



AUDITOR-GENERAL
SOUTH AFRICA

AGSA findings on Project Thusano

Portfolio Committee on Defence and Military Veterans

16 March 2022



Our mission and vision



OUR MISSION

We have a constitutional mandate and, as the supreme audit institution of South Africa, exist to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.



OUR VISION

To be recognised by all our stakeholders as a relevant supreme audit institution that enhances public sector accountability



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Audit findings on project Thusano

Background

- In 2012, the Department of Defence entered into a bilateral agreement with the Government of the republic of CUBA for Defence cooperation between the South African government and the government of CUBA.
- Article one of the bilateral agreement states as follows:
“The purpose of this agreement is to establish a bilateral defence relationship between two parties to this agreement, *subject to each party's domestic laws and international obligations as well as each party's financial constraints in this regard.*”
- This agreement gave rise to a project named Operation Thusano in the Department of Defence (DOD). The South African Department of Defence and the Cuban government through its state owned entity called TECHNOIMPORT have over the years entered into supplementary agreements in order to give effect to the overall bilateral agreement.
- The supplementary agreements are detailed and give an indication of contracted amounts and details the nature of services that were procured through TECHNOIMPORT.
- Over the years, starting in 2014, the Department of Defence procured services through the two main contracts (TI-17-001-SUDAFRICA and TI-17-002-SUDAFRICA) and various supplementary agreements.

Work done on value-for-money audit

- The AGSA planned to perform a value for money audit on Operation Thusano in 2019-20 financial year due to the significant expenditure incurred on this Project.
- Following the world-wide outbreak of the Corona virus, the President of the Republic of South Africa declared a National State of Disaster on 15 March 2020. Furthermore, the President announced that members of the South African National Defence Force (SANDF) would be deployed as part of the response to deal with the Covid-19 pandemic. Therefore, the value add audit was postponed to 2020-21 due to the Covid-19 pandemic.
- In 2020-21, we resumed with the process of auditing the contract TI 17-001 SUDAFRICA: Contract to provide technical services and the two main focus areas are:
 - training of technicians in the organization of transport technique.
 - repair and maintenance of transport technique assets
- During the prior year, requests for information on the above focus areas were issued but none of the requested information was provided. We therefore issued a finding and concluded on a limitation of scope.
- The requests for information have been re-issued in the current year and further engagements were held with the responsible unit, however to date some of the key information has not yet been provided.

AGSA's findings on the review of the procurement process

- The department procured services through two main contracts (TI-17-001-SUDAFRICA and TI-17-002-SUDAFRICA) and various supplementary agreements.
- The bilateral agreement states that any relationships between the parties must be subject to each party's domestic laws.
- We confirmed that the department did not follow any procurement processes nor did they obtain any deviations prior to entering into the various supplementary agreements with the Cuban entity.
- We concluded that the process followed by the department to acquire goods and services through the bilateral agreements and supplementary agreements was not in line with Section 217 of the Constitution and also contravened Treasury Regulations 16A6.4 and National Treasury SCM Instruction No. 3 of 2016/17.
- Therefore, the expenditure incurred under Operation Thusano was deemed to be irregular and the department should disclose it as such in the annual financial statements. The expenditure incurred as at 31 December 2021 for goods and services under project Thusano amounted to R1 370 987 020.

Summary of expenditure incurred on project Thusano

The payments made from inception of the project up to December 2021 for goods and services amounts to R1 370 987 020. The biggest contributors since the 2016 financial year were as follows:

Classification	2016	2017	2018	2019	2020	2021	Grand Total
OTHER PERSONNEL (FA ONLY)	R125 487 594	R107 276 580	R209 901 533	R133 028 923	R242 452 290	R176 156 104	R994 303 024
AIRCRAFT CHARTERING (FA ONLY)	R0	R0	R21 269 920	R27 565 182	R9 442 437	R46 779 453	R105 056 992
ALLOWANCES: PERMANENT FORCE	R0	R8 115 870	R13 403 464	R25 136 273	R8 539 023	R0	R55 194 630
T&S DOM: NON EMPL ACCOMMODATION (VISIT)	R1 563 553	R5 169 232	R10 203 468	R12 072 407	R16 944 238	R8 653 504	R54 606 402
DRUGS: OP NOTLELA	R0	R0	R0	R0	R33 496 974	R0	R33 469 974
T&SDOM: NON EMPL ALLOWANCE (VISIT)	R1 885 164	R4 658 217	R5 775 087	R6 264 875	R6 932 647	R4 533 364	R30 049 354
TRANSPORT: AIR PASSENGERS (FOREIGN VISIT)	R8 043 251	R18 750 582	R0	R0	R0	R0	R26 793 833
PASSENGER MOTOR VEHICLES	R3 746 321	R4 872 079	R0	R0	R0	R0	R8 618 400

AGSA recommendations

The following recommendations were made to the accounting officer:

- Management should put measures in place to ensure that all deviations from the normal procurement processes are justified, adequately documented and approved by the accounting officer and or National Treasury.
- Management should quantify all project Thusano payments from supplementary agreements and update the irregular expenditure register.
- The accounting officer should take effective and appropriate steps against officials who permitted the irregular expenditure as required by the PFMA and Treasury regulations.

THANK YOU

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