



AUDITOR-GENERAL  
SOUTH AFRICA

# Briefing to the portfolio committee on defence and military veterans on the DOD Covid-19 initiatives



3 February 2021



## MISSION

“The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it exists to strengthen our country’s democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.”



## VISION

“To be recognised by all our stakeholders as a relevant Supreme Audit Institution (SAI) that enhances public sector accountability.”



# Purpose and focus areas

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## Purpose

- To brief the portfolio committee on the findings reported in the special report on the financial management of covid-19 funds by the Department of Defence and highlight key recommendations made.



## Focus areas

- Deployment of soldiers to various provinces to assist with enforcing law and order
- Implementation of additional health measures, including establishing quarantine sites, laboratories and field hospitals with necessary equipment
- Procurement of personal protective equipment (PPE)
- Repatriation of South African citizens from Wuhan



## Budget and actual spending as at 30 September 2020

Description	Budget (R million)	Actual spending (R million)	Remaining budget (R million)
<b>Deployment-related expenditure</b>			
Wages and allowances	763,42	700,58	62,84
Expenditure – other related costs (including rations, fuel and fleet services)	521,47	112,34	408,94
<b>Subtotal</b>	<b>1 284,90</b>	<b>813,92</b>	<b>471,78</b>
<b>Support facilities, medical equipment, PPE and other expenditure</b>			
PPE	1 018,14	849,73	168,41
Medicine	65,90	4,61*	61,29
Facilities and medical equipment	1 313,45	181,50	1131,96
Other related frontline services	614,61	207,33	407,29
<b>Subtotal</b>	<b>3 012,10</b>	<b>1 243,16</b>	<b>1 768,94</b>
<b>Total</b>	<b>4 297,00</b>	<b>2 056,28</b>	<b>2 240,72</b>

\* As reported under medicine findings, this amount is not complete because of a misclassification of R34,86 million that had not yet been corrected at the date of reporting



# Findings per focus area



## Deployment of soldiers

- The audit focused on verifying the allowances paid to the deployed forces (regular and reserve members) as well as the salaries of reserve force members for the period 1 April to 31 July 2020.
- No discrepancies were noted for the period under review.
- We will further test the deployment of soldiers for the period 1 August 2020 to 30 September 2020 as part of the normal audit process.





# Covid-19 related medicine

## Findings

- Non-submission of information resulted in a number of audit limitations, as a result not all required audit procedures could be performed.
- Inadequate planning for the procurement of Heberon ® Alfa R (Heberon), which contains the active ingredient interferon alpha 2b, procured for approximately R260,59 million. It was not clear how the department determined the required quantities.
- No evidence of South African Health Products Regulatory Authority (Sahpra) approval prior to importation of Heberon.
- The open-ended contract used during procurement was only signed after the first delivery had taken place.
- Subsequent Sahpra approval was for 10 vials as opposed to the 970 895 vials imported
- No post-importation testing. Breach of cold-chain requirements resulted in approximately 40% of vials' integrity being possibly compromised.
- None of the 970 895 vials of Heberon were accounted for on the department's inventory system and the payment of R34,86 million was not accounted for in the financial records.

## Recommendation

The department should institute a formal process to monitor compliance with legislation before and during medicine procurement and put measures in place to ensure that inventories and payments are properly recorded.



# Medical equipment and support facilities

## Findings

### *a) Inadequate planning to justify required levels of medical equipment*

The department's planning did not include a situation analysis that would have informed the number of medical equipment items that were required to treat covid-19.

**Recommendation:** Improve planning processes by using relevant data that will enhance planning decisions.

### *b) Internal control weaknesses on procurement process (bid advertised and subsequently cancelled)*

- No proper demand and needs assessment and the specifications were only improved and completed after a briefing session was held with one of the prospective service providers.
- The bidders had 48 hours to respond for a requirement that was budgeted at R738 million.
- The department did not record or approve the reasons for the emergency procurement.

**Recommendation:** document the reasons for emergency procurement, allow reasonable timeframes to submit bids so that the process is fair to all prospective bidders and investigate the reasons for the control weaknesses, particularly the unfair advantage given to one supplier.



# Personal protective equipment (PPE)

## Findings

- Inadequate planning to support the number of PPE to be procured
- Lack of preventative controls in manual inventory system to manage the receipt, accounting and distribution of PPE
  - Reconciliations and investigations of stock shortages not done
  - Stock takes not performed
- Control weaknesses contributed to losses and possible theft.
- PPE was not always procured at market related prices.
- Local content and production threshold requirements were not applied when procuring three-ply surgical masks.
- PPE contracts awarded to suppliers whose tax matters were not in order.
- Inadequate controls in manual stock control processes at main and regional depots.



# Personal protective equipment (PPE)- cont.

## Recommendations

The accounting officer should:

- ensure that officials in the department use resources effectively, efficiently and economically;
- ensure that PPE is stored and safeguarded against possible losses;
- establish SOPs for the recording and safekeeping of PPE items on the manual system;
- put measures in place to ensure that PPE items are only procured from suppliers or manufacturers that meet the stipulated minimum threshold percentage for local production and content;
- ensure that awards are made to bidders whose tax matters are in order at the time of the award;
- monitor payments for the related awards to ensure that the irregular expenditure register is updated and that the relevant amounts are disclosed appropriately in the financial statements.



## Repatriation of south African citizens

- The audit of the Wuhan repatriation mission focused on reviewing the procurement process for the flight and the recording of the related costs in the department's books. We completed our review and identified no significant findings.



# Conclusion



# Conclusion

- The department successfully carried out the mission to repatriate South African citizens from China's Wuhan province.
- The department helped to enforce law and order by deploying SANDF members. The deployed members also assisted with various activities needed to fight the pandemic, including health and humanitarian assistance in the form of covid-19 awareness education, scanning and screening, distribution of food parcels and water purification.
- The Minister appointed a task team to further investigate the matter relating to the shortcomings regarding the process for approval, procurement, transportation and post importation procedures for the medical drug, Heberon.



## Conclusion- cont.

- The department was still procuring support facilities and medical equipment during our audit. The accounting officer committed to address deficiencies around planning for procuring medical equipment and the procurement process for facilities by investigating instances of non-compliance and holding responsible officials accountable to support consequence management.
- Most of the department's spending went to procure the PPE needed to protect deployed members, support staff and medical personnel who were providing essential services. We identified deficiencies and compliance matters during our review of PPE spending and planning. The department indicated that it will implement the necessary preventative control measures to ensure that, in future, PPE will be procured and stock will be managed as economically and efficiently as possible.





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