



## **SUMMARY AND ANALYSIS:**

# **DEPARTMENT OF MILITARY VETERANS ANNUAL REPORT FOR 2015/16**

<b>1.</b>	<b>INTRODUCTION</b>	<b>2</b>
<b>2.</b>	<b>STRATEGIC OVERVIEW FOR THE 2015/16 FINANCIAL YEAR</b>	<b>2</b>
2.1.	Strategic Priorities of Government	2
2.1.1	National Development Plan	2
2.1.2	Medium Term Strategic Framework 2014 - 2019	3
2.2	Strategic Priorities of Department	5
<b>3.</b>	<b>OVERVIEW AND ASSESSMENT OF FINANCIAL PERFORMANCE</b>	<b>6</b>
3.1	Appropriation statement for the 2015/16 financial year	6
3.2	Financial statements	6
3.3	Findings of the Auditor General of South Africa	7
3.4	Summary of performance	10
<b>4.</b>	<b>OVERVIEW AND ASSESSMENT OF PROGRAMME PERFORMANCE</b>	<b>11</b>
4.1	Administration	11
4.2	Socio-Economic Support	13
4.3	Empowerment and Stakeholder Management	15
<b>5.</b>	<b>GOVERNANCE</b>	<b>16</b>
5.1	Risk management	16
5.2	Concerns raised by Audit Committee	17
5.3	Management Performance Assessment Tool (MPAT)	17
<b>6.</b>	<b>HUMAN RESOURCES</b>	<b>18</b>
<b>7.</b>	<b>CONCLUSION</b>	<b>19</b>



## 1. INTRODUCTION

The Military Veterans Act (No 18 of 2011) explicitly mandates the Department of Military Veterans (DMV) to facilitate benefits to improve the socio-economic standards of living of military veterans and their dependants and the honouring memorialisation of military veterans.<sup>1</sup> The 2015/16 Annual Report is the third submitted by the DMV. The aim of this brief is to provide a summary and analysis of the Annual Report for the financial year 2015/16. This brief focuses on the following:

- Strategic Overview for the 2015/16 Financial Year with specific reference to Strategic Priorities of Government and Strategic Priorities of Department.
- Overview and Assessment of Financial Performance with specific reference to the Appropriation statement for the 2015/16 financial year; Financial statements; Findings of the Auditor General of South Africa; and Summary of performance.
- Overview and Assessment of Programme Performance focusing on Administration, Socio-Economic Support, and Empowerment and Stakeholder Management.
- Governance and Human Resources.

## 2. STRATEGIC OVERVIEW FOR THE 2015/16 FINANCIAL YEAR

### 2.1. Strategic Priorities of Government

The Annual Reports states that “*During the year under review, the Department’s performance aligned the budget with the primary mandate and thus supported the NDP and Medium Term Strategic Framework (MTSF) goals.*”<sup>2</sup>

#### 2.1.1 National Development Plan

For the 2014 - 2019 Medium Term Strategic Framework (MTSF), the DMV contributes to the National Development Plan (NDP) through its various programmes. The relevant chapters include the following:<sup>3</sup>

**Chapter 3: Economy and Employment:** Facilitating employment for military veterans contributes to the NDP. It states regarding the (MTSF) goals, that “*450 MVs and their dependants were placed in administrative positions in the South Africa Social Security Agency (SASSA) throughout the country,*” and that “*Under the creation of employment, the Department itself employs at least 133 military veterans and their dependants, constituting 59% of the total Department staff component.*”<sup>4</sup>

**Chapter 6: An integral and inclusive rural economy:** Various benefits provided by the DMV such as education, skills development, health-care, and access to public transport contribute to the NDP. For 2015/16, 3 650 learners were provided with education support for the academic year 2015. 32 military veterans and their dependants graduated from tertiary education institutions. By the end of the year under review, 1 543 military veterans were assisted in accessing training and skills development programmes. As at 31 March 2016, a total of 8 264 military veterans were authorised to access healthcare services. During the year under review, 1 260 military veterans and

<sup>1</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 29.

<sup>2</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 18.

<sup>3</sup> Department of Military Veterans. 2015. Annual Performance Plan 2015. p. 20.

<sup>4</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 36.



their dependants received counselling services; and 56 Military Veterans had received compensation for injury in military services as at 31 March 2016.<sup>5</sup>

**Chapter 8: Transforming Human Settlements:** The provision of houses for military veterans will contribute to the NDP. For 2015/16, 130 houses in partnership with the Department of Human Settlement (DHS) were built for military veterans. In addition, 16 mortgaged houses of military veterans were rescued by the Department from being repossessed by the banks.

**Chapter 9: Improving Education, Training and Innovation:** Details provided above also apply to this chapter of the NDP.

**Chapter 10: Promoting Health:** The provision of health care service as stated above contributes to the NDP.

#### **Comments:**

\* The Department should be commended for the educational support, the 32 graduates and the increased access to health care services and especially the employment of 450 military veterans at SASSA. Its overall contribution to the NDP is commendable and it should be encouraged to increase these contributions.

\*While the rescue of mortgaged houses from being repossessed by banks is commended, will this not open the door for more such demands and do the Regulations provide for this? In addition, is the amount paid to the bank for each of the 16 rescued houses equivalent to those of the houses provided?

\* The Committee can enquire about the over-performance in access to health care services (+264) and bursaries (+4 882), and especially where the funds for the bursaries were derived from, as an overspending of R28 569 000 is listed<sup>6</sup>.

\* The Department states that itself employed 133 military veterans and their dependants, constituting 59% of the average staff component of 227 (inclusive of permanent and contract employees)<sup>7</sup>. Given the underperformance and underspending, can this be viewed as an achievement as the Department was created to facilitate employment and not necessarily to employ military veterans and their dependents.

### **2.1.2 Medium Term Strategic Framework 2014 - 2019**

For 2015/16, the DMV contributed to the following MTSF outcomes:

*Outcome 1: Improved-quality basic education.* During the 2015 academic year 3 650 learners were provided with education support. As at the end of the year under review, a total of 5 482 were provided with education support. 32 military veterans and their dependants graduated from tertiary institutions.<sup>8</sup>

*Outcome 2: A long and healthy life for all South Africans.* For 2015/16, a total of 14 666 military veterans have access to healthcare facilities. There was an increase of 8 264 (56%) as compared to 2014/15.

<sup>5</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 29.

<sup>6</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 44.

<sup>7</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 17

<sup>8</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 33



*Outcome 4: Decent employment through inclusive economic growth.* Military veterans were placed at Water and Sanitation in Standerton, Passenger Rail Agency of South Africa (PRASA) and the Department of Agriculture, Forestry and Fisheries (DAFF), and 450 Military Veterans and their dependants were placed in administrative positions in the SASSA throughout the country. Within the Department itself, 59% of the total staff component is comprised of military veterans and their dependants. A total 1 700 military veterans accessed job opportunities.

*Outcome 5: A skilled and capable workforce to support an inclusive growth path.* During the period under review, 814 military veterans were provided with business advice support. In addition, 149 military veterans companies were registered on the Department SCM database and services are being procured from military veteran owned businesses.

*Outcome 7: Vibrant, equitable, sustainable rural communities contributing towards food security for all.* A total of 1 213 military veterans received Social Relief of Distress (SRD) through SASSA. The Department also intervened in and provided them with temporary shelter under the SRD programme.

*Outcome 8: Sustainable human settlements and improved quality of household life.* The Department provided 173 families of deceased military veterans with burial support, 15 military veterans were exhumed and reburied with dignity, and 1 260 military veterans and their dependants received counselling services. As at 31 March 2016, 130 houses were built for military veterans. It also rescued 16 houses of military veterans in distressed that were at the risk of being repossessed by the banks during the current reporting period.

*Outcome 12 - An efficient, effective and development-oriented public service and an empowered, fair and inclusive citizenship.* These include support provided to South African National Military Veterans Association, the establishment of the Appeals Board on Military Veterans, and the Military Veterans Advisory Council. They also mention a Memorandum of Understanding (MoU) that resulted in the employment of 450 military veterans at SASSA, and its promotion of benefits and programmes through events management, social media and media relations.<sup>9</sup>

*Outcome 14 - Nation building and social cohesion.* It celebrated the 30th commemorative anniversary of three liberation heroes who were killed by the security police in Piet Retief. It participated in the planning for the erection and unveiling of the memorial bust in honour of Dr Ruth Mompati. It also honoured military veterans such as Mac Maharaj; Ike Maphoto; and those involved in the Wankie Sipolilo's campaign.<sup>10</sup>

#### **Comments and questions:**

- The Department should be commended for the SRD assistance through SASSA of 1 213 military veterans and the 10 cases of the destitute military veterans, as well as the counselling services for 1 260 veterans and their dependants.
- What are the plans for military veterans that were placed in temporary shelter under the SRD programme?
- Given that the Appeals Board is operational, what kind and how many appeals has it dealt with?
- Similarly, what kind of issues serve before the Advisory Council, how many times has it met given the state of the Department and its role to advise the Minister?
- How many military veterans were placed with Water and Sanitation, PRASA and DAFF and are these posts contract or permanent?

<sup>9</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 34

<sup>10</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 35



## 2.2 Strategic Priorities of Department

The Strategic Priorities of the DMV are closely linked to Government's medium-term strategies. For 2014/15, the Executive Authority's priorities included the following:<sup>11</sup>

**Ensuring a fully functional Department of Military Veterans with an independent vote, systems and processes.** As at 31st March 2016, the Department filled a total of 133 permanent posts from the 169 funded posts.

**Strengthening governance and oversight protocols to give effect to the provisions of the Act:** The Department lists the establishment of the Appeals Board and Advisory Council on Military Veterans, the Audit Committee which is a shared service with the DoD and the Turnaround Strategic Initiative (TSI), all of which are operational.

**The provision of immediate social services to relieve distress among the most vulnerable military veterans:** A total of 1 213 military veterans received SRD through SASSA and intervened in 10 cases of destitute military veterans and provided them with temporary shelter under the SRD programme.<sup>12</sup>

**Provision of comprehensive support services to military veterans and, where applicable, to their dependents, subject to availability of resources:** These include issues related to Access to health support, Compensation, Education, training and skills development, Facilitation of employment placement, Facilitation of or advice on business opportunities, Burial support, Housing support, and will be addressed in the discussion on the Empowerment and Stakeholder Management programme.

**Promote empowerment programmes for and of Military Veterans:** These include the Roadshows that were conducted in 5 provinces, the assistance of military veterans to register their companies on the Department Supply Chain Database, and the awarding of 8 farms to military veterans by Department of Rural Development and Land Reform (DRDLR). It also include the eleven MoUs that were concluded with both government departments and the *private sector* in order to benefit the military veterans and their dependants.<sup>13</sup>

**Empowerment of Military Veterans to enhance their contribution to Reconciliation and Nation Building:** During the year under review, the Department assisted in the exhumation and reburial of the remains of 15 military veterans.

**Maintenance of a credible and secure national military veterans:** This relate to process of finalising the electronic system which will be used to administer the registration of military veterans in the National Veterans Military database which is secured and reliable. As at 31 March 2016, 98% of the 71,811 military veterans registered on the database are bona fide Veterans with force numbers that are verifiable through the Department of Defence (DOD).

**Implementation of a high impact communication and marketing strategy and plan:** This deals with the promotion of benefits and programmes through events management as well as social media and media relations.<sup>14</sup>

<sup>11</sup> Department of Military Veterans. (2015a). pp. 29-33. And Department of Military Veterans. (2015b). pp. 22-25.

<sup>12</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 37

<sup>13</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 34 & 35

<sup>14</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 37



### Comments and questions:

- For 2015/16, DMV was still funded under Vote 19: Defence and Military Veterans, thus, no independent vote was achieved in 2015/16.
- The Committee should request a briefing by the Turnaround Strategic Initiative (TSI), since it has been tasked to assist with turning the Department around. This Ministerial Task team has been established to operate from 1 Sept 2015 to 31 December 2016.
- What exactly does the awarding of 8 farms to military veterans by DRDLR entail?
- How accurate is the statistic that 98% of the 71,811 military veterans registered on the database are bona fide Veterans, especially since it has been beset by major challenges?
- Has the Department liaise with SITA to assist it with the database and other IT related issues, as they invited them to do?
- Of the eleven MoU's concluded with government departments and the private sector, how many have been concluded with the private sector and what does these MoU's entail?

## 3. OVERVIEW AND ASSESSMENT OF FINANCIAL PERFORMANCE

### 3.1 Appropriation statement for the 2015/16 financial year

For 2015/16, the DMV received a final appropriation of R582 201 000. No shifting of funds were registered but an underspending of 40.1% (R233 592 000) against an 8.3% underspending in the previous financial year, is noted (see Table 1).

**Table 1: Overview of Expenditure per Programme<sup>15</sup>**

Programme R'000	Adjusted Appropriation	Shifts	Final Appropriation	Actual Expenditure	Variance	Percentage Spent
Administration	157 490	0 (19 541)	157 490 (158 637)	131 641 (143 574)	25 849	83.6%
Socio- Economic Support	266 305	0 (97 477)	265 305 (265 550)	136 179 (255 171)	130 126	51.1%
Empowerment and Stakeholder Management	158 406	0 (77 936)	158 406 (79 973)	80 789 (64 318)	77 617	51.0%
<b>Total</b>	<b>582 201</b>	<b>0(97 477)</b>	<b>582 201</b>	<b>348 609</b>	<b>233 592</b>	<b>59.9%</b>
<b>(In brackets FY2014/15 figures)</b>						

### 3.2 Financial statements

The following should be noted:

- **Unauthorised expenditure:** The amount is indicated as R 232 797,<sup>16</sup> while no unauthorised expenditure was incurred for the financial years 2013/14 and 2014/15.

<sup>15</sup> Department of Military Veterans. (2015a). p. 90.

<sup>16</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 122.



- **Irregular expenditure:** In terms of irregular expenditure, the closing balance was R50.182 million, the irregular expenditure for 2015/16 is R 123 693 000 for 12 cases of noncompliance with procurement processes (R1 607 000); 13 cases of non-compliance with SCM processes (R13 561 000); Noncompliance with Department approved financial delegations to the amount of R106 489 000; Requirements of pay progressions not followed (R227 000); and Procurement processes were not followed (R 1 809 000).<sup>17</sup>

#### Comments and questions:

- The Committee should request more information on these issues from the Auditor- General and seek clarity from the Department on these issues, especially their action plans to address these issues.
- More details should be provided on the Unauthorised and Irregular expenditure, especially whether steps have been taken against those responsible and whether the Department will attempt to recover these funds where applicable.

- **Fruitless and wasteful expenditure:** This amount is R811 000 for the financial year as opposed to R1.572 million in the previous period. It relates to Expenditure incurred for bookings of S&T where military veterans did not show up (R361 000); Interest paid to overdue of account (R4 000); LOGIS system payment (R3 000), and Medical schemes payments made for beneficiaries that are not listed on the database (R443 000).<sup>18</sup> More concerning is the amount of R853 000 that relates to possible fruitless and wasteful expenditure of dental fee invoice paid for military veterans under investigation.

#### Comments and questions:

- If the amount of the previous year (R1 572 000) is added to the R811 000 and possibly the R853 000, these amounts are concerning if considered against the fact that the Department has only spent 60% of its budget. More details should be requested and especially whether some of the amounts have been recovered. More importantly, details with regard to consequence management for those responsible should be provided.

- **Contingent liabilities:** The total for Liabilities was R235 027 000 against last year's R5 891 000. It relates to Claims against the Department of R205 580 000 up from last year's R5 706 000 and Intergovernmental payables of R29 447 000 up from last year's R5 891 000.<sup>19</sup>

#### Comments and questions:

- What are the details of the claims against the Department as depicted on page 168 of the Annual Report, especially given that it represents an increase of around R200 million?
- How far are the claims from being finalised?

### 3.3 Findings of the Auditor General of South Africa

#### Qualified audit opinion:

The Department received a qualified audit opinion and the basis for this was informed by the following:

<sup>17</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 154.

<sup>18</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 156.

<sup>19</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 149.



**Movable tangible capital assets:** The Auditor-General (A-G) was unable to obtain sufficient appropriate audit evidence that the Department had properly accounted for all movable tangible capital assets due to limitations in the asset register. The A-G was unable to confirm movable tangible capital assets by alternative means.<sup>20</sup>

**Emphasis of matters -** These include:

**Restatement of corresponding figures:** The corresponding figures for 31 March 2015 have been restated as a result of errors discovered during the year ended 31 March 2016 in the financial statements.<sup>21</sup>

**Material underspending of the budget:** Underspending is present on current payments and payments for capital expenditure for all three programmes to the amount of R233 592 000 up from R 41 525 00 in the previous financial year.<sup>22</sup>

**Significant uncertainty:** The Department is a defendant in a contract cancellation lawsuit. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

**Comments and questions:**

- The Committee may consider engaging the Department on their plans to address these issues, and the possible role of the TSI in this regard.
- More detail should be provided regarding the lawsuit and the extent of the possible liability if the lawsuit is successful.

**Predetermined Objectives:** The A-G performed procedures to obtain evidence about the usefulness and reliability of the reported performance information in the following programmes:

- **Programme 2: Socio-Economic Support.** A total of 20 percent of the targets in relation to Socio-Economic Support Services were *not specific and measurable*. A total of 20% of the indicators were *not well defined*. In addition, adequate and reliable corroborating evidence could not be provided for the reported achievements against planned targets of 50% of indicators.
- **Programme 3: Empowerment and Stakeholder Management.** A total of 40 percent of the indicators were *not well-defined* and 60% of the targets were *not measurable*. In addition, adequate and reliable corroborating evidence could not be provided for the reported achievements against planned targets of 20% of indicators.<sup>23</sup>

**Comments and questions:**

- Why are the targets for Socio-Economic Support not specific, measurable and reliable even though this was also reported in 2013/14, 2014/15 and yet again in 2015/16?
- Why are the targets for Empowerment and Stakeholder Management not well-defined and measurable?
- What exactly is the challenge to adhere for instance to the requirements of the Framework for Managing Programme Performance Information (FMPPi), particularly the SMART principles?

<sup>20</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 84.

<sup>21</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 85.

<sup>22</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 85

<sup>23</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 86



## Compliance with legislation:

*Strategic planning and performance reporting:* Effective, efficient and transparent systems of risk management and internal control with respect to performance information and management were not maintained as required by the PFMA.<sup>24</sup>

*Annual Financial statements:* The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records as required by the Public Finance Management Act. Material misstatements of accruals, prepayments, lease commitments, irregular expenditure and transfer payments identified by the auditors in the submitted financial statements were subsequently corrected, but the lack of adequate supporting records for movable capital assets resulted in the financial statement receiving a *qualified audit opinion*.

*Procurement and contract management:* Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations and Goods and services of a transaction value above R500 000 were procured without inviting competitive bids. Contracts and quotations were awarded to suppliers whose *tax matters* had not been declared by the South African Revenue Services to be in order.

### Comments and questions:

- Why were goods and services below R500 000 procured without obtaining the required price quotations as per regulations?
- Similarly, what are the reasons for deviating from the requirement to invite competitive bids for transactions above R500 000?
- What were the reasons for awarding contracts to suppliers whose tax matters had not been declared by the South African Revenue Services?

*Expenditure management:* Effective internal controls were not in place for payment approval and processing, and money was spent without the approval of the accounting officer and/or a properly authorised official. Effective steps were not taken to prevent *irregular expenditure*. The value of R173 875 000 as disclosed in the financial statements is still being investigated by management to quantify the full extent of the irregular expenditure. Effective steps were not taken to prevent *fruitless and wasteful expenditure*, and the value of R811 000 is still being investigated by management to quantify the full extent of the fruitless and wasteful expenditure.

### Comments and questions:

- The lack of and/or poor effective internal controls for payment approval and processing, is a recurring finding and is a cause for concern.
- The amounts for irregular expenditure is R173 875 000 and for fruitless and wasteful expenditure R811 000, and the results/outcome of the investigations into these should be shared with the Committee in order for it to assess whether action plans are sufficient to address these.

*Internal control:* Several issues regarding internal control resulted in the *basis for qualified audit opinion*. The issues identified include the following:

- *Leadership:* The accounting officer did not exercise effective leadership and oversight responsibility regarding financial and performance reporting, compliance and related internal controls. Various material misstatements, limitations with regards to information

<sup>24</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 87



supporting the annual financial statements, findings on the performance report and non-compliance with regulations were identified. Documented policies and procedures were not in place to guide financial and performance activities and prevent non-compliance with legislation. Key positions remained vacant over long periods, with the result that action plans developed to address prior year audit findings were not monitored and properly implemented.<sup>25</sup>

- *Financial and performance management:* Management did not implement effective controls to ensure that information contained in the financial statements and performance report was reliable before submission for audit. This was mainly due to *inadequate reviews and lack of proper record management systems*. Management did not review and monitor compliance with regulations, resulting in numerous findings on compliance with legislation.

#### Comments and questions:

- What are the reasons for the accounting officer being unable to exercise effective leadership and oversight responsibility regarding financial and performance reporting, compliance and related internal controls? Even in his absence, should the acting accounting officer not have dealt with these issues?
- The non-compliance with regulations is a serious indictment on the Department since this is a recurring finding, and questions should be posed around this.
- The vacant posts has been an ongoing issue and the Department should be encouraged to speed up filling these posts, especially that of the Director-General.
- What exactly is the challenge to keep proper records in order to submit reliable information for audit-purposes?
- Many of the issues are recurring and the Department should indicate whether those responsible have been identified, whether steps have been taken against them or corrective actions have been implemented as well as the outcomes of investigations into these issues.

### 3.4 Summary of performance

In terms of the budget for 2015/16, the DMV spent R348 609 000 or 59.9 percent of its total allocation of R582 201 000, an underspending of 40.1% up from 8.3% in the previous financial year.

**Table 2: Overview of Expenditure per Programme<sup>26</sup>**

Programme R'000	Final Appropriation	Actual Expenditure	Variance	Percentage Spent	Percentage Underspent
Administration	157 490	131 641	25 849	83.6%	16.4%
Socio-Economic Support	265 305	136 179	130 126	51.1%	48.9%
Empowerment and Stakeholder Management	158 406	80 789	77 617	51.0%	49.0%
<b>Total</b>	<b>582 201</b>	<b>348 609</b>	<b>233 592</b>	<b>59.9%</b>	<b>40.1%</b>

<sup>25</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 88.

<sup>26</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 91.



All programmes failed to spend their respective budgets with underspending being in declining order:

- Empowerment and Stakeholder Management with 49% (20% in FY 2013/14), thus an increase of **29%** from the previous financial year.
- Socio-Economic Support at 48.9% (3.9% in FY 2013/14), an increase of **45%** from the previous financial year; and
- Administration at 16.4% (9.8% in FY 2013/14) an increase of **6.6%** from the previous financial year.

These represent major increases in underspending and is a great concern given that the largest underspending occurred in the service delivery programmes (Programmes 2 and 3), and that underspending has increased in all three programmes. It should be noted that the underspending is a recurring problem, and in the past the late approval of the Military Veterans Regulations was noted as the major reason. What are the main reasons for underspending by the Department? This contradicts the vision of a dignified military veterans' community as many veterans are in distress and in dire need of services.

#### 4. OVERVIEW AND ASSESSMENT OF PROGRAMME PERFORMANCE

The three programmes of the DMV had a total of 20 set targets of which 10 were achieved leading to a success rate of 50 percent, as oppose to 56 percent in the previous financial year.

Total targets set:	20
Targets achieved:	10/20
Targets not achieved:	10/25
Success rate:	50%
Total Budget Spent (%):	59.9%

##### The following requires further clarity:

- The Department provides various reasons for the overall poor performance and the underspending by 40.1 % of the budget. These reasons need to be interrogated for the Committee to get an indication of the extent of their challenges and especially whether attempts to rectify the situation – such as the TSI and the appointment of the Secretary for Defence as acting D-G– are bearing fruit.

#### 4.1 Administration

Total targets set:	10
Targets achieved:	5/10
Targets not achieved:	5/10
Success rate:	50%
Total Budget Spent (%):	83.58% (R131 641 000/R157 490 000)

Programme 1: Administration is the second “best” performing programme in that it has the success rate (50%) and spend around 83.6% of its budget. The four targets not achieved and the reasons for this, are highlighted below in Table 3.

***(Similar to the previous financial year, the Department wrongly calculated its targets met as 60% (6/10) while pages 38 to 40 shows that 5 targets were not met. This inconsistency needs to be addressed.)***



**Table 3: Selected Performance Indicators for Programme 1: Administration<sup>27</sup>**

Performance Indicator	Planned Target	Actual Achievement	Comment
Number of Master System Plan implementation reports developed	04	00	The MSP target was not achieved as planned and is in a developmental stage and will be implemented in the 2016/17 FY.
Percentage staff attended training initiatives	100%	40%	Not achieved – Department will conduct skills audit which will give an indication of the skills and training needed by employees.
Percentage of signed performance agreements submitted to HRM	100%	72%	Due to movement of SMS either through transfers or promotion to other Departments, this affected the signing of PA's
Percentage staffing of vacant funded (sic?)	90%	79%	Experiencing delay in approval of filling vacant funded posts and advertising of outstanding vacant posts
Number of days to settle outstanding payments	30 days	82% invoices were paid within 30 days	Not achieved due to tax certificates not being submitted in time by service providers

In terms of budget, this programme has **spent R131 641 000** of the allocated **R157 490 000**. This means it recorded an **underspending of R25 849 000** or **16.4 percent** of the total allocated budget as shown in Table 4.

**Underspending** was recorded for Management (R45 000), Financial Administration (R1 061 000), Internal Audit (R2 212 000), Strategic Planning, Policy Development, Monitoring and Evaluation (R12 051 000) and Office Accommodation (R10 662 000). **Overspending** was recorded in Corporate Services with R182 000.

**Table 4: Expenditure for Administration Programme<sup>28</sup>**

Sub-programme R'000	Final Appropriation	Actual Expenditure	Variance	Percentage spent	Comment
Management	8 415	8 370	45	99.5%	Underspent
Corporate Services	67 872	68 052	(182)	110%	Overspent
Financial Administration	17 435	16 374	1 061	93.9%	Underspent
Internal Audit	14 741	12 529	2 212	84.99%	Underspent
Strategic Planning, Policy Development, Monitoring and Evaluation	21 630	9 579	12 051	44.28%	Underspent
Office Accommodation	27 397	16 735	10 662	63.71%	Underspent
<b>Total</b>	<b>157 490</b>	<b>131 641</b>	<b>25 849</b>	<b>83.58%</b>	<b>16.41</b>

<sup>27</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 38 - 40

<sup>28</sup> Department of Military Veterans. (2015a). p. 37.



### Comments and questions:

- While the Programme has the “best” spending record (83.58%) for the FY2015/16, its concerning that only half of its targets (50%) were met. It can thus be questioned whether “fair value” for the money spent was received.
- Why has the MSP target been stated in the APP, while it was still in a developmental stage, therefore making it unlikely that the target will be met?
- What were the reasons for achieving 82% regarding payments within 30 days? This target was also underachieved for the two preceding financial years. Given the emphasis that the Committee has placed on the Department to address this issue, especially because of its impact on the sustainability of SMME’s, questions should be posed around this issue.
- One reason for not meeting the training by staff, is that the Department will conduct a skills audit. How far is the skills audit and when will it be concluded, and when can the Committee be expected to be briefed on its results, especially against background of the poor performance and underspending of the Department?
- The underspending of 55.72% in the Strategic Planning, Policy Development, Monitoring and Evaluation sub-programme is especially concerning given the task of planning, policy development and monitoring and evaluation, all issues that have been found wanting by Internal Audit and the A-G. The Committee may want to enquire what their challenges are and how the plan to address it.

## 4.2 Socio-Economic Support

Total targets set:	5
Targets achieved:	3/5
Targets not achieved:	2/5
Success rate:	60%
Total Budget Spent (%):	51.1%

Programme 2: Socio-Economic Support achieved 3 of its 5 targets giving it a success rate of 60 percent.<sup>29</sup> It however only spent 51.1 percent of its allocated budget. The underachieved targets are indicated in Table 5.

**Table 5: Selected Performance Indicators for Programme 1: Socio-Economic Support<sup>30</sup>**

Performance Indicator	Planned Target	Actual Achievement	Comment
Number of deserving military veterans with decent housing per year	3 000	130 houses <b>Underachieved</b>	Dependency on DHS for building of houses <sup>31</sup>
Number of military veterans with access to public transport	3 000	0 <b>Underachieved</b>	Failure to sign a MOU with Department of Transport Absence of dedicated personnel to activate the benefit

### Comments and questions:

- The reason for failing to deliver on housing is the dependency on the DHS. The Committee may want to explore this reason further to determine exactly what the problems are and how it can possibly assist in addressing this issue. The planned meeting of the Committee

<sup>29</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 42 - 40

<sup>30</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 42

<sup>31</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 91



with the DMV and other departments and entities assisting military veterans, should be prioritised. This is especially because during the meeting of 10 June 2015, it emerged that some of the issues resulting in the lack of service delivery resorted within the Department.

- One of the biggest failures of the Department is its inability to make any progress on subsidised transport to military veterans. The proposed meeting should also focus on this issue to assist in unblocking the challenges.

Programme 2 **spent R136 179 000** of the allocated **R266 305 000**, which is an underspending of **R130 126 000** or **48.9 percent** of the total allocated budget (see Table 5).<sup>32</sup> The underspending should be compared with the 60% performance.

In terms of sub-programmes, **overspending** was recorded for the Healthcare and well-being support to the amount of R28 569 000.

**Underspending** was present in the Database and Benefits Management sub-programme Socio-Economic Support Management with R451 000 and Socio-economic support with R158 244 000 (see Table 6).

**Table 6: Expenditure for Socio-Economic Support Programme<sup>33</sup>**

Sub-programme R'000	Final Appropriation	Actual Expenditure	Variance	Percentage Spent	Comment
Database and Benefits Management	12 019	11 568	451	96.25%	Underspent by 3.75%
Healthcare and well-being support	38 696	67 265	(28 569)	173.8%%	Overspent by 73.8%
Socio-Economic Support Management	215 590	57 346	158 244	26.59%	Underspent by 73.49%
<b>Total</b>	<b>266 305</b>	<b>136 179</b>	<b>130 126</b>	<b>55.1</b>	<b>Underspent by 48.86%</b>

#### Comments and questions:

- The spending in the Database sub-programme relates to its success to verify 98% of the 71,811 military veterans registered on the database, and the Department should be commended for this. However, the challenge would be to attempt to finalise the database in order to improve planning and especially the funding required.
- The overspending in the Healthcare sub-programme is understandable in that it succeeded its target with 264. Questions can be asked around on where these funds were derived from, as it overspent its budget by around R28.6 million.
- The poor performance of the Socio-economic support sub-programme is concerning given the Department's mandate to improve the socio-economic standards of living of military veterans. The failure to deliver on housing and public transport, should be addressed with the urgency it requires.

<sup>32</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 91

<sup>33</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 43



### 4.3 Empowerment and Stakeholder Management

Total targets set:	5
Targets achieved:	2/5
Targets not achieved:	3/6
Success rate:	40%
Total Budget Spent (%):	51%

Programme 3: Empowerment and Stakeholder Management had a total of 5 targets of which 2 have been achieved leading to a success rate of 40 percent. It spent 51% percent of its allocated budget, and 60 percent of its targets were underachieved. The underachieved targets are indicated in Table 7.

**Table 7: Selected Performance Indicators for Programme 3: Empowerment and Stakeholder Management<sup>34</sup>**

Performance Indicator	Planned Target	Actual Achievement	Comment
Strategic Initiatives established at national, continental and International levels per year	25	0 <b>Underachieved</b>	There is continuous engagements with DIRCO to set up systems for engagement with countries that have military veterans programmes
Number of Military Veterans to access relevant training and skills development per year	3 000	1 543 <b>Underachieved</b>	Low staffing capacity Incomplete documentation of military veterans not registered on database
Number of military veterans cooperatives established per year	40	0 <b>Underachieved</b>	Registration of cooperatives and provision of business development support and incubation will be provided in partnership with relevant stakeholders 32 cooperatives awaiting registration with CPIC

#### Comments and questions:

- What exactly is the challenge with the “Strategic Initiatives” and DIRCO’s role in this regard? The Committee may enquire whether it can assist the DMV to address this issue through interacting with either DIRCO and/or the PC on International Relations and Cooperation.
- Low staffing capacity and incomplete documentation have been listed as the reasons for underperforming on access to relevant training. While the staffing can be addressed through filing of posts, as its vacancy is at 30%, the issue of incomplete documentation should be further investigated. Is this a function of a lack of information, accessibility and awareness or poor communication by the Department?
- Given that the Department should assist military veterans with business opportunities, the slow progress on cooperatives is concerning and these processes should be speeded up.

<sup>34</sup>Department of Military Veterans 2016. Annual Report 2015/16. p. 45 - 47



This programme has **spent R80 789 000** of the allocated **R158 406 000**, thus recording an underspending of **R77 617 000** or **49 percent** of the total allocated budget (See Table 8).<sup>35</sup>

**Table 8: Expenditure for Empowerment and Stakeholder Management Programme<sup>36</sup>**

Sub-programme R'000	Final Appropriation	Actual Expenditure	Variance	Percentage Spent	Comment
Provincial offices and stakeholder relations	43 334	38 334	4 620	88.46.0%	Underspent
Empowerment and Skills development	100 520	30 029	70 491	29.87%	Underspent
Heritage, memorials, Burials and Honours	14 552	12 046	2 506	82.78%	Underspent
<b>Total</b>	<b>158 406</b>	<b>80 789</b>	<b>77 617</b>	<b>51%</b>	<b>Underspent by 49%</b>

#### Comments and questions:

- This is the “worst” performing Programme in that only 2 of its five targets have been met and it only spent 51% of its budget. Given that it is a service delivery programme, this is concerning.
- 88% of the budget of sub-programme Provincial offices has been spent, and the Department should explain exactly what these funds were used for i.e. how many provincial offices have been established, how many provincial staff have been employed, etc?
- The empowerment sub-programme’s underspending of 70% is a cause for concern and specific reasons for this should be asked, besides the lack of staff.

## 5. GOVERNANCE

### 5.1 Risk management

The risks identified are similar to those of the previous two financial years and these remained for the FY2015/16. These impact on good governance and include the following<sup>37</sup>:

- *Administration:* The risks include:
  - A lack of adequately skilled and dependable human capital,
  - Inadequate IT infrastructure and lack of internal IT capacity,
  - Lack of Department ownership of systems (dependency on DOD),
  - Lack of integration of systems (Persal, BAS and LOGIS),
  - Lack of security policies and procedures, and
  - Lack of contract/supplier management to adequately address supplier contracts.
- *Administration, Socio-Economic Support and Empowerment and Stakeholder Management:* These risks include the Fraud and corruption due to unethical conduct; Inadequate or weak internal controls; insufficient capacity to deal with management of fraud and corruption.

<sup>35</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 91

<sup>36</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 45

<sup>37</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 52 and 53



- *Socio-Economic Support and Empowerment and Stakeholder Management*: Dependency on service delivery agencies (other government departments for rolling out of service delivery benefits).

**Comments and questions:** While the Department lists the Impact category and Risk Impact as well as the Actions to improve the management of the risk, the latter has not been successful given the poor performance of the Department. Subsequently, the following issues may be raised:

- The inadequate IT infrastructure is a concern and given that the Committee has recently met with SITA and discussed *inter alia* support to the DMV, the Committee can engage the Department on its relationship with SITA and especially the support given to them.
- What is being done to limit the Department's dependency on the systems of the DOD?
- The lack of security policies and procedures is very concerning and the Department should indicate what has been done to address this risk.
- The database – its accuracy, validity and completeness - has been a thorny issue and the action indicated refers to "Conduct database clean-up campaign." What exactly does this entail, what is the current status of the database and are there any other pertinent challenges with the database?
- The insufficient capacity to deal with the management of fraud and corruption is a cause for concern and the Department should be asked to provide more information on this, especially on its plans to address this risk.

## 5.2 Concerns raised by Audit Committee

The Audit Committee noted some of the following concerns:<sup>38</sup>

- Lack of performance from a financial (significant underspending) and non-financial (non-achievement of performance targets) perspective by the Department, which ultimately impacts service delivery to the Military Veterans.
- Delays in the filling of critical posts, which is seriously hampering the department from delivering on its core mandate.
- The overall low staff morale which is negatively affecting the control environment.
- Inability to adequately resource the Internal Audit function to execute its mandate, which has a direct impact on the Audit Committee's ability to receive independent and objective assurance on risk management, governance and internal control.
- Several control weaknesses as it relates to Assets, Performance Information, Irregular Expenditure as well as Fruitless and Wasteful expenditure as reflected in the audit report.
- Lack of adequate quality assurance and record keeping relating to financial and non-financial reporting.
- Significant control weaknesses within the Department's IT environment.

## 5.3 Management Performance Assessment Tool (MPAT)

In the past the Committee has raised concern about the low score of the DMV on the MPAT. The Annual Report refers only twice to the MPAT, firstly to indicate the "*Number of meetings held to discuss MPAT Improvement Plan*" and in reference to the Audit work done by the Internal Audit.<sup>39</sup> The 2015 Annual Performance Plan<sup>40</sup> states that the DMV will continually utilise the MPAT as a tool through ensuring that various policies and systems are in place to improve internal controls and management practices.

<sup>38</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 61

<sup>39</sup> Department of Military Veterans 2016. Annual Report 2015/16. p.39 and page 57 respectively.

<sup>40</sup> Department of Military Veterans 2015 Annual Performance Plan. p. 23



### Comments and questions:

- These issues go to the heart of the challenges in the Department namely that there is a lack of performance; delays in filling critical posts; staff morale is low; a sub-optimal functioning Internal Audit; weak controls; and significant weakness in the IT environment.
- The Committee should enquire about the low staff morale which impact negatively on the control environment, which together with a lack of adequately skilled and dependable human capital,<sup>41</sup> seem to be some of the major problems in the Department.
- The understaffing of the Internal Audit is a major concern and the Committee has previously encouraged the Department to speed up the process of filling these vacancies.
- As indicated earlier, the inadequate record-keeping and quality assurance is a challenge and it should be indicated whether this is mainly because of a lack of staff or whether this relate to a lack of skills to manage these issues.
- Given that the Department continues to do poorly, its performance on the MPAT should be included as outlined in its 2015 APP, and because it was recently pointed out that it was one of the poorest performing Departments in this regard.

## 6. HUMAN RESOURCES

The Department has an approved structure of 169 funded posts. During the year under review 133 posts (79%) were filled out of the 169, with a *vacancy rate* of 21% translating into 36 posts. The vacancy rate for Administration was 19% (20 posts), Socio-Economic Support at 10% (2 posts) and Empowerment and Stakeholder Management at 30% (14 posts). Various reasons are presented for the non-filling of these posts.<sup>42</sup> The Department has also reviewed all Human Resource Policies to ensure that these are up to date and adhere to all requirements that form part of the legislative framework of the Public Service.

In terms of number of employees by salary band, a total of 280 employees are recorded. Personnel expenditure is around 28.86%, which is significantly lower than the 40% in the 40/30/30 ratio for human resources, capital expenditure and operational expenditure, respectively. Programme 1 however, already peaks at 43%, even though it has a vacancy rate of 19%.<sup>43</sup>

**Employment equity:** The table below depicts a summary of the equity in the Department.

**Table 9: Employment equity<sup>44</sup>**

African		Coloured		Indian		White		Total
Males	Females	Males	Females	Males	Females	Males	Females	
72	53	2	0	0	0	3	2	133

**Signing of performance agreements.** Only 72% of the SMS members has signed their Performance agreements. Those who did not sign include one on Salary level 15, three each on salary levels 14 and 13. The reasons given were that it was due to movement through Departmental transfers or promotion and the changing of the Director-General.<sup>45</sup>

<sup>41</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 52

<sup>42</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 64

<sup>43</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 65

<sup>44</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 71

<sup>45</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 74



**Performance rewards:** 93 out of the 133 employees have received performance rewards which is 70% of the number of posts funded filled. This was to the amount of R1 487 833.40 at an average cost per employee of R15 998.00.

**Utilisation of Consultants:** It is indicated that no consultants were utilised during the period under review. The Department should be commended for this.

#### **Comments and questions:**

- There are no Indians and a few Whites and Coloureds while the gender representation is given as 54% males. It should be requested of the Department whether they have an equity plan/targets, and if yes, to what extent do they comply with it. The Department should be encouraged to give attention to these issues when filling the vacancies.
- The Committee has previously raised its ire with the failure to achieve 100% compliance with the signing of performance agreements. The reasons presented do not seem to be substantive and should be further interrogated.
- Given that there are challenges with the performance of the Department, that it is underspending and that there is *“A lack of adequately skilled and dependable human capital,”* the Committee may enquire into the kind of performances that warranted the performance rewards to the amount of R1 487 833.40 to 93 out of 133 employees.<sup>46</sup>
- The Report to a total number of employees of 227 (inclusive of permanent and contract workers)<sup>47</sup> while on page 65 it refers to the total as 280. It should be enquired what the correct number is, given that the Department has in the past also provided conflicting numbers in this regard.
- If one has further regard to the fact that 27 out of 28 Highly skilled staff (thus 90% of salary band) and 59 out of 72 highly skilled supervisory staff (thus 80% of salary band) have received these rewards, the poor performance of the Department needs to be explained as this seems to be a misalignment between rewards and performance.
- The Committee may enquire what is meant by the “Consultants: Business and advisory services” on page 92, to the amount of R1 645 000, which is indicated as 12% of the allocated amount of R13 701 000, and which is indicated as a Current payment under Programme 1: Administration.<sup>48</sup> This against the statement that no consultants were utilised as indicated on page 82.
- A total of 280 employees were reported for the DMV, and it should be asked why human challenges still continue given that the Department had more than the required personnel? What skills do the additional personnel have, at what level and by whom are they compensated?

## **7. CONCLUSION**

The overall impression is that the Department of Military Veterans is not performing optimally, and indeed it can be said that it performed worse than in the previous financial year. This is borne out by the fact that it spent only 59.9% of its budget against 91.7% in FY 2014/15, achieved only 50% of its targets against 56% in the FY2014/15. Furthermore, no progress has been made with providing subsidised transport, little progress with providing houses (130/3 000), a continued struggle to get 100% of SMS members to sign their Performance agreements (72%), little progress to give access to relevant training and skills development (51%) and a

<sup>46</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 52 and 53

<sup>47</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 17

<sup>48</sup> Department of Military Veterans 2016. Annual Report 2015/16. p. 96



continuous struggle to establish cooperatives (0/40). The risks also remained the same as with the previous financial year, with little to no progress having been made to minimise these risks. Given that the human resources have been identified as risk with the following description: “*A lack of adequately skilled and dependable human capital,*” the awarding of performance awards to the amount of R1 487 833.40 for 93 of the 133 employees is unexpected.