

**Presentation to the Standing Committee on
Public Accounts (SCOPA)
by South African Express Airways
(SA Express)**

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Version 1

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Contents

A

Developments Since Previous Presentation (1 and 2)

B

Management of Irregular Expenditure (1 and 2)

C

Irregular Expenditure List Summary

D

Conclusion

E

Questions and Answers



A. Developments Since Previous Presentation (1 of 2)

Since the last appearance on 13 April 2016, the following key business developments have occurred:

1) Strengthening of Management Oversight

1.1 Segregation of duties for IT and Procurement

1.2 Appointment of subject matter experts in key functions

- ✘ Senior Internal Auditor - September 2016
- ✘ Chief Procurement Officer – October 2016
- ✘ Chief Information Officer – November 2016
- ✘ Acting Chief Executive Officer (Secondment) – April 2017
- ✘ Shareholder Seconded to support the Acting CEO – April 2017
- ✘ Contracts Manager – April 2017

1.3 Improved delegation of responsibility and authority framework

1.4 Elevate reporting lines – Performance Management Office, Safety, Security and Quality

1.5 Centralisation of procurement function and system access

A. Developments Since Previous Presentation Continued (2 of 2)

2) Strengthen Management Control

- 2.1 Organisational restructuring – independence, specialists
- 2.2 Board/Management review of the organisational Enterprise Risk Framework and strategic risks
- 2.3 Improved internal controls on management of risk and compliance
- 2.4 Improvement of stock management – policy, procedure and systems
- 2.5 Review of Procurement Policy to better align with applicable legislation and unique **operational requirements** of the business
- 2.6 Review of Irregular, Fruitless and Wasteful Expenditure Policy requirements to better align with newer applicable National Treasury Practice Note
- 2.7 Centralised Contracts Management – register (expiry detection), contracts compliance form
- 2.8 Delegation of Authority for contracts signature at CEO level
- 2.9 Centralised commitment on behalf of the company – CPO, CFO and CEO
- 2.10 Structured process for making payments – committee established
- 2.11 Implementation of consequential management for employees found to have contravened the

B. Management of Irregular Expenditure (1 of 2)

1. Revised Procurement Policy to address the following deficiencies:
 - 1.1 Alignment of Policy with the operational business requirements to provide for the following:
 - × Sole supplier (OEM, License holders, approved suppliers/products)
 - × Aircraft on Ground (Unscheduled maintenance)
 - × Interrupted Operations (delays, schedule recoveries and cancellations)
 - × Limited supplier pool (Trade, Geographical)
 - × Unscheduled, urgent procurement
 - 1.2 Decentralized procurement which enabled commitment (financial) at a multiple levels in the organization.
 - 1.3 Inefficient Procurement Bid Committees (User requirements mapping, evaluation and adjudication).
 - 1.4 Inefficient contract management w.r.t. payment made on expired contracts and late renewal of contracts.
2. The Revised Policy effected April 2017 and company wide roll-out completed in July 2017. New staff members are inducted on the revised Policy as and when necessary.

B. Management of Irregular Expenditure continued – (2 of 2)

3. Revised Irregular, fruitless and wasteful expenditure Policy to address the following deficiencies:
 - 3.1. Late prevention and/or detection of expenditure
 - 3.2. Poor administration of the expenditures (register)
 - 3.3. Delayed processing of irregular expenditure to determine an appropriate course of action
 - 3.4. Misalignment of the condonation process (Accounting Authority) with the requirements of the PFMA.
 - 3.5. Misalignment to PFMA w.r.t. the accountability for the enforcement of corrective actions i.e. condonation, write off, recovery, disciplinary actions and criminal proceedings where necessary to do so.
 - 3.6. Unclear/undefined roles and responsibilities between Accounting Authority and Accounting Officer.

4. The revised Policy effected July 2017. The company wide roll out is underway.

C. Irregular Expenditure List Summary

TOTAL TRANSACTIONS

216

TOTAL NUMBER OF SUPPLIERS

109

SUMMARY AS PER NOTE 38 IN THE ANNUAL FINANCIAL STATEMENTS

Colour Legend in Table above	Reference in AFS	Reason for Irregular	Amount	Notes
	Deficiencies in Procurement Process.	One Quotation - No Deviation Process applied	R 3 144 979.00	Most transactions condoned. This amount is inclusive of R362 299 which was not condoned as at 30 May 2016.
	Procurement Process not followed (Short Term Leases for Aircraft)	No tender process and no deviation process applied.	R 8 871 040.37	All transactions condoned
	Expired Contracts	Expired Contracts	R 7 062 464.49	All transactions condoned
	Irregular Expenditure under investigation	Irregular Expenditure under investigation	R 16 598 438.96	Investigation to be conducted to establish outcome as follows: a) Condonation b) Recovery c) Write Off
Total			R 35 676 922.82	

D. Conclusion

Over the past months the Board and management have been focusing on initiatives aimed at improving the operational , financial, as well as governance of the airline, and the following have been implemented:

- ✘ Appointment of personnel for key functions
- ✘ Proper restructuring of the business to ensure efficiency
- ✘ Review of governance policies and procedures
- ✘ Training of staff members to ensure awareness of critical policies
- ✘ Implementation of the policies to improve efficiency and curb irregular expenditure, going forward
- ✘ Close monitoring of implementation of internal controls for improvement purposes
- ✘ A combined assurance approach between Risk management and Internal audit, for effective risk management
- ✘ Implementation of consequential management – holding people accountable

Questions and Answers

Thank you

