

AGSA PRESENTATION TO PCDMV

12/10/17 PC defence

SCOPE

- Summary of presentation
- Summary of questions
- Focus areas

SUMMARY OF PRESENTATION

- DOD AFS - Unqualified audit opinion.
- Only audited specialised military equipment, transport and immovable assets.
- NT authorised DEPARTURE from reporting on all assets.

DEPARTMENT OF DEFENCE

- SCM – Non-compliance with regulatory framework.
- HR – Outstanding SMS performance agreements.
- IT – Inadequate systems security and access control.
- AFS – Material errors due to incomplete reporting of assets.
- The accounting officer did not provide Parliament with the strategic plan and annual performance plan relating to the SANDF programmes at least 10 days prior to the discussion of the department's budget vote as required by Treasury Regulation (TR) 5.2.2. The plan was subsequently tabled in Parliament on 30 March 2012.

- **Leadership** - The department did not exercise sufficient oversight responsibility regarding financial reporting over capital assets, performance information, compliance and related internal controls. The department did not have sufficient monitoring controls for the overall process of reporting, and regular reviewing of information to ensure the accuracy and completeness of financial and performance information.
- Management did not always have approved updated policies and procedures, to guide management at the lowest level to ensure compliance with National Treasury disclosure requirements, and the Framework for Managing Programme Performance Information.
- Some employees received overtime compensation in excess of 30% of their monthly salaries, in contravention of PSR 1/V/D.2(d) and Department of Defence Instruction: POL and PLAN No. 00018/2004 (Edition 1) dated 1 November 2005.

- The accounting officer did not ensure that a fully operational internal audit function was in place as per the requirements of the TR.
- The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements.
- Existing manual and automated controls were not designed to ensure adequate record keeping to support accurate and complete financial and performance reporting which is accessible and available as required by National Treasury.

ARMSCOR

- HR – To many vacancies
- IT – Legacy systems requires replacement, discrepancies in system documentation.
- Shareholder's compact not signed

SPECIAL DEFENCE ACCOUNT

- Investigations into allegations of financial misconduct against officials were not instituted within 30 days of discovery thereof, as required by Treasury Regulation 4.1.2.
- The executive authority did not conduct investigations into allegations of financial misconduct committed by a previous acting accounting officer, as required by Treasury Regulation 4.1.3.

SANDEF FUND – Clean and unqualified.

NCACC – Clean and unqualified.

CASTLE CONTROL BOARD

- No audit committee appointed
- Surplus not paid over to NRF
- Lacking steps to prevent irregular expenditure
- No strategic plan exists

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SUMMARY OF QUESTIONS

- Any recourse if a department does not perform?
- Underperformance – why not qualified?
- Irregular expenditure – SDA why not investigated?
- Any similar “departure” to other departments?
- Procurement – reserve force pilots?
- AMG Contract – Irregular – cancellation process explained.
- Shadow planes – nothing irregular.
- Valuation of assets – methodology (R1).
- Asset system and register.
- Armscor shareholder compact – why not signed?
- Assets overstated
- If DEPARTURE not given, would AFS be qualified? - Yes

FOCUSS AREAS

- SDA irregular expenditure
- Performance indicators
- SMS performance agreements
- Internal audit capability
- SCM
- Assets – way forward?
- CFO?

THANK YOU

- **Thank you**

