprogramme	2006/07						2005/06		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
2.8 Command and Control Capability									
Current payment	61 773	-	2 153	63 926	63 926	-	100.0%	56 658	56 658
Transfers and subsidies	29	-	4 144	4 173	4 173	-	100.0%	216	216
Payment for capital assets	165	-	5 068	5 233	5 233	-	100.0%	107	107
2.9 Support Capability									
Current payment	1 472 805	-	(71 470)	1 401 335	1 401 335	-	100.0%	1 214 199	1 214 199
Transfers and subsidies	406	-	11 129	11 535	11 535	-	100.0%	10 808	10 808
Payment for capital assets	5 692	-	43 639	49 331	49 331	-	100.0%	6 455	6 455
2.10 General Training Capability									
Current payment	202 068	-	(51 358)	150 710	150 710	-	100.0%	134 860	134 860
Transfers and subsidies	40	-	2 560	2 600	2 600	-	100.0%	914	914
Payment for capital assets	598	-	116	714	714	-	100.0%	1 534	1 534
2.11 Defence Commitments									
Current payment	-	-	3 744	3 744	3 744	-	100.0%	11 195	11 195
Payment for capital assets	-	-	-	-	-	-	0.0%	16	16
2.12 Authorised Losses									
Current payment	-	-	4 173	4 173	4 173	-	100.0%	20 175	20 175
2.13 Internal Services									
Current payment	-	-	(15 156)	(15 156)	(15 156)	-	100.0%	(121 911)	(121 911)
2.14 Income									
Current payment	-	-	(1 338)	(1 338)	(1 338)	-	100.0%	(1 446)	(1 446)
Total	4 061 047	-	(69 725)	3 991 322	3 989 521	1 801	100.0%	3 437 169	3 431 788

DEPARTMENT OF DEFENCE, VOTE 21

DETAIL PER PROGRAMME 2 - LANDWARD DEFENCE
for the year ended 31 March 2007 (continued)

Economic classification	2006/07					2005/06			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
Current payments									
Compensation of employees	3 238 044	-	(86 576)	3 151 468	3 151 468	-	100.0%	2 800 756	2 800 756
Goods and services	814 433	-	(88 852)	725 581	723 780	1 801	99.8%	562 887	557 506
Financial transactions in assets and liabilities	-	-	4 173	4 173	4 173	-	100.0%	20 175	20 175
Transfers and subsidies									
Provinces and municipalities	1 441	-	94	1 535	1 535	-	100.0%	5 881	5 881
Households	-	-	44 032	44 032	44 032	-	100.0%	23 191	23 191
Payment for capital assets									
Machinery and equipment	7 083	-	57 426	64 509	64 509	-	100.0%	24 217	24 217
Software and other intangible assets	46	-	(22)	24	24	-	100.0%	62	62
Total	4 061 047	-	(69 725)	3 991 322	3 989 521	1 801	99.9%	3 437 169	3 431 788

DEPARTMENT OF DEFENCE, VOTE 21

DETAIL PER PROGRAMME 3 - AIR DEFENCE

for the year ended 31 March 2007

Programme per subprogramme	2006/07					2005/06			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
3.1 Strategic Direction									
Current payment	11 910	-	(532)	11 378	11 378	-	100.0%	11 398	11 398
Transfers and subsidies	-	-	17	17	17	-	100.0%	9	9
Payment for capital assets	1 073	-	(1)	1 072	1 072	-	100.0%	779	779
3.2 Operational Direction									
Current payment	40 441	-	98 572	139 013	139 013	-	100.0%	155 199	155 199
Transfers and subsidies	6	-	(6)	-	-	-	0.0%	-	-
Payment for capital assets	2 737	-	(2 058)	679	679	-	100.0%	1 926	1 926
3.3 Helicopter Capability									
Current payment	277 764	-	1 538	279 302	279 302	-	100.0%	303 073	303 073
Transfers and subsidies	27	-	779	806	806	-	100.0%	338	338
Payment for capital assets	2 209	-	1 028	3 237	3 237	-	100.0%	2 380	2 380
3.4 Transport and Maritime Capability									
Current payment	215 796	-	(3 228)	212 568	212 568	-	100.0%	192 750	192 750
Transfers and subsidies	35	-	1 960	1 995	1 995	-	100.0%	621	621
Payment for capital assets	4 622	-	(2 203)	2 419	2 419	-	100.0%	1 044	1 044
3.5 Air Combat and Reconnaissance Capability									
Current payment	229 100	-	(33 971)	195 129	195 129	-	100.0%	234 527	234 527
Transfers and subsidies	23	-	704	727	727	-	100.0%	210	210
Payment for capital assets	1 146	-	4 985	6 131	6 131	-	100.0%	4 272	4 272
3.6 Operational Support and Intelligence Capability									
Current payment	114 058	-	(4 592)	109 466	109 466	-	100.0%	104 476	104 476
Transfers and subsidies	47	-	735	782	782	-	100.0%	308	308
Payment for capital assets	2 354	-	(814)	1 540	1 540	-	100.0%	4 388	4 388

DEPARTMENT OF DEFENCE, VOTE 21

DETAIL PER PROGRAMME 3 - AIR DEFENCE
for the year ended 31 March 2007 (continued)

Programme per subprogramme	2006/07					2005/06			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
3.7 Command and Control Capability									
Current payment	151 177	-	(3 617)	147 560	147 560	-	100.0%	143 267	143 267
Transfers and subsidies	31	-	273	304	304	-	100.0%	579	579
Payment for capital assets	405	-	6 568	6 973	6 973	-	100.0%	3 402	3 402
3.8 Base Support Capability									
Current payment	759 451	-	(11 066)	748 385	748 385	-	100.0%	699 996	699 996
Transfers and subsidies	95	-	25 135	25 230	25 230	-	100.0%	7 065	7 065
Payment for capital assets	1 214	-	4 973	6 187	6 187	-	100.0%	3 690	3 690
3.9 Command Post									
Current payment	23 628	-	39 066	62 694	62 694	-	100.0%	39 673	39 673
Transfers and subsidies	12	-	1 827	1 833	1 833	-	100.0%	35	35
Payment for capital assets	856	-	(23)	833	833	-	100.0%	815	815
3.10 Training Capability									
Current payment	211 379	-	(21 363)	190 016	190 016	-	100.0%	166 473	166 473
Transfers and subsidies	62	-	1 669	1 731	1 731	-	100.0%	1 287	1 287
Payment for capital assets	884	-	5 208	6 092	6 092	-	100.0%	1 875	1 875
3.11 Technical Support Services									
Current payment	446 237	-	629	446 866	446 866	-	100.0%	493 918	493 918
Transfers and subsidies	47	-	4 169	4 216	4 216	-	100.0%	702	702
Payment for capital assets	5 662	-	3 364	9 026	9 026	-	100.0%	12 065	12 065
3.12 Authorised Losses									
Current payment	-	-	1 464	1 464	1 464	-	100.0%	721	721
3.13 Internal Services									
Current payment	-	-	(108 874)	(108 874)	(108 874)	-	100.0%	(110 350)	(110 350)
3.14 Income									
Current payment	-	-	(2 904)	(2 904)	(2 904)	-	100.0%	(3 456)	(3 456)
Total	2 504 488	-	9 405	2 513 893	2 513 893	-	100.0%	2 479 455	2 479 455

DEPARTMENT OF DEFENCE, VOTE 21

DETAIL PER PROGRAMME 3 - AIR DEFENCE
 for the year ended 31 March 2007 (continued)

Economic classification	2006/07					2005/06			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
Current payments									
Compensation of employees	1 319 202	-	40 542	1 359 744	1 359 744	-	100.0%	1 240 066	1 240 066
Goods and services	1 161 739	-	(90 884)	1 070 855	1 070 855	-	100.0%	1 190 879	1 190 879
Financial transactions in assets and liabilities	-	-	1 464	1 464	1 464	-	100.0%	721	721
Transfers and subsidies									
Provinces and municipalities	385	-	212	597	597	-	100.0%	2 293	2 293
Households	-	-	37 044	37 044	37 044	-	100.0%	8 860	8 860
Payment for capital assets									
Machinery and equipment	23 162	-	20 639	43 801	43 801	-	100.0%	34 931	34 931
Software and other intangible assets	-	-	388	388	388	-	100.0%	1 705	1 705
Total	2 504 488	-	9 405	2 513 893	2 513 893	-	100.0%	2 479 455	2 479 455

DEPARTMENT OF DEFENCE, VOTE 2 I

DETAIL PER PROGRAMME 4 - MARITIME DEFENCE
for the year ended 31 March 2007

Programme per subprogramme	2006/07					2005/06			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
4.1 Maritime Direction									
Current payment	330 706	-	(67 696)	263 010	263 010	-	100.0%	276 301	276 301
Transfers and subsidies	363	-	11 078	11 441	11 441	-	100.0%	5 278	5 278
Payment for capital assets	2 130	-	(539)	1 591	1 591	-	100.0%	7 383	7 383
4.2 Maritime Combat Capability									
Current payment	403 223	-	(36 962)	366 261	366 261	-	100.0%	315 799	315 799
Transfers and subsidies	-	-	442	442	442	-	100.0%	237	237
Payment for capital assets	15 017	-	6 528	21 545	21 545	-	100.0%	6 514	6 514
4.3 Maritime Logistic Support Capability									
Current payment	171 104	-	7 204	178 308	178 308	-	100.0%	170 161	170 161
Transfers and subsidies	-	-	2 549	2 549	2 549	-	100.0%	738	738
Payment for capital assets	476	-	9 385	9 861	9 861	-	100.0%	4 140	4 140
4.4 Maritime Training Capability									
Current payment	98 071	-	34 577	132 648	132 648	-	100.0%	105 184	105 184
Transfers and subsidies	-	-	2 117	2 117	2 117	-	100.0%	785	785
Payment for capital assets	148	-	(134)	14	14	-	100.0%	2 473	2 473
4.5 Base Support Capability									
Current payment	296 578	-	17 243	313 821	313 821	-	100.0%	291 654	291 654
Transfers and subsidies	-	-	5 466	5 466	5 466	-	100.0%	2 203	2 203
Payment for capital assets	1 357	-	1 401	2 758	2 758	-	100.0%	13 620	13 620
4.6 Authorised Losses									
Current payment	-	-	312	312	312	-	100.0%	353	353
4.7 Income									
Current payment	-	-	(304)	(304)	(304)	-	100.0%	(1 404)	(1 404)
Total	1 319 173	-	(7 333)	1 311 840	1 311 840	-	100.0%	1 201 419	1 201 419

DEPARTMENT OF DEFENCE, VOTE 21

DETAIL PER PROGRAMME 4 - MARITIME DEFENCE
 for the year ended 31 March 2007 (continued)

Economic classification	2006/07					2005/06			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
Current payments									
Compensation of employees	800 262	-	(19 806)	780 456	780 456	-	100.0%	739 288	739 288
Goods and services	499 420	-	(26 132)	473 288	473 288	-	100.0%	418 407	418 407
Financial transactions in assets and liabilities	-	-	312	312	312	-	100.0%	353	353
Transfers and subsidies									
Provinces and municipalities	363	-	(75)	288	288	-	100.0%	1 133	1 133
Households	-	-	21 727	21 727	21 727	-	100.0%	8 108	8 108
Payment for capital assets									
Machinery and equipment	18 358	-	16 716	35 074	35 074	-	100.0%	33 458	33 458
Software and other intangible assets	770	-	(75)	695	695	-	100.0%	672	672
Total	1 319 173	-	(7 333)	1 311 840	1 311 840	-	100.0%	1 201 419	1 201 419

DEPARTMENT OF DEFENCE, VOTE 2 I

DETAIL PER PROGRAMME 5 - MILITARY HEALTH SUPPORT
for the year ended 31 March 2007

Programme per subprogramme	2006/07				2005/06				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
5.1 Strategic Direction									
Current payment	96 053	-	(14 090)	81 963	81 963	-	100.0%	73 529	73 529
Transfers and subsidies	25	-	3 697	3 722	3 722	-	100.0%	1 344	1 344
Payment for capital assets	2 342	-	115	2 457	2 457	-	100.0%	6 063	6 063
5.2 Military Health Support									
Current payment	51 184	-	9 483	60 667	60 667	-	100.0%	56 276	56 276
Transfers and subsidies	-	-	637	637	637	-	100.0%	90	90
Payment for capital assets	4 783	-	(2 229)	2 554	2 554	-	100.0%	516	516
5.3 Area Military Health Service									
Current payment	608 954	-	(12 793)	596 161	596 161	-	100.0%	566 449	566 449
Transfers and subsidies	217	-	7 438	7 655	7 655	-	100.0%	3 733	3 733
Payment for capital assets	12 368	-	23 545	35 913	35 913	-	100.0%	14 916	14 916
5.4 Specialist Tertiary Health Service									
Current payment	507 385	-	50 496	557 881	557 881	-	100.0%	551 857	551 857
Transfers and subsidies	159	-	5 956	6 115	6 115	-	100.0%	2 688	2 688
Payment for capital assets	10 757	-	10 900	21 657	21 657	-	100.0%	11 190	11 190
5.5 Product Support Capability									
Current payment	141 142	-	(37 231)	103 911	103 911	-	100.0%	78 631	78 631
Transfers and subsidies	-	-	445	445	445	-	100.0%	50	50
Payment for capital assets	3 828	-	1 079	4 907	4 907	-	100.0%	12 869	12 869
5.6 Base Support Capability									
Current payment	123 783	-	(25 007)	98 776	98 776	-	100.0%	75 859	75 859
Transfers and subsidies	-	-	3 292	3 292	3 292	-	100.0%	981	981
Payment for capital assets	7 353	-	11 353	18 706	18 706	-	100.0%	8 823	8 823

DEPARTMENT OF DEFENCE, VOTE 21

DETAIL PER PROGRAMME 5 - MILITARY HEALTH SUPPORT
for the year ended 31 March 2007 (continued)

Programme per subprogramme	2006/07					2005/06			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
5.7 Military Health Training Capability									
Current payment	111 633	-	(11 600)	100 033	100 033	-	100.0%	90 968	90 968
Transfers and subsidies	-	-	2 019	2 019	2 019	-	100.0%	884	884
Payment for capital assets	1 856	-	(419)	1 437	1 437	-	100.0%	3 074	3 074
5.8 Authorised Losses									
Current payment	-	-	247	247	247	-	100.0%	1 568	1 568
5.9 Income									
Current payment	-	-	(7 048)	(7 048)	(7 048)	-	100.0%	(5 452)	(5 452)
Total	1 683 822	-	20 285	1 704 107	1 704 107	-	100.0%	1 556 906	1 556 906

DEPARTMENT OF DEFENCE, VOTE 2 I

DETAIL PER PROGRAMME 5 - MILITARY HEALTH SUPPORT
for the year ended 31 March 2007 (continued)

Economic classification	2006/07					2005/06			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
Current payments									
Compensation of employees	1 079 509	-	(16 460)	1 063 049	1 063 049	-	100.0%	1 032 892	1 032 892
Goods and services	560 625	-	(31 330)	529 295	529 295	-	100.0%	455 225	455 225
Financial transactions in assets and liabilities	-	-	247	247	247	-	100.0%	1 568	1 568
Transfers and subsidies									
Provinces and municipalities	401	-	136	537	537	-	100.0%	2 010	2 010
Households	-	-	23 348	23 348	23 348	-	100.0%	7 760	7 760
Payment for capital assets									
Machinery and equipment	42 944	-	44 619	87 563	87 563	-	100.0%	57 451	57 451
Software and other intangible assets	343	-	(275)	68	68	-	100.0%	-	-
Total	1 683 822	-	20 285	1 704 107	1 704 107	-	100.0%	1 556 906	1 556 906

DEPARTMENT OF DEFENCE, VOTE 21

DETAIL PER PROGRAMME 6 - DEFENCE INTELLIGENCE

for the year ended 31 March 2007

Programme per subprogramme	2006/07						2005/06		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
6.1 Strategic Direction									
Current payment	136	-	1 096	1 232	1 232	-	100.0%	1 206	1 206
Transfers and subsidies	67	-	(67)	-	-	-	0.0%	78	78
6.2 Defence Counter Intelligence Services									
Current payment	6 504	-	(1 683)	4 821	4 821	-	100.0%	5 746	5 746
Payment for capital assets	960	-	92	1 052	1 052	-	100.0%	423	423
6.3 Defence Intelligence Support									
Current payment	133 656	-	2 624	136 280	136 280	-	100.0%	129 957	129 957
Transfers and subsidies	-	-	2 027	2 027	2 027	-	100.0%	3 098	3 098
Payment for capital assets	2 339	-	(259)	2 080	2 080	-	100.0%	3 796	3 796
6.4 Authorised Losses									
Current payment	-	-	2	2	2	-	100.0%	12	12
6.5 Income									
Current payment	-	-	-	-	-	-	0.0%	-	-
Total	143 662	-	3 832	147 494	147 494	-	100.0%	144 316	144 316

DEPARTMENT OF DEFENCE, VOTE 2 I

DETAIL PER PROGRAMME 6 - DEFENCE INTELLIGENCE
for the year ended 31 March 2007 (continued)

Economic classification	2006/07					2005/06			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
Current payments									
Compensation of employees	120 164	-	4 279	124 443	124 443	-	100.0%	115 559	115 559
Goods and services	20 132	-	(2 242)	17 890	17 890	-	100.0%	21 350	21 350
Financial transactions in assets and liabilities	-	-	2	2	2	-	100.0%	12	12
Transfers and subsidies									
Provinces and municipalities	67	-	(4)	63	63	-	100.0%	227	227
Households	-	-	1 964	1 964	1 964	-	100.0%	2 949	2 949
Payment for capital assets									
Machinery and equipment	3 299	-	(167)	3 132	3 132	-	100.0%	4 219	4 219
Total	143 662	-	3 832	147 494	147 494	-	100.0%	144 316	144 316

DEPARTMENT OF DEFENCE, VOTE 21

DETAIL PER PROGRAMME 7 - JOINT SUPPORT
 for the year ended 31 March 2007

Programme per subprogramme	2006/07				2005/06				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
7.1 Strategic Direction									
Current payment	5 756	-	(1 898)	3 858	3 858	-	100.0%	3 555	3 555
Transfers and subsidies	3	-	52	55	55	-	100.0%	5	5
Payment for capital assets	22	-	200	222	222	-	100.0%	16	16
7.2 Joint Logistic Services									
Current payment	786 361	-	(89 997)	696 364	696 364	-	100.0%	600 391	600 391
Transfers and subsidies	345	-	15 746	16 091	16 091	-	100.0%	4 600	4 600
Payment for capital assets	89 171	-	4 917	94 088	69 164	24 924	73.5%	80 805	80 805
7.3 Command and Management									
Information Services									
Current payment	913 095	-	23 610	936 705	936 705	-	100.0%	836 160	836 160
Transfers and subsidies	245	-	9 536	9 781	9 781	-	100.0%	2 312	2 312
Payment for capital assets	17 040	-	6 687	23 727	23 727	-	100.0%	42 895	42 895
7.4 Military Police									
Current payment	251 910	-	(38 897)	213 013	213 013	-	100.0%	208 751	208 751
Transfers and subsidies	121	-	6 142	6 263	6 263	-	100.0%	3 126	3 126
Payment for capital assets	4 219	-	6 974	11 193	11 193	-	100.0%	5 716	5 716
7.5 Service Corps									
Current payment	54 788	-	(12 569)	42 219	42 219	-	100.0%	44 037	44 037
Transfers and subsidies	19	-	2 152	2 171	2 171	-	100.0%	889	889
Payment for capital assets	621	-	(281)	340	340	-	100.0%	816	816
7.6 Acquisition Services									
Current payment	363	-	(67)	296	296	-	100.0%	714	714
Payment for capital assets	-	-	13	13	13	-	100.0%	20	20

DEPARTMENT OF DEFENCE, VOTE 2 I

DETAIL PER PROGRAMME 7 - JOINT SUPPORT
for the year ended 31 March 2007 (continued)

Programme per subprogramme	2006/07					2005/06			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
7.7 Joint Training									
Current payment	104 518	-	30 766	135 284	135 284	-	100.0%	121 270	121 270
Transfers and subsidies	7 968	-	3 499	11 467	11 254	213	98.1%	8 157	8 157
Payment for capital assets	1 897	-	683	2 580	2 580	-	100.0%	2 626	2 626
7.8 Assistance									
Current payment	-	-	-	-	-	-	0.0%	-	-
Transfers and subsidies	325	-	-	325	252	73	77.5%	314	195
7.9 Departmental Support									
Current payment	96 423	-	(35 561)	60 862	60 862	-	100.0%	35 113	35 113
Transfers and subsidies	399 012	-	-	399 012	398 786	226	99.9%	362 111	362 111
7.10 British Military Advisory and Training									
Current payment	6 458	-	(834)	5 624	5 624	-	100.0%	9 571	9 571
7.11 Authorised Losses									
Current payment	-	-	80	80	80	-	100.0%	127	127
7.12 Income									
Current payment	-	-	(89)	(89)	(89)	-	0.0%	-	-
Total	2 740 680	-	(69 136)	2 671 544	2 646 108	25 436	99.0%	2 374 097	2 374 097

DEPARTMENT OF DEFENCE, VOTE 2 I

DETAIL PER PROGRAMME 7 - JOINT SUPPORT
for the year ended 31 March 2007 (continued)

Economic classification	2006/07					2005/06			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
Current payments									
Compensation to employees	1 364 179	-	(79 215)	1 284 964	1 284 964	-	100.0%	1 173 497	1 173 497
Goods and services	855 493	-	(46 321)	809 172	809 172	-	100.0%	686 065	686 065
Financial transactions in assets and liabilities	-	-	80	80	80	-	100.0%	127	127
Transfers and subsidies									
Provinces and municipalities	768	-	(137)	631	631	-	100.0%	2 313	2 313
Departmental agencies and accounts	7 933	-	-	7 933	7 720	213	97.3%	7 101	7 101
Public corporations and private enterprises	396 286	-	-	396 286	396 286	-	100.0%	359 515	359 515
Non-profit institutions	3 051	-	-	3 051	2 752	299	90.2%	2 911	2 792
Households	-	-	37 264	37 264	37 264	-	100.0%	9 674	9 674
Payment for capital assets									
Buildings and other fixed structures	74 097	-	-	74 097	49 173	24 924	66.4%	73 884	73 884
Machinery and equipment	38 519	-	19 439	57 958	57 958	-	100.0%	58 947	58 947
Software and other intangible assets	354	-	(246)	108	108	-	100.0%	63	63
Total	2 740 680	-	(69 136)	2 671 544	2 646 108	25 436	99.0%	2 374 097	2 373 978

DEPARTMENT OF DEFENCE, VOTE 21

DETAIL PER PROGRAMME 8 - COMMAND AND CONTROL
for the year ended 31 March 2007

Programme per subprogramme	2006/07					2005/06			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
8.1 Strategic Direction									
Current payment	137 820	-	43 097	180 917	180 917	-	100.0%	165 904	165 904
Transfers and subsidies	-	-	5 958	5 958	5 958	-	100.0%	2 815	2 815
Payment for capital assets	5 369	-	2 088	7 457	7 457	-	100.0%	3 309	3 309
8.2 Special Operations									
Current payment	169 837	-	(13 784)	156,053	156,053	-	100.0%	139 187	139 187
Transfers and subsidies	59	-	3 447	3 506	3 506	-	100.0%	1 380	1 380
Payment for capital assets	4 476	-	1 012	5 488	5 488	-	100.0%	7 714	7 714
8.3 Regional Security									
Current payment	-	-	133 755	133 755	133 755	-	100.0%	60 867	60 867
Transfers and subsidies	-	-	-	-	-	-	0.0%	-	-
Payment for capital assets	-	-	1 600	1 600	1 600	-	100.0%	4 250	4 250
8.4 UN Peace Mission in DRC									
Current payment	318 600	-	(79 776)	238 824	238 824	-	100.0%	240 039	240 039
Payment for capital assets	43 319	-	(8 649)	34 670	34 670	-	100.0%	65 617	65 617
8.5 Protection Support									
Detachment in Burundi									
Current payment	357 266	-	(160 796)	196 470	196 470	-	100.0%	270 154	270 154
Payment for capital assets	5 126	-	1 105	6 231	6 231	-	100.0%	1 987	1 987
8.6 Military Observers									
Current payment	1 029	-	72	1 101	1 101	-	100.0%	723	723
Payment for capital assets	-	-	-	-	-	-	0.0%	-	-
8.7 African Mission in Sudan									
Current payment	94 724	-	99 898	194 622	194 622	-	100.0%	51 721	51 721
Payment for capital assets	317	-	231	548	548	-	100.0%	2 722	2 722

DEPARTMENT OF DEFENCE, VOTE 21

DETAIL PER PROGRAMME 8 - COMMAND AND CONTROL
 for the year ended 31 March 2007 (continued)

Programme per subprogramme	2006/07						2005/06		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
8.8 Support to the People									
Current payment	234 517	-	(85 770)	148 747	148 747	-	100.0%	101 460	101 460
Payment for capital assets	20 363	-	(5 679)	14 684	14 684	-	100.0%	22 854	22 854
8.9 Defence Capability Management									
Current payment	17 323	-	(7 344)	9 979	9 979	-	100.0%	-	-
Payment for capital assets	-	-	5 479	5 479	5 479	-	100.0%	-	-
8.10 Internal Services									
Current payment	-	-	124 029	124 029	124 029	-	100.0%	230 704	230 704
8.11 Authorised Losses									
Current payment	-	-	43	43	43	-	100.0%	60 647	60 647
8.12 Income									
Current payment	-	-	(96)	(96)	(96)	-	100.0%	(362)	(362)
Total	1 410 145	-	59 920	1 470 065	1 470 065	-	100.0%	1 433 692	1 433 692

DEPARTMENT OF DEFENCE, VOTE 21

DETAIL PER PROGRAMME 8 - COMMAND AND CONTROL
for the year ended 31 March 2007 (continued)

Economic classification	2006/07						2005/06		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
Current payments									
Compensation to employees	616 064	-	81 974	698 038	698 038	-	100.0%	513 694	513 694
Goods and services	715 052	-	(28 689)	686 363	686 363	-	100.0%	746 702	746 702
Financial transactions in assets and liabilities	-	-	43	43	43	-	100.0%	60 647	60 647
Transfers and subsidies									
Provinces and municipalities	59	-	53	112	112	-	100.0%	410	410
Households	-	-	9 352	9 352	9 352	-	100.0%	3 786	3 786
Payment for capital assets									
Machinery and equipment	78 970	-	(2 813)	76 157	76 157	-	100.0%	108 419	108 419
Software and other intangible assets	-	-	-	-	-	-	0.0%	34	34
Total	1 410 145	-	59 920	1 470 065	1 470 065	-	100.0%	1 433 692	1 433 692

DEPARTMENT OF DEFENCE, VOTE 21

DETAIL PER PROGRAMME 9 - SPECIAL DEFENCE ACCOUNT

for the year ended 31 March 2007 (continued)

Programme per subprogramme	2006/07						2005/06		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
9.1 Procurement Services Transfers and subsidies	2 947 329	-		2 947 329	2 947 329	-	100.0%	2 154 709	2 154 709
9.2 Strategic Defence Procurement Transfers and subsidies	4 536 249	-		4 536 249	4 536 249	-	100.0%	6 429 469	6 429 469
9.3 Operating Transfers and subsidies	590 193	-		590 193	590 193	-	100.0%	599 285	599 285
9.4 Intelligence Related Transfers and subsidies	206 967	-		206 967	206 967	-	100.0%	75 376	75 376
Total	8 280 738	-	-	8 280 738	8 280 738	-	100.0%	9 258 839	9 258 839

Economic classification	2006/07						2005/06		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
Transfers and subsidies Departmental agencies and accounts	8 280 738	-	-	8 280 738	8 280 738	-	100.0%	9 258 839	9 258 839
Total	8 280 738	-	-	8 280 738	8 280 738	-	100.0%	9 258 839	9 258 839

DEPARTMENT OF DEFENCE, VOTE 21
NOTES TO THE APPROPRIATION STATEMENT
for the year ended 31 March 2007

1. Detail of transfers and subsidies as per Appropriation Act (after Virement):

Detail of these transactions can be viewed in note 7 (Transfers and subsidies) and Annexure 1 (A-E) to the annual financial statements.

2. Detail of specifically and exclusively appropriated amounts voted (after Virement):

Detail of these transactions can be viewed in note 1 (Annual Appropriation) to the annual financial statements.

3. Detail on financial transactions in assets and liabilities:

Detail of these transactions per programme can be viewed in note 6 (Details of theft and losses) to the annual financial statements.

4. Explanations of material variances from amounts voted (after Virement):

4.1 Per programme:

Programme	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Variance as a % of Final Appropriation %
Administration				
Property Management ¹	999 401	941 318	58 083	6%
Joint Support				
Joint Logistic Services ²	806 543	781 619	24 924	3%

¹ Department of Public Works Funds. Roll over claim submitted to National Treasury.

² Capital Works Funds. Roll over claim submitted to National Treasury.

4.2 Per economic classification:

	R'000
Current expenditure	
Goods and services	58 083
Payments for capital assets	
Buildings and other fixed structures	24 924

DEPARTMENT OF DEFENCE, VOTE 21

STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 31 March 2007

	Note	2006/07 R'000	2005/06 R'000
REVENUE			
Annual appropriation	1	23 902 904	22 670 482
Departmental revenue	2	492 792	729 136
Local and foreign aid assistance	3	-	38 750
TOTAL REVENUE		24 395 696	23 438 368
EXPENDITURE			
Current expenditure			
Compensation of employees	4	9 037 595	8 196 352
Goods and services	5	5 444 919	4 239 918
Financial transactions in assets and liabilities	6	17 957	100 108
Local and foreign aid assistance	3	11 240	27 510
Total current expenditure		14 511 711	12 563 888
Transfers and subsidies	7	8 882 837	9 715 847
Expenditure for capital assets			
Buildings and other fixed structures	8	49 173	73 884
Machinery and Equipment	8	383 820	336 173
Software and other intangible assets	8	1 283	2 564
Total expenditure for capital assets		434 276	412 621
TOTAL EXPENDITURE		23 828 824	22 692 356
NET SURPLUS			
Add back fruitless and wasteful expenditure	10	494	17
NET SURPLUS FOR THE YEAR		567 366	746 029
Reconciliation of Net Surplus for the year			
Voted Funds to be surrendered to the Revenue Fund	15	85 814	5 653
Departmental revenue to be surrendered to the Revenue Fund	16	492 792	729 136
Local and foreign aid assistance	3	(11 240)	11 240
NET SURPLUS FOR THE YEAR		567 366	746 029



DEPARTMENT OF DEFENCE, VOTE 21

STATEMENT OF FINANCIAL POSITION
as at 31 March 2007

	Note	2006/07 R'000	2005/06 R'000
ASSETS			
Current assets		966 440	808 233
Unauthorised expenditure	9	20 625	495 824
Fruitless and wasteful expenditure	10	959	472
Cash and cash equivalents	11	67 330	51 599
Prepayments and advances	12	176 471	144 659
Receivables	13	688 693	103 317
Loans	14	12 362	12 362
TOTAL ASSETS		966 440	808 233
LIABILITIES			
Current liabilities		857 067	745 772
Voted funds to be surrendered to the Revenue Fund	15	85 814	5 653
Departmental revenue to be surrendered to the Revenue Fund	16	37 919	54 099
Bank overdraft	17	690 987	646 665
Payables	18	42 347	28 115
Local and foreign aid assistance unutilised	3	-	11 240
TOTAL LIABILITIES		857 067	745 772
NET ASSETS		109 373	62 461
Represented by:			
Recoverable revenue		109 373	62 461
TOTAL		109 373	62 461

DEPARTMENT OF DEFENCE, VOTE 21

STATEMENT OF CHANGES IN NET ASSETS
for the year ended 31 March 2007

	Note	2006/07 R'000	2005/06 R'000
Recoverable revenue			
Opening balance		62 461	71 331
Transfers		46 912	(8 870)
Debts written off	6.6	(5 016)	(10 351)
Debts revised	13.3	(2 401)	-
Debts recovered (included in departmental receipts)		(25 262)	(28 035)
Debts raised		79 591	29 516
Balance at 31 March		109 373	62 461
TOTAL		109 373	62 461



DEPARTMENT OF DEFENCE, VOTE 21

CASH FLOW STATEMENT
for the year ended 31 March 2007

	Note	2006/07 R'000	2005/06 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		24 389 947	23 438 368
Annual appropriated funds received	1	23 902 904	22 670 482
Departmental revenue received		487 043	729 136
Local and foreign aid assistance received	3	-	38 750
Net increase in working capital		(128 244)	(54 552)
Surrendered to Revenue Fund		(514 625)	(689 147)
Current payments		(14 511 217)	(12 563 871)
Transfers and subsidies paid		(8 882 837)	(9 715 847)
Net cash flows available from operating activities	19	353 024	414 951
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for capital assets		(434 276)	(412 621)
Proceeds from sale of capital assets		5 749	-
Net cash flows from investing activities		(428 527)	(412 621)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease/(Increase) in net assets		46 912	(8 870)
Net cash flows from financing activities		46 912	(8 870)
Net decrease in cash and cash equivalents		(28 591)	(6 543)
Cash and cash equivalents at beginning of period		(595 066)	(588 523)
Cash and cash equivalents at end of period	20	(623 657)	(595 066)



DEPARTMENT OF DEFENCE, VOTE 21
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007

1. Annual Appropriation

1.1 Annual Appropriation

Included are funds appropriated in terms of the Appropriation Act for National Departments (Voted Funds)

Programmes	Final Appropriation R'000	Actual Funds Received R'000	Funds not requested/ not received R'000	Appropriation Received 2005/06 R'000
Administration	1 811 901	1 811 682	219	784 589
Landward Defence	3 991 322	3 991 544	(222)	3 437 169
Air Defence	2 513 893	2 513 893	-	2 479 455
Maritime Defence	1 311 840	1 311 840	-	1 201 419
Military Health Support	1 704 107	1 704 106	1	1 556 906
Defence Intelligence	147 494	147 494	-	144 316
Joint Support	2 671 544	2 671 542	2	2 374 097
Command and Control	1 470 065	1 470 065	-	1 433 692
Special Defence Account	8 280 738	8 280 738	-	9 258 839
Total	23 902 904	23 902 904	-	22 670 482

2. Departmental revenue to be surrendered to Revenue Fund

	Note	2006/07 R'000	2005/06 R'000
Sales of goods and services other than capital assets	2.1	169 763	232 844
Fines, penalties and forfeits		2 272	2 448
Interest, dividends and rent on land	2.2	813	337
Sales of capital assets	2.3	5 749	-
Financial transactions in assets and liabilities	2.4	314 195	493 507
Total		492 792	729 136

2.1 Sales of goods and services other than capital assets

Sales of goods and services produced by the department			
Other sales		111 723	95 202
Sales of scrap, waste and other used current goods		58 040	137 642
Total		169 763	232 844

2.2 Interest, dividends and rent on land

Interest		813	337
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2.3 Sales of capital assets

Vehicles		5 429	-
Equipment		320	-
Total		5 749	-

DEPARTMENT OF DEFENCE, VOTE 21
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007 (continued)

	2006/07	2005/06
	R'000	R'000

2.4 Financial transactions in assets and liabilities

Nature of loss recovered		
Receivables	-	42 970
Other receipts including recoverable revenue	313 774	450 153
Foreign gains	211	25
Stale cheques	210	359
Total	314 195	493 507

3. Local and foreign aid assistance

3.1 Assistance received in cash from RDP

Foreign		
Opening balance	11 240	-
Revenue	-	38 750
Expenditure		
Current	11 240	27 510
Closing Balance	-	11 240
Analysis of balance		
Local and foreign aid unutilised	-	11 240
Closing Balance	-	11 240



4. Compensation of employees

4.1 Salaries and wages

Basic salary	5 891 111	5 624 243
Performance award	103 627	70
Service Based	29 478	27 512
Compensative/circumstantial	552 805	448 444
Periodic payments	970	509
Other non-pensionable allowances	1 476 138	1 178 041
Total	8 054 129	7 278 819

4.2 Social contributions

4.2.1 Employer contributions		
Pension	938 837	872 191
Medical	44 211	44 908
UIF	418	434
Total	983 466	917 533
Total compensation of employees	9 037 595	8 196 352
Average number of employees	77 642	77 136

DEPARTMENT OF DEFENCE, VOTE 21
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007 (continued)

	Note	2006/07 R'000	2005/06 R'000
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5. Goods and services

Advertising		5 721	4 724
Airport services		36 597	23 957
Bank charges and card fees		5 536	4 321
Catering		76 683	72 709
Communication		91 173	94 244
Computer services		666 770	582 156
Consultants, contractors and special services		310 010	334 986
Copy right services		26	17
Courier and delivery services		3 519	2 212
Tracing agents and debt collections		18	19
Entertainment		4 816	3 028
External audit fees	5.1	32 765	27 034
Equipment less than R5000		97 945	134 199
Freight services		2 520	3 150
Harbour services		20 745	24 445
Inventory	5.2	1 038 939	977 659
Legal fees		179	8
Maintenance, repair and running cost		1 547 501	967 653
Medical services		164 905	147 248
Operating leases		441 478	139 099
Mint of decorations/medals		1	177
Plants, flowers and other decorations		5	31
Preservation/restoration services		6 101	5 399
Printing and publications		6 682	5 796
Professional bodies and membership fees		1 401	4 451
Resettlement costs		26 212	16 247
School and boarding fees		910	3 478
Subscriptions		59	47
Storage of furniture		143	16
Owned and leasehold property expenditure		295 409	17 683
Translations and transcriptions		-	155
Travel and subsistence	5.3	463 415	567 669
Venues and facilities		17 123	16 194
Protective, special clothing and uniforms		3 867	1 693
Training and staff development		75 618	57 934
Witness and related fees		127	80
Total		5 444 919	4 239 918



5.1 External audit fees

Regulatory audits	29 207	26 070
Performance audits	1 060	518
Other audits	2 498	446
Total external audit fees	32 765	27 034

DEPARTMENT OF DEFENCE, VOTE 2 I
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007 (continued)

Note	2006/07 R'000	2005/06 R'000
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5.2 Inventory

Domestic consumables	96 324	100 885
Agricultural	1 142	1 080
Learning and teaching support material	4 912	5 401
Food and food supplies	292 956	223 732
Fuel, oil and gas	305 709	328 564
Laboratory consumables	-	1 351
Other consumables	49 673	33 886
Parts and other maintenance material	28 474	38 858
Stationery and printing	60 458	60 290
Veterinary supplies	1	228
Medical supplies	199 290	183 384
Total Inventory	1 038 939	977 659

5.3 Travel and subsistence

Local	292 299	256 149
Foreign	171 116	311 520
Total travel and subsistence	463 415	567 669



6. Financial transactions in assets and liabilities

Material losses through criminal conduct			
Theft	6.1	6	392
Other material losses written off	6.2	14 812	32 090
Debts written off	6.3	1 631	67 292
Forex losses	6.4	1 508	334
Total		17 957	100 108

6.1 Material losses through criminal conduct

Nature of losses			
Incident	Disciplinary steps taken/criminal proceedings	6	392
Subsistence and travel fraud	Liability still to be determined	6	392

DEPARTMENT OF DEFENCE, VOTE 21
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007 (continued)

	2006/07	2005/06
	R'000	R'000

6.2 Other material losses written off

Nature of losses		
Compensation arising from a veld fire in Lohatla	919	9 552
Compensation arising from a shooting accident	-	5 036
Settlement agreement with the CSANDF	-	2 500
Legal fees State Attorney	7 901	8 207
Motor vehicle losses	2 395	1 970
Legal opinions	2 079	2 119
Other claims against the State	1 306	2 285
Legal fees	114	2
Interest claims	74	14
Spectacle losses	24	33
Legal representation	-	372
Total	14 812	32 090

6.3 Debts written off

Nature of debts written off		
Collection of debt uneconomical (10 cases)	404	-
Salary related	837	779
State guarantees	165	196
Estates	107	24
Subsistence and travel	76	48
Suppliers overpaid	9	12
Loss of state property	8	33
Debts raised concerning fruitless and wasteful expenditure	7	7
Miscellaneous	7	-
Treatment of private patients	4	1
Departmental transfer	4	-
Loss of state funds	3	141
Military assistance to the Kingdom of Lesotho during 1998/1999 (Operation BOLEAS)	-	54 936
Military assistance to the Kingdom of Lesotho during 1999/2000 (Operation MALUTI)	-	5 697
Cataloguing service for National Treasury	-	3 514
No substantiating documentation	-	1 904
Total	1 631	67 292

Note: Not included above is an amount of Rm 566 which was expensed in prior years.

6.4 Forex losses

Nature of loss		
Foreign exchange losses on operations	1 508	334

DEPARTMENT OF DEFENCE, VOTE 21
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007 (continued)

Note	2006/07 R'000	2005/06 R'000
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6.5 Details of theft and losses

Administration	11 634	16 505
Landward Defence	4 173	20 175
Air Defence	1 465	721
Maritime Defence	313	353
Military Health Support	247	1 568
Defence Intelligence	2	12
Joint Support	80	127
Command and Control	43	60 647
Total	17 957	100 108

6.6 Irrecoverable amounts written off

Contractual liabilities	2 673	413
Motor vehicle accidents	900	718
Aviation services	601	-
Estates	189	14
Medical services rendered to other entities	181	-
State guarantees	179	97
Treatment of private patients	128	44
Loss of state property	98	75
Salary related	34	63
Aviation fuel	14	-
Other	13	28
Damage to state property	6	-
Operations	-	8 129
No substantiating documentation	-	752
Dockyard	-	18
Total	5 016	10 351



7. Transfers and subsidies

Provinces and municipalities	Annexure 1A	3 967	15 144
Departmental agencies and accounts	Annexure 1B	8 288 458	9 265 940
Public corporations and private enterprises	Annexure 1C	396 286	359 515
Non-profit institutions	Annexure 1D	2 752	2 792
Households	Annexure 1E	191 374	72 456
Total		8 882 837	9 715 847

DEPARTMENT OF DEFENCE, VOTE 21
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007 (continued)

	2006/07	2005/06
	R'000	R'000

8. Expenditure for capital assets

Buildings and other fixed structures	49 173	73 884
Machinery and equipment	383 820	336 173
Software and other intangible assets	1 283	2 564
Total	434 276	412 621

9. Unauthorised expenditure

9.1 Reconciliation of unauthorised expenditure

Opening balance	495 824	495 824
Amounts approved by Parliament	-	-
Transfer to receivables for recovery (not approved)	(475 199)	-
Unauthorised expenditure awaiting authorisation	20 625	495 824

Note: An amount of Rm 7,495 was approved by Parliament and will be collected from National Treasury in the 2007/2008 financial year. An amount of Rm 467,703 was not approved by Parliament and provision has been made to write it off as irrecoverable debt (see note 29).

10. Fruitless and wasteful expenditure

10.1 Reconciliation of fruitless and wasteful expenditure

Opening balance	472	469
Fruitless and wasteful expenditure - current year		
Current expenditure	494	17
Amounts condoned		
Current expenditure	(1)	(14)
Transfer to receivables for recovery (not condoned)	(6)	-
Fruitless and wasteful expenditure awaiting condonement	959	472

Note: An amount of R64 356 was transferred to receivables for recovery and reported as fruitless and wasteful expenditure, but it was recorded in a suspense account and not accounted for as fruitless and wasteful expenditure.

Analysis of current fruitless and wasteful expenditure

		2006/07
		R'000
Incident	Disciplinary steps taken/criminal proceedings	
Penalties in respect of late payment	Under investigation to determine liability	416
Termination of contract whereby the landlord is not able to repay the deposit (house lease) in Ivory Coast	Amount to be written off as no liability could be determined	22
Members was not entitled to medical treatment (19 cases)	Amounts to be deducted from members' salary	12
Partial payment of the cash-in-transit services to Kinshasa due to service provider being late with delivery of cash consignment for DOD	Amount to be written off as no liability could be determined	9

DEPARTMENT OF DEFENCE, VOTE 21
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007 (continued)

Incident	Disciplinary steps taken/criminal proceedings	2006/07 R'000
Cancellation fee in respect of hotel accommodation (2 cases)	Amount to be written off as no liability could be determined	6
Penalties in respect of late payment (2 cases)	Amount to be written off as no liability could be determined	5
Private radiologist utilised by member while he was under treatment at 1 Military Hospital	Under investigation to determine liability	4
Legal cost on long outstanding medical account	Amount to be written off as no liability could be determined	3
Members was not entitled to medical treatment (4 cases)	Amounts to be written off as no liability could be determined	3
Legal cost on long outstanding medical account	Under investigation to determine liability	2
Payment of Commando rations for more members than which reported for duty (2 cases)	Under investigation to determine liability	2
Penalties in respect of late payment of official television licences	Under investigation to determine liability	2
Cancellation fee in respect of hotel accommodation (2 cases)	Under investigation to determine liability	2
Repair of photocopier that was not due to normal wear and tear	Under investigation to determine liability	2
Members missed appointment (4 cases)	Amounts to be deducted from members' salary	1
Penalties in respect of late payment of official vehicle licences	Amount to be written off as no liability could be determined	1
Member was reimbursed for medical expenses	Under investigation to determine liability	1
Various cases (3)	2 Cases to be written off and 1 case under investigation	1
Total		494

2006/07 R'000	2005/06 R'000
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11. Cash and cash equivalents

Cash on hand	39 941	32 961
Cash with commercial banks	27 389	18 638
Total	67 330	51 599

12. Prepayments and advances

Description	2006/07	2005/06
Travel and subsistence	49 846	45 588
Prepayments	126 625	99 071
Total	176 471	144 659

DEPARTMENT OF DEFENCE, VOTE 21
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007 (continued)

13. Receivables

	Note	Less than one year R'000	One to three years R'000	Older than three years R'000	2006/07 Total R'000	2005/06 Total R'000
Staff debtors	13.1	30 740	5 974	9 938	46 652	39 389
Other debtors	13.2	579 088	21 475	29 842	630 405	57 938
Claims recoverable	Annex 3	11 106	71	459	11 636	5 990
Total		620 934	27 520	40 239	688 693	103 317

2006/07 R'000	2005/06 R'000
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13.1 Staff debtors

Description	2006/07	2005/06
Salary related	26 603	14 413
Students	7 885	9 302
Motor vehicle accidents	5 624	5 783
Deposits	2 923	4 347
State guarantees	2 091	2 163
Loss of state money	1 074	1 461
Private patients	335	222
Damage to state property	37	90
Estates	80	6
Discharge of members (2) not included in salary related	-	1 602
Total	46 652	39 389



DEPARTMENT OF DEFENCE, VOTE 21
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007 (continued)

	2006/07	2005/06
	R'000	R'000

13.2 Other debtors

Description		
Contractual liabilities	32 080	23 942
Salary related (ex-members)	7 722	7 476
Medical claims	1 449	4 762
Loss of state money	4 447	4 122
Motor vehicle accidents	3 654	4 120
Aviation services	6 801	3 094
Suppliers	5 342	1 835
Estates	1 032	1 385
State guarantees	857	1 278
Operations	91 376	815
Humanitarian aid	47	450
Private patients	446	303
Institutions	64	290
Dockyard	1 634	72
Fruitless and wasteful expenditure	-	18
Miscellaneous	15	8
Damage to state property	-	1
Marketing support	2 719	1
Unauthorised expenditure not approved by Parliament and to be written off	467 704	-
Legal fees not included in Suppliers	-	1 207
Loss of state funds not included in Loss of state money	3 016	2 759
Total	630 405	57 938



13.3 Debts revised

Description	
Students	1 185
Aviation services	619
Motor vehicle accidents	348
Loss of state money	219
Private patients	201
Medical claims	157
Salary related	75
Humanitarian aid	66
Intergovernmental receivables	2
Damage to state property	2
Institutions	(65)
Operations	(408)
Total	2 401

Note: Comparative figures cannot be provided. The system was adjusted to be able to provide the figures.

DEPARTMENT OF DEFENCE, VOTE 21
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007 (continued)

	2006/07	2005/06
	R'000	R'000

14. Loans

Public Corporations	12 362	12 362
Analysis of Balance		
Opening Balance	12 362	12 362
Closing Balance	12 362	12 362
Current portion of loans	12 362	12 362

This represents a loan to the South African Forces Institute (SAFI) for the purpose of finance bridging. This loan is unsecured. The interest rate is fixed at 0% per annum and is payable by March 2007.

15. Voted funds to be surrendered to the Revenue Fund

Opening balance	5 653	1 037
Transfer from Statement of Financial Performance	85 814	5 653
Paid during the year	(5 653)	(1 037)
Closing balance	85 814	5 653

16. Departmental revenue to be surrendered to the Revenue Fund

Opening balance	54 099	13 073
Transfer from Statement of Financial Performance	492 792	729 136
Paid during the year	(508 972)	(688 110)
Closing balance	37 919	54 099

17. Bank overdraft

Consolidated Paymaster General Account	690 987	646 665
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18. Payables - current

Description	Note	30 Days	30+ Days	Total	Total
Advances received	18.1	1	64	65	30
Clearing accounts	18.2	706	113	819	714
Other payables	18.3	27 640	13 823	41 463	27 371
Total		28 347	14 000	42 347	28 115

18.1 Advances received

Deposits received for use of Naval facilities	65	30
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DEPARTMENT OF DEFENCE, VOTE 21
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007 (continued)

	2006/07	2005/06
	R'000	R'000

18.2 Clearing accounts

Description		
Subsistence and Travel	316	202
Pension suspense account	-	68
Suppliers	-	8
Foreign Subsistence and Travel not included in Subsistence and Travel above	503	436
Total	819	714

18.3 Other payables

Description		
State guarantees	4 125	6 196
Unclaimed salaries	6 585	5 041
Debtors in credit	10 328	7 767
Suppliers	11 808	552
Other payables	5 749	5 763
Suppliers not included in Suppliers above	2 868	2 052
Total	41 463	27 371

19. Net cash flow available from operating activities

Net surplus as per Statement of Financial Performance	567 366	746 029
(Increase)/decrease in receivables - current	(585 376)	87 334
Increase in prepayments and advances	(31 812)	(114 945)
Decrease/(increase) in other current assets	474 712	(3)
Increase/(decrease) in payables - current	14 232	(26 941)
Proceeds from sale of capital assets	(5 749)	-
Surrenders to Revenue Fund	(514 625)	(689 147)
Expenditure on capital assets	434 276	412 621
Other non cash items	-	3
Net cash flow generated by operating activities	353 024	414 951

20. Cash and cash equivalents at end of period

Consolidated Paymaster General Account	(690 987)	(646 665)
Cash on hand	39 941	32 961
Cash with commercial banks	27 389	18 638
Total	(623 657)	(595 066)

DEPARTMENT OF DEFENCE, VOTE 21
DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007

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, 1 of 1999. the Act

21. Contingent liabilities

Liable to	Nature	Note	2006/07 R'000	2005/06 R'000
Motor vehicle guarantees	Employees	Annexure 2A	-	246
Housing loan guarantees	Employees	Annexure 2A	115 290	123 026
Claims against the department		Annexure 2B	1 301 853	1 002 321
Other departments (interdepartmental unconfirmed balances)		Annexure 4	31 441	13 181
Environmental rehabilitation liability		Annexure 2B	7 170	7 100
Total			<u>1 455 754</u>	<u>1 145 874</u>

Note: There is a dispute between National Treasury and the supplier of photocopiers with respect to photocopiers delivered for which rental payments might be due from date of resolving the dispute. The possible liability could not be quantified.

22. Commitments

Current expenditure				
Approved and contracted			1 196 766	927 776
Approved but not yet contracted			435 587	432 071
Total Commitments			<u>1 632 353</u>	<u>1 359 847</u>



23. Accruals

By economic classification	30 Days R'000	30+ Days R'000	Total R'000	Total R'000
Compensation of employees	73 951	-	73 951	43 514
Goods and services	106 209	47 953	154 162	105 746
Transfers and subsidies	-	37 922	37 922	-
Machinery and equipment	3 298	3 633	6 931	5 840
Total			<u>272 966</u>	<u>155 100</u>
Listed by programme level				
Administration			99 946	20 172
Landward Defence			62 348	19 346
Air Defence			37 019	30 449
Maritime Defence			15 226	19 842
Military Health Support			30 130	18 560
Defence Intelligence			901	440
Joint Support			13 294	31 907
Command and Control			14 102	14 384
Total			<u>272 966</u>	<u>155 100</u>

DEPARTMENT OF DEFENCE, VOTE 21
DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007 (continued)

	2006/07	2005/06
	R'000	R'000

24. Employee benefit provisions

Leave entitlement	2 535	192
Thirteenth cheque	268 896	245 554
Performance awards	-	11
Capped leave commitments	886 750	963 832
Total	1 158 181	1 209 589

Note: Prior year figures for leave entitlement are restated due to a printing error. Prior year figures for capped leave commitments are restated.

25. Lease Commitments

25.1 Operating leases	Machinery and equipment	2006/07	2005/06
	R'000	R'000	R'000
Not later than 1 year	1 531	1 531	6 103
Later than 1 year and not later than 5 years	117	117	1 957
Total present value of lease liabilities	1 648	1 648	8 060

26. Irregular expenditure

26.1 Reconciliation of irregular expenditure

Opening balance	955	624
Irregular expenditure - current year	-	331
Less: Amounts condoned		
Current expenditure	(474)	-
Irregular expenditure awaiting condonement	481	955
Analysis of awaiting condonement per classification		
Current expenditure	481	955
Analysis of awaiting condonement per age classification		
Current	-	331
Prior years	481	624
Total	481	955

Note: The condoned amount represents expenditure previously treated as irregular expenditure which was not irregular expenditure.

27. Related party transactions

Armscor (Pty) Ltd, the Castle Control Board and the South African National Defence Force Fund (SANDF Fund) are related parties to the Department of Defence through the Minister of Defence as an intermediary. Armscor, the Castle Control Board, SANDF Fund and the Department of Defence are controlled by the Minister of Defence.

DEPARTMENT OF DEFENCE, VOTE 21
DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007 (continued)

27.1 Armscor (Pty) Ltd

Armscor (Pty) Ltd is mandated by the Armscor Act, Act 51 of 2003, to meet the defence material and other related requirements of the Department.

The transactions between Armscor and the Department are mainly related to the sale and purchase of armament.

27.2 Castle Control Board

The Castle Control Board is the Board of the Cape Town Castle. The Board is appointed in terms of the Castle Management Act, Act 207 of 1993 and its function is to control the Cape Town Castle.

The transactions between the Castle Control Board and the Department are mainly related to the provision of personnel, offices and transport by the Department.

27.3 SANDF Fund

The SANDF Fund is established in terms of the Fund Raising Act, Act 107 of 1968. The aim of the Fund is to render aid to SA National Defence Force and Auxiliary Services and their dependants who suffer financial hardship and distress as a result of duties in terms of the Defence Act.

The transactions between the SANDF Fund and the Department are mainly related to the provision of personnel, offices and transport by the Department.

27.4 Other possible related parties

Funds and Institutions such as the South African Forces Institute (SAFI), established in terms of the General Regulations to the Defence Act, Act 42 of 2002, may be classified as related parties. During 2007/2008 the Department will investigate whether these are in fact related parties and also to identify any other relationships that may exist.

The transactions between the Funds and Institutions are mainly related to the provision of personnel and transport by the Department.

	2006/07	2005/06
	R'000	R'000

28. Key management personnel

Description	No of individuals	Total	Total
Political Office Bearers	2	1 826	1 762
Officials			
Level 15 to 16	12	9 767	9 910
Level 14	8	4 344	4 467
Total		15 937	16 139

Note: Only members of the Plenary Defence Staff Council are listed as key management personnel.

29. Provisions

Potential irrecoverable debts			
Staff debtors		1 988	1 714
Other debtors		473 671	3 681
Claims recoverable		459	474
Total		476 118	5 869

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007

ANNEXURE 1A
STATEMENT OF CONDITIONAL GRANTS TO MUNICIPALITIES

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER		SPENT		2005/06 Division of Revenue Act R'000	
	Division of Revenue Act R'000	Roll Overs R'000	Adjust- ments R'000	Total Available R'000	Actual Transfer R'000	% of Avail- able Funds Transferred %	Amount received by municipality R'000		Amount spent by municipality R'000
Amatola District Council			-		-	0.0%			1
Benede Oranje District Council			15	15	15	100.0%			68
Bloem-area District Council			310	310	310	100.0%			1 233
Bo-Karoo Divisional Council			8	8	8	100.0%			30
Boland District Municipality			2	2	2	100.0%			10
Bophirima District Council			-		-	0.0%			1
Bosveld District Council			10	10	10	100.0%			36
Central Transitional District Council			103	103	103	100.0%			410
City of Cape Town			376	376	376	100.0%			1 548
Diamantveld District Council			121	121	121	100.0%			420
Durban Corporation District Council			125	125	125	100.0%			497
Eastern Free State District Council			23	23	23	100.0%			102
Eastern Gauteng Services Council			67	67	67	100.0%			270
Greater Johannesburg Metropolitan Council			82	82	82	100.0%			318
Highveld District Council			43	43	43	100.0%			241
Indlove Regional Council			5	5	5	100.0%			22
Kalahari District Council			59	59	59	100.0%			299
Klein Karoo Divisional Council			28	28	28	100.0%			85

DEPARTMENT OF DEFENCE, VOTE 21

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2007 (continued)

ANNEXURE IA (continued)

STATEMENT OF CONDITIONAL GRANTS TO MUNICIPALITIES

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER		SPENT		2005/06 Division of Revenue Act R'000		
	Division of Revenue Act R'000	Roll Overs R'000	Adjust- ments R'000	Total Available R'000	Actual Transfer R'000	% of Avail- able Funds Transferred %	Amount received by municipality R'000		Amount spent by municipali- ty R'000	% of Available Funds spent by municipality %
Lowveld District Council	-	-	53	53	53	100.0%	-	R'000	-	208
Midland Divisional Council	-	-	-	-	-	0.0%	-	-	-	1
Namakwa District Municipality	-	-	-	-	-	0.0%	-	-	-	1
Northern District Council	-	-	252	252	252	100.0%	-	-	-	1 051
OR Tambo District Council	-	-	51	51	51	100.0%	-	-	-	175
Oosvaal District Council	-	-	18	18	18	100.0%	-	-	-	82
Overberg District Council	-	-	19	19	19	100.0%	-	-	-	79
Pretoria Metro Council	-	-	1 692	1 692	1 692	100.0%	-	-	-	6 235
Rustenburg District Council	-	-	2	2	2	100.0%	-	-	-	8
Southern District Council	-	-	120	120	120	100.0%	-	-	-	588
Stormberg District Council	-	-	1	1	1	100.0%	-	-	-	6
Uthukela Regional Council	-	-	49	49	49	100.0%	-	-	-	192
Uthungule Regional Council	-	-	36	36	36	100.0%	-	-	-	119
West Coast Regional Services Council	-	-	40	40	40	100.0%	-	-	-	146
Fezile Dabi District Municipality	-	-	26	26	26	100.0%	-	-	-	97
Western Regional District Council	-	-	142	142	142	100.0%	-	-	-	564
Various	-	-	89	89	89	100.0%	-	-	-	1
Total	-	-	3 967	3 967	3 967		-	-	-	15 144

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007 (continued)

ANNEXURE 1B
STATEMENT OF TRANSFERS TO DEPARTMENTAL AGENCIES AND ACCOUNTS

DEPARTMENTS/AGENCY/ ACCOUNT	TRANSFER ALLOCATION			TRANSFER		2005/06 Final Appropriation Act R'000
	Adjusted Appropriation Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	
Safety and Security Sector Education and Training Authority (SASSETA)	7 933	-	-	7 933	7 720	97.3%
Special Defence Account	8 280 738	-	-	8 280 738	8 280 738	100.0%
Total	8 288 671	-	-	8 288 671	8 288 458	

DEPARTMENT OF DEFENCE, VOTE 2 I

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007 (continued)

ANNEXURE I C
STATEMENT OF TRANSFERS/SUBSIDIES TO PUBLIC CORPORATIONS AND PRIVATE ENTERPRISES

PUBLIC CORPORATION/ PRIVATE ENTERPRISE	TRANSFER ALLOCATION			EXPENDITURE			2005/06 Total Available R'000		
	Adjusted Appropriation Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available funds trans- ferred %		Capital R'000	Current R'000
Public Corporation Armaments Corporation of South Africa	396 286	-	-	396 286	396 286	100.0%	-	-	359 515
Total	396 286	-	-	396 286	396 286		-	-	359 515

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007 (continued)

ANNEXURE 1D
STATEMENT OF TRANSFERS/SUBSIDIES TO NON-PROFIT INSTITUTIONS

NON PROFIT ORGANISATION	TRANSFER ALLOCATION			EXPENDITURE		2005/06 Final Appropriation Act R'000
	Adjusted Appropriation Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	
Transfers						
St Johns Ambulance Brigade	50	-	-	50	40	80.0%
Medical Fund	275	-	-	275	212	77.1%
Reserve Force Council	2 726	-	-	2 726	2 500	91.7%
Total	3 051	-	-	3 051	2 752	

DEPARTMENT OF DEFENCE, VOTE 21

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007 (continued)

ANNEXURE 1E
STATEMENT OF TRANSFERS/SUBSIDIES TO HOUSEHOLDS

NON PROFIT ORGANISATION	TRANSFER ALLOCATION			TRANSFER		2005/06 Final Appropriation Act R'000
	Adjusted Appropriation Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	
Transfers						
DOD members	-	-	191 374	191 374	191 374	100.0%
Total	-	-	191 374	191 374	191 374	72 456
Severance packages paid out						72 456

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007 (continued)

ANNEXURE I F
STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS RECEIVED FOR THE YEAR ENDED 31 MARCH 2007

NAME OF ORGANISATION	NATURE OF GIFT, DONATION OR SPONSORSHIP	2006/07 R'000	2005/06 R'000
Received in kind			
CSIR	Chair stackable	299	-
CSIR	Video, camera and sound equipment	244	-
Old Mutual	SA Navy Empowerment Conference	50	-
Capitec Bank	Navy College open day	40	-
CSIR	Fans	37	-
Various Institutions	Various gifts R1000,00 and less	16	25
CSIR	Fridges and microwave	15	-
CSIR	Tables	14	-
Edit Café	Equipment for a bar	12	-
Makhado Spar	Donation: Camp for the disabled	10	-
SAAF Benevolent	Donation: Camp for the disabled	10	-
CSIR	Drive rack	10	-
CSIR	Twisted Wind Turbine	9	-
Coke Makhado	Coca Cola	7	-
Lilanga Lodge	Accommodation: Camp for the disabled	7	-
Edit Cape Prod	Samsung television and DVD System	6	-
CSIR	Vacuum cleaner	6	-
AAD	Television sets (6)	6	-
Palm Haven	Donation: Camp for the disabled	4	-
CSIR	Lounge suite	4	-
Rotary Club	Donation: Camp for the disabled	4	-
Dinnermates	Donation: Camp for the disabled	3	-
Shaheems	Snacks, hamburgers and patties	2	-

DEPARTMENT OF DEFENCE, VOTE 21

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2007 (continued)

ANNEXURE 1F (continued)

STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS RECEIVED FOR THE YEAR ENDED 31 MARCH 2007

NAME OF ORGANISATION	NATURE OF GIFT, DONATION OR SPONSORSHIP	2006/07 R'000	2005/06 R'000
Mr N. Scott	Trophies	2	-
Limpopo Dairy	Donation: Camp for the disabled	2	-
Spa G/Bay	Navool open day	1	-
Leach Printers	Printer	1	-
Come & Play	Face painting & jumping castle	1	-
CSIR	Hose airless	1	-
Mafikeng Airport	Fuel	-	462
Liyana Game Lodge	Use of facilities	-	15
SA Navy Association	Crockery and cutlery	-	14
Distell	T-shirts (120) and caps (50)	-	8
Wiley X	Protective eyewear	-	8
SAFOMAR	Paint material	-	6
Eagle Tyres Makhado	Tyres	-	6
Round Table 66	Groceries	-	6
SA Disable Support Association	Caps and pens	-	6
Benevolent Fund	Sponsorship	-	6
Old Mutual	Sheep	-	6
RDL	Sponsorship	-	6
Wimpy	160 Meal vouchers	-	5
Sanlam	Satellite dish and decoder	-	4
Chipkins	Media covers	-	3
BAE Systems	End year function	-	3
Col P. Cooke	Donation	-	3
TMA	Sponsorship	-	3

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007 (continued)

ANNEXURE 1 F (continued)

STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS RECEIVED FOR THE YEAR ENDED 31 MARCH 2007

NAME OF ORGANISATION	NATURE OF GIFT, DONATION OR SPONSORSHIP	2006/07 R'000	2005/06 R'000
Logtronics	Sponsorship	-	3
BAE - IFS	Sponsorship	-	3
DENEL Aviation	Sponsorship	-	3
Palm Haven	Donation	-	3
Coca Cola	Coke, caps and squeezes	-	3
Crime Prevention Board	Caps and T-shirts	-	3
AMG	T-shirts	-	2
Babcock Central	Aviation evening	-	2
DENEL	T-shirts	-	2
LTT Rotary	Donation	-	2
Leach Printers	Certificates and name tags	-	2
Distell	Assorted	-	2
Veecraft	2 Brass watches	-	2
Manex Marine	Wrist watch	-	2
Chubb Security	Satellite dish and decoder	-	2
Grintec Electrical	Theatre system	-	2
DENEL Aviation	Painting hawk	-	2
Ms S. le Roux	Dining room chairs	-	1
Dinner Mates	Hamburger patties and bacon	-	1
SPAR	Groceries	-	1
Dr V. Govender	LG bar fridge	-	1
OBC Chicken	Russians and chickens	-	1
Total		823	640

Note - Totals do not form part of the totals as on the face of the Statement of Financial Performance

DEPARTMENT OF DEFENCE, VOTE 2 I

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2007 (continued)

ANNEXURE 1 G STATEMENT OF LOCAL AND FOREIGN AID ASSISTANCE RECEIVED FOR THE YEAR ENDED 31 MARCH 2007

NAME OF DONOR	PURPOSE	OPENING BALANCE R'000	REVENUE R'000	EXPENDI- TURE R'000	CLOSING BALANCE R'000
Received in cash					
The Government of the Kingdom of the Netherlands	Improvement of the Democratic Republic of the Congo integration centres	3 740	-	3 740	-
The African Renaissance Fund	Support of the electoral process in the Democratic Republic of the Congo	7 500	-	7 500	-
	Subtotal	11 240	-	11 240	-
Received in kind					
Government of the United States of America	Aircrew simulator training and C130 aircraft spares	-	2 857	-	2 857
Government of the United States of America	Aids Awareness Programme	-	587	-	587
Government of the United States of America (Henry Jackson Foundation)	Establish clinical research capability	-	37 233	-	37 233
Government of the Federal Republic of Germany	Evaluation and assistance with regards to training and onboard procedures on the new frigates	-	180	-	180
Government of the United Kingdom	Evaluation and assistance with regards to training and onboard procedures on the new frigates	-	92	-	92
Government of the United Kingdom (Department of Foreign International Development)	Aids Awareness Programme	-	96	-	96
Government of the United States of America (Emergency Programme for AIDS relief)	Aids Awareness Programme	-	2 805	-	2 805
Government of the United States of America (African Contingency Operations Training Assistance)	Donation of a mobile peacekeeping training simulation capability	-	2 100	-	2 100
Government of the United States of America (United States European Command)	Expenses incurred by Africa and European countries participating in the multinational exercise held in the RSA	-	605	-	605
Total		11 240	46 555	11 240	46 555

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007 (continued)

ANNEXURE I H

STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS MADE AND REMISSIONS REFUNDS AND PAYMENTS MADE AS AN ACT OF GRACE FOR THE YEAR ENDED 31 MARCH 2007

NATURE OF GIFT, DONATION OR SPONSORSHIP	2006/07 R'000
Made in kind	
General equipment - Mozambican Defence Force	15 088
Vehicles - South African Police Service	7 224
Clothing and ETS - Central African Republic	2 320
Impala Aircraft spares - Zambian Air Force	1 970
Farm implements - South African Police Service	1 540
Ammunition - South African Police Service (Special Task Force)	528
Clothing - Department of Social Development	374
Clothing - Zambian Air Force	243
Vehicles - Department of Agriculture Conservation and Environment	200
Game - Government of the Eastern Cape	128
Tactical signal equipment - South African Police Service	64
Music instruments - SAMET	27
Filing cabinets - Dr I. Monare School	5
Total	29 711



Note: Totals do not form part of the totals as on the face of the Statement of Financial Performance

DEPARTMENT OF DEFENCE, VOTE 2 I

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2007 (continued)

ANNEXURE 2A STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2007 - LOCAL

Guarantor Institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance as at 1 April 2006	Guarantees issued during the year	Guarantees released during the year	Guaranteed interest outstanding as at 31 March 2007	Closing balance 31 March 2007	Realised losses not recoverable
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
Stannic		-	246	-	246	-	-	-
Subtotal		-	246	-	246	-	-	-
Motor Vehicles								
ABSA		-	32 458	510	3 359	-	29 609	134
African Bank		-	952	-	-	-	952	-
BOE Bank (Boland)		-	280	-	-	-	280	-
Business Partners		-	5	-	-	-	5	-
Cape of Good Hope Bank		-	112	-	-	-	112	-
Ciskei Peoples Development Bank		-	5	-	-	-	5	-
First National/First Rand Bank		-	23 315	402	1 015	-	22 702	232
Free State Development Corporation		-	1 218	138	99	-	1 257	-
Grahamstown Building Society		-	35	-	-	-	35	-
Greenstart Home Loans		-	1 638	80	-	-	1 718	-
Ithala Development Finance Corporation		-	700	86	27	-	759	-
Khayalethu Home Loans		-	27	-	-	-	27	-
Masikheni		-	412	24	31	-	405	-
Nedbank		-	12 056	103	1 518	-	10 641	72
Perm/Peoples Bank/Nedcor		-	23 337	-	1 253	-	22 084	42
Housing								

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007 (continued)

ANNEXURE 2A (continued)
STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2007 - LOCAL

Guarantor Institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance as at 1 April 2006	Guarantees issued during the year	Guarantees released during the year	Guaranteed interest outstanding as at 31 March 2007	Closing balance 31 March 2007	Realised losses not recoverable
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
Northern Province Development Corporation		-	9	-	-	-	9	-
Old Mutual Bank		-	10 581	-	1 063	-	9 518	22
Risima Housing Corporation		-	70	38	-	-	108	-
SA Development Corporation Ltd		-	18	-	-	-	18	-
SA Home Loans		-	61	-	-	-	61	-
South Fin		-	857	-	36	-	821	-
Standard Bank		-	14 047	80	825	-	13 302	19
Venda Building Society		-	821	54	25	-	850	-
Venda National Development Corporation		-	12	-	-	-	12	-
Department of Public Works		-	-	-	-	-	-	7
Subtotal		-	123 026	1 515	9 251	-	115 290	528
Total		-	123 272	1 515	9 497	-	115 290	528

DEPARTMENT OF DEFENCE, VOTE 21

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007 (continued)

ANNEXURE 2B
STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2007

Nature of Liability	Opening Balance	Liabilities	Liabilities paid/	Liabilities	Closing Balance
	1 April 2006	incurred during	cancelled/reduced	recoverable	31 March 2007
	R'000	the year	during the year	R'000	R'000
Claims against the department					
Civil claims	998 156	310 895	12 068	-	1 296 983
Motor vehicle accident claims	4 165	892	187	-	4 870
Subtotal	1 002 321	311 787	12 255	-	1 301 853
Environmental liability					
	7 100	70	-	-	7 170
Subtotal	7 100	70	-	-	7 170
Total	1 009 421	311 857	12 255	-	1 309 023

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2007 (continued)

ANNEXURE 3 INTER-GOVERNMENTAL RECEIVABLES

Government Entity	Confirmed balance		Unconfirmed balance		Total	
	31/03/2007 R'000	31/03/2006 R'000	31/03/2007 R'000	31/03/2006 R'000	31/03/2007 R'000	31/03/2006 R'000
Department						
Department of Foreign Affairs	-	27	2 063	4 042	2 063	4 069
Department of Public Works	-		-	14	-	14
National Treasury	7 495		106	351	7 601	351
Department of Education	3		11	6	14	6
Department of Health	-	3	223	321	223	324
Department of Social Development	-		6	-	6	-
Department of Correctional Services	14	7	5	2	19	9
National Intelligence	-	-	3	-	3	-
Department of Home Affairs	-	-	75	-	75	-
Department of Safety and Security	-	3	40	345	40	348
Department of Agriculture	-		917	-	917	-
Department of Communication	-	7	-	-	-	7
Department of Environmental Affairs and Tourism	-	302	67	119	67	421
Department of Transport	-		423	423	423	423
National Director of Public Prosecution	-	-	-	4	-	4
Department of Water Affairs and Forestry	-	-	-	1	-	1
Gauteng Provincial Government	179	5	1	-	180	5
Limpopo Provincial Government	-	3	-	-	-	3
Subtotal	7 691	357	3 940	5 628	11 631	5 985
Other Government Entities						
State Information Technology Agency	-	-	5	5	5	5
Subtotal	-	-	5	5	5	5
Total	7 691	357	3 945	5 633	11 636	5 990

DEPARTMENT OF DEFENCE, VOTE 21

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2007 (continued)

ANNEXURE 4 INTER-DEPARTMENTAL PAYABLES - CURRENT

Government Entity	Confirmed balance		Unconfirmed balance		Total	
	31/03/2007 R'000	31/03/2006 R'000	31/03/2007 R'000	31/03/2006 R'000	31/03/2007 R'000	31/03/2006 R'000
Department						
Amounts not included in Statement of Financial Position						
Department of Public Works	-	-	821	5	821	5
National Treasury	-	-	941	-	941	-
Department of Education	-	-	25	28	25	28
Department of Health	-	-	180	74	180	74
Department of Correctional Services	-	-	36	249	36	249
Department of Justice and Constitutional Development	-	-	704	12	704	12
Department of Safety and Security	-	-	32	961	32	961
Department of Agriculture	-	-	-	10	-	10
Department of Provincial and Local Government	-	-	4	-	4	-
Department of Water Affairs and Forestry	-	-	25	25	25	25
Department of Public Service and Administration	-	-	41	17	41	17
Department of Foreign Affairs	-	-	28 321	11 660	28 321	11 660
Government Garage Transport	-	-	310	115	310	115
Department of Housing	-	-	-	8	-	8
Social Welfare Northern Cape	-	-	1	-	1	-
Free State Provincial Government	-	-	-	17	-	17
Total	-	-	31 441	13 181	31 441	13 181

SPECIAL DEFENCE ACCOUNT

REPORT OF THE AUDITOR- GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE SPECIAL DEFENCE ACCOUNT for the year ended 31 March 2007



REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Special Defence Account which comprise the balance sheet as at 31 March 2007, income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 271 to 279.

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with National Treasury approval dated 30 March 2007 and as disclosed in note 1 to the financial statements, and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996, read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) and

a national
partnership
to build a
better life
for all

DEPARTMENT:
DEFENCE

section 5 of the Defence Special Account Act, 1974 (Act No. 6 of 1974), my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 647 of 2007*, issued in *Government Gazette No. 29919 of 25 May 2007*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

8. Special Defence Account's (SDA) policy is to prepare the financial statements on the entity-specific basis of accounting set out in note 1 to the financial statements.

Opinion

9. In my opinion, the financial statements have been prepared, in all material respects, in accordance with the basis of accounting described in note 1 to the financial statements and as approved by the National Treasury on 30 March 2007.



Emphasis of matters

Without qualifying my audit opinion, I draw attention to the following matters:

10. Significant uncertainty
- 10.1 Sensitive nature of certain transactions:

The level of audit assurance for certain sensitive transactions that are included in the financial statements to the amount of R37 727 146 is lower than for ordinary audits as a result of the circumstances under which they are incurred and recorded, as well as the circumstances under which the assets and services are procured and utilised.
- 10.2 Claim against the state:

Included in note 10 to the financial statements is an amount of R115 914 849 as a contingent liability for a potential claim against the state by a foreign company as a result of the withdrawal of the approval for the sensitive project by the minister. This could result in the claim against the SDA being considered as irregular expenditure. The matter is however being pursued at inter state level by the minister.

OTHER MATTERS

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

11. Matters of governance
- 11.1 Classification of the SDA:

With reference to paragraph 5.2 of my previous audit report, the financial reporting framework classification of the SDA is still unknown due to the non-existence of an appropriate act and policy mechanisms for the man-

agement and reporting of the SDA. For the present financial year, National Treasury approved an accounting framework for the SDA similar to the previous year's accounting treatment.

The Department has indicated that they are still to engage the National Treasury regarding the accounting framework applicable for the SDA for the 2007-08 financial year and onwards and would reconsider their request for reclassification of the SDA as a Schedule 4 entity in the light of new developments concerning the future of the SDA, as such, and the future role of Armscor.

11.2 The compliance programme:

As reported previously, a signed copy of the constitution for the Compliance Programme, namely the Arms Control and Non-Proliferation Fund Committee, which was approved in principle by the National Conventional Arms Control Committee (NCACC) in the 2004-05 financial year, is still awaited.

This is due to the compliance programme not being subject to an integrated management strategy and risk assessment plan dealing with the programme-wide objectives, and the lack of a control structure to address those risks.

Since 1997, the government of the Republic of South Africa (RSA) has in terms of the consent agreement certain responsibilities towards the government of the United States of America (USA), for example:

- To prepare a written manual that addresses the handling of United States Origin Defence Article, services or technical data, and which requires all employees of each company to follow the company's compliance procedures;
- A transparent and verifiable process for assessing the performance of each company in implementing the programme;
- The appointment by the RSA of an impartial and independent ombudsman, who must be a citizen of the RSA, to monitor the performance of the company to ensure that the programme is fully implemented and to compile reports at regular intervals for submission to the relevant parties.

The Department of Foreign Affairs responded to the Consent Agreement with the United States Department of States in Note no. 15 dated 24 January 1997, indicating that the Government of South Africa concurred with the agreement, and, unless otherwise agreed in writing between the two governments, payment and use of these funds would be effected by no later than 31 December 2000.

In the absence of the above manuals and information, the Auditor-General is not in a position to confirm whether the agreement between the RSA and USA has been fully implemented.

12. Material non-compliance with applicable legislation

12.1 Investment of balances:

Control activities described in section 3 of the Defence Special Account Act, 1974 (Act No. 6 of 1974) are not applied properly. According to section 3 of the Defence Special Account Act, any moneys to the credit of the account which are not required for immediate use or as a reasonable working balance, shall be invested. During the audit it was found that the above requirement was not complied with. Furthermore, no policies and procedures and/ or documented approval from National Treasury governing the handling of the above investments in the SDA environment, could be obtained.

13. Internal control: Control activities

13.1 Accounting for foreign project expenditure:

Control activities described in policy and procedure manuals are not applied properly, which is contrary to the requirement that acquisitions relating to support activities, for example Programme Management, subsistence and transport, and overseas operating expenditure, should be budgeted for and expensed by the General Defence Account (GDA). It was discovered that the requirements of the above policy were not complied with as acquisition-related support activities for foreign projects are accounted for against the SDA.

OTHER REPORTING RESPONSIBILITIES

Reporting on performance information

14. I have audited the performance information as set out on pages 131 to 135.

Responsibility of the accounting officer for the Special Defence Account

15. The accounting officer has additional responsibilities as required by section 40(3)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the SDA.

Responsibility of the Auditor-General

16. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with *General Notice 646 of 2007*, issued in *Government Gazette No. 29919 of 25 May 2007*.
17. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate audit evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
18. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings.

Audit findings

19. No audit findings came to the fore.

APPRECIATION

20. The assistance rendered by the staff of the Department of Defence and Armscor during the audit is sincerely appreciated.



J.E. van Heerden for Auditor-General

Pretoria

31 July 2007



SPECIAL DEFENCE ACCOUNT

BALANCE SHEET as at 31 March 2007

	Note	2006/07 R'000	2005/06 R'000
ASSETS			
Current assets		4 044 938	3 818 537
Advances	2	12 049	8 842
Trade and other receivables	3	117 066	87 392
Cash and cash equivalents	4	3 898 893	3 706 650
Investments	5	16 930	15 653
Total assets		4 044 938	3 818 537
EQUITY AND LIABILITIES			
Equity			
Reserves		3 441 586	2 763 145
Current liabilities			
Creditors	6	603 352	1 055 392
Total equity and liabilities		4 044 938	3 818 537



SPECIAL DEFENCE ACCOUNT

INCOME STATEMENT for the year ended 31 March 2007

	<i>Note</i>	2006/07 R'000	2005/06 R'000
Revenue		8 378 468	9 461 484
Transfer from Department of Defence		8 280 738	9 258 839
Other revenue	<i>7</i>	97 720	202 637
Interest received		10	8
<i>Less:</i> Expenditure	<i>8</i>	7 700 027	7 870 012
Net profit for the period		678 441	1 591 472



SPECIAL DEFENCE ACCOUNT

STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2007

	2006/07 R'000	2005/06 R'000
	Accumulated income	Accumulated income
Balance at beginning of the year	2 763 145	1 171 673
Net profit for the year	678 441	1 591 472
Balance at end of the year	3 441 586	2 763 145



SPECIAL DEFENCE ACCOUNT

CASH FLOW STATEMENT for the year ended 31 March 2007

Note	2006/07 R'000	2005/06 R'000
Cash flow from operating activities		
Net profit	678 441	1 591 472
Adjustment for investment income	(10)	(8)
Operating profit before working capital changes	678 431	1 591 464
Working capital changes	(484 921)	(16 009)
(Increase)/decrease in trade and other receivables	(29 674)	12 787
(Increase)/decrease in advances	(3 207)	1 726
Decrease in creditors	(452 040)	(30 522)
Cash generated from operations	193 510	1 575 455
Interest received	10	8
Net cash flow from operating activities	193 520	1 575 463
Cash flow from investing activities		
Investment	(1 277)	(983)
Net cash outflow from investing activities	(1 277)	(983)
Net increase in cash and cash equivalents	192 243	1 574 480
Cash and cash equivalents at beginning of the year	3 706 650	2 132 170
Cash and cash equivalents at end of the year	3 898 893	3 706 650



SPECIAL DEFENCE ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2007

1. Accounting policy

The Ministers of Defence and Finance approve an annual budget in accordance with the provisions of the Defence Special Account Act, 1974 (Act No. 6 of 1974), whereafter the budgeted amount is dealt with as a transfer payment from the Department of Defence. The actual expenditure is reflected in the financial statements.

The financial statements are prepared on the historical cost basis. The following are the principal accounting policies used by the Special Defence Account, which are consistent with those of the previous year and approved by the Accountant General.

1.1 Underlying assumption

The financial statements are prepared on the modified accrual basis.

1.2 Expenditure on fixed assets

For the purpose of the Special Defence Account, assets purchased are written off when they are paid for. The cost is brought to account as expenditure. Advance payments made in terms of contracts are expensed at date of payment. The assets are included in the asset register of the Department of Defence at the date of delivery of the asset.

1.3 Revenue

With the exception of funds transferred from the Vote, revenue from the sale of equipment is recognised after the Department of Defence identify it for sale and all the significant risks and rewards of ownership are transferred to the buyer and it is probable that the economic benefits, which could be measured reliably, will flow to the Special Defence Account. The funds transferred from the Vote are accounted for on a cash basis.

1.4 Foreign exchange

Transactions in foreign currency are translated at the rates of exchange ruling at transaction dates. Monetary assets and liabilities are translated at the rates of exchange ruling at balance sheet date.

	2006/07 R'000	2005/06 R'000
2. Advances	12 049	8 842
National Defence Force projects	5 251	3 752
Strategic Defence Procurement Programme (SDPP) subsistence & travel advances	6 798	5 090
3. Trade and other receivables	117 066	87 392
Trade debtors	72 792	51 546
Intelligence division	26 844	26 612
Special forces	8 896	7 994
Clearing account	8 534	1 240
4. Cash and cash equivalents		
Paymaster General Account	3 898 893	3 706 650

SPECIAL DEFENCE ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2007 (continued)

	2006/07 R'000	2005/06 R'000
5. Investments	16 930	15 653
Corporation for Public Deposits	127	118
Corporation for Public Deposits (Compliance Programme)	16 803	15 535
6. Creditors	603 352	1 055 392
Compliance Programme as per agreement between the USA and SA Governments	16 803	15 535
Opening balance at beginning of year	15 536	14 560
Expenditure	-	(40)
Interest earned on investment	1 267	1 015
Contract fines	20 827	13 810
Revenue payable to the National Revenue Fund	125 423	56 179
Trade creditors	205 116	104 927
Provision for Strategic Defence Procurement Programme	225 577	864 747
Other	9 606	194
6.1	Included in the provision of R225 576 721 is R213 301 791 for the foreign component of the Strategic Defence Procurement Programme consisting of EUR 8 234 652, GBP 2 808 608, USD 4 269 670 and SEK 55 881 771. This amount relates to invoices and goods received prior to 31 March 2007 in respect of the Strategic Defence Procurement Programme. The amount is contractually payable in the 2007/2008 financial year and will be funded from the 2007/2008 Department of Defence transfer payment. No forward cover was utilised.	
7. Other revenue	97 720	202 637
Other revenue	223 143	258 816
Sales of strategic equipment	168 222	53 482
Foreign exchange profit on sales of strategic equipment	2 047	703
Foreign exchange profit on the SDPP	51 366	192 636
Marketing support	-	276
Sensitive projects	1 165	11 515
Interest received on replacement orders	19	12
Sundry	324	192
Less: Payable to National Revenue Fund	(125 423)	(56 179)

SPECIAL DEFENCE ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2007 (continued)

	2006/07 R'000	2005/06 R'000
8. Expenditure	7 700 027	7 870 012
Major projects	6 512 874	6 727 245
Other projects	359 167	385 732
Landward Defence	73 177	69 325
Air Defence	79 328	77 787
Maritime Defence	58 394	69 803
Military Health Support	600	-
Command and Control	52	15 879
Joint Support	147 616	152 938
Operating projects	590 809	656 936
Sensitive projects	85 875	74 951
Write-off	-	97
Foreign exchange rate adjustments	143 820	23 533
Provision for write down of foreign banks	7 482	1 518

- 8.1 General expenditure such as auditor's remuneration is included in the General Defence Account.
- 8.2 The total fruitless and wasteful expenditure amounts to R721 071 (2005/06: R143 277).
- 8.3 Included in major projects are legal fees of R154 644 (2005/06: R113 731) relating to the contingent liability in note 10.
- 8.4 Included in expenditure for sensitive projects is a foreign exchange profit of R64 352 (2005/06: R44 335).

9. Estimated future expenditure approved by Armscor	17 494 992	18 686 150
Strategic Defence Procurement Programme capital commitment	5 808 452	6 900 818
Commitments	11 686 540	11 785 332
Commitments in respect of contracts entered into	5 713 157	5 739 465
Commitments approved, but contracts not yet entered into	5 973 383	6 045 867

- 9.1 The amount relating to the Strategic Defence Procurement Programme capital commitment represents the capital amount at prevailing exchange rates at year end, but excludes escalation and other additional costs (e.g. Finance costs). Included in the amount of R5 808 452 433 (2005/06: R6 900 818 447) is a foreign component of EUR 20 079 008, USD 178 024 317, GBP 137 028 078 and SEK 1 972 250 865 (2005/06: EUR 64 140 709, USD 261 425 333, GBP 210 512 701 and SEK 2 630 885 362). No forward cover was utilised.
- 9.2 It is intended to finance expenditure from future Department of Defence transfer payment funds and from working capital generated within the Special Defence Account.

SPECIAL DEFENCE ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2007 (continued)

	2006/07	2005/06
	R'000	R'000

10. Contingent liability

Claims against the state	252 872	23 957
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A case of litigation against the Special Defence Account relating to an administrative dispute on the tender process for an estimated amount of R149 000 000 has been settled on R15 000 000.

11. Defence Industrial Participation (DIP)

11.1 DIP credits awarded and planned for current year

DIP credits awarded	2 206 548	1 757 575
DIP credits awarded - SDPP	2 134 671	1 595 822
DIP credits awarded - Non-SDPP	71 877	161 753

Note: Previous year figures have been decreased with R6 600 509 restated due to the removal of values related to Eurocopter DIP which is a SA Police project

DIP credits planned	1 587 450	1 321 059
DIP credits planned - SDPP	1 570 200	1 246 547
DIP credits planned - Non-SDPP	17 250	74 512



Note: Previous year figures have been decreased with R9 998 235 restated due to the removal of values related to Eurocopter DIP which is a SA Police project

11.2 Previous years DIP credits awarded and planned

Cumulative DIP credits awarded	16 906 918	14 700 370
Cumulative DIP credits awarded - SDPP	11 417 711	9 283 040
Cumulative DIP credits awarded - Non-SDPP	5 489 207	5 417 330

Note: Previous year figures have been decreased with R47 190 476 restated due to the removal of values related to Eurocopter DIP which is a SA Police project

Cumulative DIP credits planned	15 708 948	13 772 222
Cumulative DIP credits planned - SDPP	10 853 241	8 933 765
Cumulative DIP credits planned - Non-SDPP	4 855 707	4 838 457

Note: Previous year figures have been decreased with R50 588 203 restated due to the removal of values related to Eurocopter DIP which is a SA Police project

11.3 Outstanding DIP obligations

Outstanding DIP obligations	4 429 044	6 524 575
Outstanding DIP obligations - SDPP	3 693 050	5 827 721
Outstanding DIP obligations - Non-SDPP	735 994	696 854

Note: Previous year figures have been decreased with R33 182 236 restated due to the removal of values related to Eurocopter DIP which is a SA Police project

SPECIAL DEFENCE ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2007 (continued)

- 11.4** The DIP programme applies to all foreign defence purchases with an import content exceeding 2 million USD and attracts a DIP obligation of at least 50% of the import content. Armscor is responsible for the management and monitoring of the DIP programme on behalf of the Department of Defence. National Industrial Participation (NIP) applies to all foreign contracts above 10 million USD and are handled by the Department of Trade and Industry.
- 11.5** DIP represents the obligations of foreign Original Equipment Manufacturers that supply military equipment to the DOD through Armscor. The obligation represents the value of orders to be placed on SA industry, and technology to be transferred.

12. Post Balance Sheet Event

Revenue Payable to National Revenue Fund

National Treasury has approved that the revenue payable to the National Revenue Fund in the 2006/2007 financial year, as disclosed in Note 7, will be refunded in the 2007/2008 financial year.





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NATIONAL CONVENTIONAL ARMS CONTROL ACT

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, 2002 for the year ended 31 March 2007

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DEPARTMENT:
DEFENCE

Introduction

1. We have performed our limited assurance engagement on the compliance by the National Conventional Arms Control Committee (NCACC) with reference to section 4 of the National Conventional Arms Control Act, 2002, Act No. 41 of 2002, (the Act) as required by section 12 of the Act.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parliament, for our work, for this report, or for the conclusions we have formed.

NCACC's responsibility

2. The NCACC are responsible for compliance to the Act and related regulations listed in the first paragraph 1 of this report.

Auditor-General's responsibility

3. As required by section 12 of the Act, our responsibility is to conclude on compliance of the NCACC with respect to section 4 of the Act. We performed our assurance engagement in accordance with the International Standard on Assurance Engagements (3000), *Assurance Engagements Other Than Audits or Reviews of Historic Financial Information*. That standard requires us to comply with ethical requirements and to plan and perform our assurance engagement to obtain sufficient appropriate evidence regarding the subject matter of the engagement to support our assurance conclusion, expressed below.

Summary of work performed

4. As the auditor of the NCACC, we have audited the Department of Defence, which provides the Secretariat to the NCACC, for the period ended 31 March 2007. Our limited assurance procedures included the following specific procedures:
 - Inspected the processes and structures established by the committee for effective control of trade in conventional arms.
 - Inspected the guidelines, structures and processes established by the committee for the scrutiny and assessment of the application for the issue of a permit.
 - Confirmed that the committee liaises with relevant Government agencies regarding the enforcement of the Act
 - Inspected all instances where the issue of a permit has been refused by the committee and confirmed that this has been done as set out in section 14 of the Act.
 - Inspected issued permits and confirmed that all these permits comply with the conditions as indicated in the regulations. We have however not performed compliance procedures in the following areas of the NCACC responsibilities:
 - Valuation of end user certificates received.
 - Control evaluation at development and manufacturing companies.
 - Compliance visit reports, conclusion and recommendations.
 - Inspected the register which must be kept in the prescribed form of persons involved in trade in conventional arms.
 - Inspected the register for all permits issued.
 - Selected a sample of permits issued and followed through to the register.
 - Selected a sample of entries in the register and followed through to the issued permits.
 - Confirmed that all reports issued, have been issued as requested by section 23 of the Act.
5. For the purpose of our limited assurance conclusion, our evidence gathering procedures are more limited than for a reasonable assurance engagement, as less assurance is therefore obtained than in a reasonable assurance engagement.
6. We believe that the evidence obtained as part of our assurance engagement of the NCACC for the period ended 31 March 2007, is sufficient and appropriate to provide a basis for our conclusion expressed below.

Conclusion

7. Based on our work performed, except for the items listed below, nothing came to our attention to indicate that the NCACC did not comply with section 4 of the Act.
 - As required by section 4(1)(a) of the Act the NCACC should establish processes and structures necessary for effective control of trade in conventional arms. The administrative structure of the NCACC, the Directorate of Conventional Arms Control (DCAC) operates in terms of the Draft DCAC processing unit operating procedures, which are still in the process of being redefined. These procedures have not been approved by the NCACC.
 - Not all reporting requirements as per section 23 of the Act were complied with. The following matter relates to non-compliance with section 23 of the Act:
 - Section 23(1)(b) of the Act requires that the NCACC should submit quarterly reports to the Cabinet and Parliament. For the period under review no such quarterly reports have been submitted.

- Section 23(1)(c) of the Act require that the annual report for Parliament should be submitted in the first quarter of the following period. The January 2006 to December 2006 report has not been submitted to Parliament within the first quarter.
- Having reference to the audit report of the Department of Defence 2005/06 page 267 paragraph 6.15 it was indicated that the inspectorate function for the NCACC, as required by section 9 of the Act has been established but not yet staffed. During the audit for the period ended 31 March 2007 it is confirmed that the function of the inspectorate has been established and that an inspectorate has been appointed. However they are still busy with the uplifting of this process to fully comply with section 9 of the Act.
- During the inspection certain permits could not be provided.

APPRECIATION

The assistance rendered by the staff of the DCAC during the engagement is sincerely appreciated.



JE van Heerden for Auditor-General

Pretoria

17 August 2007



LIST OF ABBREVIATIONS, ACRONYMS AND REFERENCES

ACTC	Army Combat Training Centre	NCACC	National Conventional Arms Control Committee
AFB	Air Force Base	NICOC	National Intelligence Co-ordinating Committee
AIDS	Acquired Immune Deficiency Syndrome		
AMHU	Area Military Health Unit	OSIS	Operational Support Information System
ARMSCOR	Armaments Corporation of South Africa Ltd		
		P5 Countries	Permanent members of United Nations Security Council: France, People's Republic of China, Russian Federation, United Kingdom and United States of America
C ⁴ IRS	Command, Control, Computers, Communication, Information, Intelligence, Reconnaissance and Surveillance	PSAP	Public Service Act Personnel (civilians)
CIOR	<i>Confederation Internallie des Officiers des Reserves</i>	PSO	Peace Support Operations
DCAC	Directorate of Conventional Arms Control	Reg F	Regular Force
DIDTETA	Diplomacy, Intelligence, Defence and Trade Education and Training Authority	Res F	Reserve Force
DOD	Department of Defence	RSA	Republic of South Africa
DRC	Democratic Republic of the Congo		
DSC	Defence Staff Council	SAAF	South African Air Force
		SADC	Southern African Development Community
EEZ	Economic Exclusion Zone	SAMHS	South African Military Health Service
ETD	Education, Training and Development	SAN	South African Navy
		SANDF	South African National Defence Force
FY	Financial Year	SAPS	South African Police Service
		SCOPA	Standing Committee on Public Accounts
GCIS	Government Communication and Information System	SDA	Special Defence Account
		SDP	Strategic Defence Package
HIV	Human Immunity Virus	SECDEF	Secretary of Defence
		Services	SA Army; SA Air Force; SA Navy; SA Military Health
IRPS	International Relations Peace and Security	SITA	Service
ISDSC	Inter-State Defence and Security Committee	STFEP	State Information Technology Agency Short Term Force Employment Plan
MOU	Memorandum of Understanding		
MTEF	Medium Term Expenditure Framework		





