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CHAIRPERSON: Good morning. Advocate Sibeko.

ADV SIBEKO: Good morning SIR. The witness that will be tendering his evidence is Mr Jacobus Gerhardus Grobler whose evidence will be led by Advocate Sello.

5 CHAIRPERSON: Can we get the witness to take the oath?
(Witness is sworn in.)

ADV SELLO: Thank you Chair. Mr Grobler, morning and welcome.

MR GROBLER: Good morning Chairperson and
10 Commissioner Musi.

**WITNESS (ARMSCOR) : MR JACOBUS GERHARDUS GROBLER
(Hereinafter referred to as "MR GROBLER"), GIVES
EVIDENCE UNDER OATH**

15 **EXAMINATION IN CHIEF:**

ADV SELLO: Mr Grobler, you have submitted a signed statement in respect of the evidence which you are about to give today. Is that correct?

MR GROBLER: That is correct Commissioners.

20 ADV SELLO: Please refer to page 1 of the bundle in front of you and in particular page 19 thereof and confirm whether that's your signature.

MR GROBLER: That is correct Commissioners, I can confirm that is my signature.

25 ADV SELLO: Do you confirm you stand by the contents

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of what is stated in that statement today?

MR GROBLER: That is correct Commissioners.

ADV SELLO: Chair and Commissioner Musi, my
5 apologies, I forgot to point out by way of housekeeping we
have only one bundle for this witness, so Chair and
Commissioner Musi you should each have a file before you, the
first document will be the statement of the witness and
thereafter the annexures that he will be relying on will follow,
we do not anticipate to use any further documents just by way
10 of housekeeping. Mr Grobler, at paragraph 1 and 1.1 and 1.2
you state that you are an employee of ARMSCOR and you state
since when you have been in the employ of ARMSCOR, could
you take us through that?

MR GROBLER: Chairperson, Commissioner Musi, my
15 statement on page 1, I'm employed with ARMSCOR since 1990,
I think a copy of my CV is attached to the report, I can refer
you to page 20 of this specific bundle, I've been in the employ
of ARMSCOR since July 1990 initially as an audit manager
within the Internal Audit Division, thereafter I've become senior
20 manager Internal Audit, that was in July 1992, I was acting
general manager of Finance since November of 2007 and I'm
currently the general manager Finance or CFO of ARMSCOR.

ADV SELLO: At paragraph 1.4 you state that the
evidence you are about to give relates to the internal audit
25 conducted by ARMSCOR on the SDPP Packages. In that period

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what position did you hold at ARMSCOR?

MR GROBLER: Chairperson and Commissioner Musi, at that period I was the senior manager of Internal Audit.

ADV SELLO: If you could have regard to paragraph 1.5
5 and with reference thereto you explain to the Commissioners the scope of the evidence you are about to tender today.

MR GROBLER: Chair and Commissioner Musi, my evidence will relate to the two internal audits that were conducted during the period November 1998 and July 1999, the first audit was
10 conducted and the evidence also included as the first internal audit was conducted between the periods of 6 and 30 November and the second audit was prepared or done between the 17th of June and 14th of July 1999 and my report regarding that is being mentioned as the Second Internal Audit Report.

ADV SELLO: You point out further that in your evidence
15 you will deal with the composition of your audit team and other factors, would you like to highlight those?

MR GROBLER: Chair and Commissioner Musi yes, during the period that the audits were conducted my team consisted
20 of, or I must maybe start with the actual Internal Audit Division because I'm to ..., I think the team that we used for conducting the audit also included ...

ADV SELLO: My apologies, before you go into that detail I was pointing out that in your evidence you don't only
25 intend to deal with the actual audit reports, you will deal with

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other issues such as the composition of the audit team, the processes and the like, these are factors set out in your paragraph 1.5 without unnecessarily unpacking the detail of that yet.

5 MR GROBLER: That's correct Chairperson and Commissioner Musi, my apology for that. Yes, my evidence will deal with the composition of the audit team that conducted the specific audits, I think we will get, I will mention that, the detail later, as well as the processes that we followed during
10 the conducting of each of those audits as well as the information that we used for purposes and the processes we used for conducting those specific audits.

ADV SELLO: Thank you. Turning then to paragraph 2 of your statement headed "ARMSCOR Internal Audit Division"
15 would you highlight the salient features set out in paragraphs, subparagraphs 2.1 and 2.3.5 before we proceed with your evidence?

MR GROBLER: Chairperson, (indistinct) the Audit Division, it also assist the organisation in the effective
20 discharge of the responsibilities. To that extent it supplies management with different processes or different information, it helps ARMSCOR to accomplish the objectives in the process it follows to get to the information and the governance processes and in order to do that it must also maintain employees or audit
25 staff that has the necessary qualifications and skills to do that

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specific work.

ADV SELLO: At paragraph 2.3.3 you make particular reference to the Audit Committee. Could you talk to this entity and the function it plays within ARMSCOR?

5 MR GROBLER: Chairperson and Commissioner Musi yes, the Internal Audit Division is accountable to the Audit Risk Committee of the Board, it reports directly to the Audit and Risk Committee of the Board, all work being conducted as well as the function of the Internal Audit Division is looked after by
10 the Audit Risk Committee, looking after the plans as well as all information or all reporting goes back to the Audit Risk Committee.

ADV SELLO: Now with reference to what's set out in paragraph 2.3 where you speak of the responsibilities of the
15 Audit Division could you take us briefly to, through what is set out in 2.3.1, that responsibility, contrasting it with the responsibility you referred to as the *ad hoc* audit request at 2.3.4 at page 3?

MR GROBLER: Chairperson and Commissioner Musi yes,
20 the Internal Audit Commission's main focus was performing financial audits, we are a financial, the composition of the division was mainly financial and to that effect the audits that we performed was to assist the organisation as well as the, to look at financial systems, that was the main focus. We also did
25 look at specific investigations, so in terms of the normal

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process it was a plan that was drafted in order to identify specific areas that we include in that plan. Over and above that we also performed special investigations or *ad hoc* investigations as included in my report on, under paragraph 2.3.4. Those will be specific additional requests that was not included in the initial audit plan as approved by the Audit and Risk Committee, so that will be over and above areas that management may request in order to discharge their responsibility.

10 ADV SELLO: At paragraph 2.5 to 2.9 you seek to contrast the functions of the Audit Division with other kinds of audit. Would, can you take the Commissioners through that?

MR GROBLER: Chairperson and Commissioner Musi the Internal Audit Division performs specific audits as I just stated. Over and above that there were also other areas within ARMSCOR that performed audits, that will be the Quality Department that will specifically look at technical issues, also do quality acceptance, they looked at specific baseline audits, so that was the specific area within the organisation that looked at technical, typically technical type of audits. There were also some audits referred to in some of the previous testimony before yourself or the evidence given to yourself where it was stated that audits were conducted but that was internal or that was audits by the specific divisions when they combined information, those were not typically information

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conducted by Internal Audit. Over and above that internal, or the audits conducted within ARMSCOR the external audit function also existed within ARMSCOR. To that extent ARMSCOR had to be audited by external auditors that were registered accountant and auditors, it was also audited by the auditor-general that audited the Special Defence Account and the General Defence Account within ARMSCOR. So, those were over and above the internal audit function.

ADV SELLO: And just to complete that point, is it correct to accept that the first internal audit and the second internal audit referred to in your paragraph 1.5 are the audits conducted by the Audit Division of ARMSCOR of which you were a part?

MR GROBLER: Commissioners, that is correct.

ADV SELLO: If you turn overleaf from paragraph 2.10 you have a diagram there depicting the structure of the Audit Division and before you unpack that is that the structure as it was during the SDPP's?

MR GROBLER: Commissioners that is correct, that was the structure of the Internal Audit Division at that specific stage, it consisted basically of two specific areas, the manager Internal Audit that looked at all the audits of the division that was including the audit plan, and then we had the second leg where the senior internal auditor under my supervision did the asset verification as well as price-related investigations, so

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that was more sort of *ad hoc* request, *ad hoc*-type of work over and above the asset verification type of work, so it will include, would have included some price investigations in that sense.

ADV SELLO: So, just very briefly what would be the
5 difference between the functions of Ms Rentia Potgieter whom you list as Manager Internal Audits and Mr Knoetze, the senior internal auditor?

MR GROBLER: Commissioners, the Manager Internal Audit would have been responsible for auditing all the facilities of
10 ARMSCOR as well as selected areas, departments within ARMSCOR, so they would have been more the formal structure-type of audits within ARMSCOR as included in the audit plan while the senior internal auditor as mentioned there would have been looking after specifically assets and stock at contractors
15 that were specifically utilised by contractors and that belonged to ARMSCOR both and the Department of Defence, as well as then Special Investigations that we conducted where we assisted management doing price-related investigations looking at the cost, tariffs and that type of, typically that type of work.

ADV SELLO: Thank you. And you turn then at
20 paragraph 2.13 to deal specifically with your responsibilities being a Senior Manager Internal Audit.

MR GROBLER: Commissioners that is correct, that is the
responsibilities of the Senior Manager Internal Audit which was
25 my position at that stage where I state that I'm accountable to

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the Audit and Risk Committee to give them an overview of what the division is doing, also to get agreement on the actual work that needs to be done and then reporting back to them in that sense. We are also responsible for coordinating the activities within ARMSCOR, the coordination of internal and the external audit function within the organisation, not the technical portion but the external audit portion that is being conducted.

ADV SELLO: At paragraphs 2.14 and 2.15 you deal with "Final Audit Report", signature thereof and how the reports are dealt with, would you like to highlight the key issues arising therefrom?

MR GROBLER: Chairperson, Commissioner Musi yes, the audit reports, depending on the type of work that we've conducted, it will conclude with a report. If it's a formalised audit it will normally, and as the portion that is done by Ms Potgieter it will would normally include a draft report that is submitted to management for their comments to verify the factual correctness of statements in that report, where after a final report will then be issued and it will also then, it will flow through to the Audit and Risk Committee, the summary if it was significant in that sense. In terms of the *ad hoc* request, depending on typically the type of work being done it will be a, it might be a fact-finding where it was just a statement where it will not be issued to management for comments, it might include the typically work where we also give it to comments,

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but it doesn't impact on the report unless we feel that we need to change the report, that is the main findings. So, even though we give it for comments to management the only area where we will change our report where it is that there is factual
5 incorrectness in our report.

ADV SELLO: Are we correct then to understand that the normal audits in the normal cause, the Internal Division is accountable to the Audit Committee but where there have been *ad hoc* request or audits following *ad hoc* requests in that
10 instance accountability is to the Management Board?

MR GROBLER: Yes Chairperson, that's correct. The accountability will, my accountability remains with the Audit and Risk Committee. Accountability will also exist in terms of the requester of that specific *ad hoc* request. If it comes from
15 management we also stay responsible to that specific requestor for that, but the, it will still be reported to the Audit and Risk Committee in terms of our overall activities, how did we actually spend our time during that period.

ADV SELLO: And that is the distinction that you mention
20 at paragraph 2.17 is important to take note of?

MR GROBLER: Commissioners, that is correct, it is important to take note of the difference in that sense.

ADV SELLO: You then turn to at paragraph 3 to the specific audit reports and from 3 you deal with the "Audit
25 Report Foreign Package Proposals (AG 30 DK). Before you

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1 speak to this, just to assist the Commissioners could you guide
2 us to where this report, is this the report that is contained in
3 your bundle and annexed, apologies, as Annexure "G10", is that
4 the document?

5 MR GROBLER: Commissioners that is correct, the report
6 that is referred to, that is my first ... Apology for that, that is
7 correct, the report that is referred to is the First Internal Audit
8 Report, what is stated in my evidence as the First Internal
9 Audit Report in my bundle under Section 10, I think it starts
10 from page 268 in the specific bundle.

ADV SELLO: Now before we look at the audit
11 methodology as set out from paragraph 3.7 please deal with
12 what is set out in 3.1 to 3.6.5 which is an explanation of how
13 this audit came about, the scope of the audit and what, what
14 steps you took to discharge the function.
15

MR GROBLER: Chairpersons yes, the audit came about
16 from a request being deemed an *ad hoc* request coming from
17 the general manager Acquisition, ag, Aeronautics and Maritime
18 at that stage, Mr Esterhuyse. The request specifically was
19 stated in the letter from Mr Esterhuyse, there is an annexure to
20 my report on page, that is part of the bundle under 2, page 21,
21 that was the request coming from Mr Esterhuyse where it was
22 specifically ..., our interpretation on discussion with Mr
23 Esterhuyse, the scope of the audit included the evaluations
24 done by the different teams which were the LIFT or the ALFA,
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the LUH and the Military Helicopter, Maritime Helicopter and Corvettes and submarines, that is where the different technical evaluations is being conducted.

ADV SELLO: My apologies, for the sake of completeness
5 I'm at page 21 at the actual request and it's a fairly brief one, would you read the request in its entirety into the record?

MR GROBLER: Chairpersons, the request as stated and dated on the 12th October 1998, it stated under the heading "Audit Request International Defence Equipment Offers":

10 *"Since the evaluation of the different offers have been completed and the results communicated via the SOFCOM to the AAC, I hereby request that an audit be performed to ensure that the recommendation to the AAC is based on an*
15 *accountable tender evaluation process".*

And that was signed by Mr Esterhuyse.

ADV SELLO: Thank you. You had already pointed out the understanding of the Internal Audit Division paragraphs 3.2.1 to 3.2.3 as to the scope of the audit requested. At 3.3
20 you make a point that it became necessary to extend the scope of the audit, please explain why and take the Commissioners through the circumstances resulting therein.

MR GROBLER: Chairperson, Commissioner Musi, the extension of the audit also to include the Procurement
25 Secretariat was required as they form an integral part in the

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whole process of requesting offers from in ARMSCOR process, so they form, they play a role in the whole accountability of the tender offer process within ARMSCOR. That's why we also felt it, or deemed it necessary at that stage to have discussions with him even though it wasn't specifically stated as one of the evaluations.

ADV SELLO: Now at paragraph 3.4 and 3.5 you deal with the composition of the team, the audit team, please explain who constituted the team, on what basis it became so constituted and why the people within the Audit Division did not become a part of that audit team.

MR GROBLER: Chairperson, Commissioner Musi, the team that we formed at that stage also consisted of two technical people, it was felt that the evaluation requested also looked at technical issues and therefore I needed to support or strengthen the team with technical people. The specific division that assisted me is the Quality Engineering Services Division, they are also a division looking at process assurance roles, looking at the process of requesting offers, they are also doing baseline audits, so they are technically strong and technically supportive. I did not utilise my own division at that stage because Rentia or Ms Potgieter was part of the FINCOM and therefore not independent and the Expertise (indistinct) was not applicable for this specific investigation, so therefore it was deemed rather applicable for this specific investigation,

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so therefore it was deemed rather applicable to use technical people rather than my own division.

ADV SELLO: Is it so that FINCOM on which Ms Potgieter sits was also intended to be subject of this internal audit?

5 MR GROBLER: Commissioners that is correct, that was part of the audit to look at the FINCOM results, so Ms Potgieter was part of that team and therefore she was not independent, she could not form part of my audit.

10 ADV SELLO: At 3.6 you mention that the ambit of the request was such that an in-depth and lengthy investigation was not required. Could you please explain that?

15 MR GROBLER: Chairpersons, at the time that the request was made it was our understanding that the in-depth and lengthy process was not required given the prevailing circumstances at that stage. At that stage the evaluations were already completed by the respective teams, the final reports have already been prepared by the respective evaluation, the (indistinct) stated that. It was already presented to SOFCOM. At that stage the financial portion was
20 completed, so the evaluation was also already submitted to the AAC and a final allocation was already awaited at that stage when we started with the investigation, so it was not a, our understanding was not an in-depth detailed analysis of the whole process starting from the beginning of the process. It
25 was a broad overview just to give management comfort on the

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process.

ADV SELLO: You turn at, from paragraph 3.7 then to the audit methodology employed in the first internal audit. Please take the Commission through that.

5 MR GROBLER: Chairpersons, for purpose of our investigation we used the documentation as submitted to the SOFCOM, I also mentioned the reports in my evidence, stated as per what is stated on the report, so I used the cover page information for that specific purpose, listing the different
10 reports that we used. We also used, in order to perform our investigation we had interviews with the different project teams to clarify certain information, to get better understanding of what process was followed and also make sure that we are satisfied with the, to get to an opinion on this specific matter.

15 ADV SELLO: At subparagraphs 3.7.1 to 3.7.8 you list a number of documents which you have included in your bundle which you referred to as the source documents. From what you have stated are these the documents that were presented to SOFCOM and these are the documents on which your audit is
20 based?

MR GROBLER: Chairpersons that is correct, these were the documents submitted to SOFCOM, the only area that I need to point out to the Commission is under paragraph 3.7.5, the current report on the Corvettes included under annexure on
25 page 136 is not a complete report, it was not the complete

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report being utilised by the audit team for purposes of their audit. For purposes of preparing my testimony I did use the complete report, unfortunately it was only found out at a very late stage that the full document was not declassified and that process is currently underway and it will be added to the bundle for the Commissioners' view.

ADV SELLO: So for the record we must understand that Annexure "GG6" as currently contained in your bundle is not the complete document which you had consideration to in conducting your audit.

MR GROBLER: Commissioners that is correct, this is not the complete bundle, I think there are quite important schedules not attached to this report specifically where we make comments on our ability to verify certain information that will typically be on those two annexures that's not included in the bundle.

ADV SELLO: We understand then that the documents listed in paragraph 3.7 are what you refer to as source documents and these are the documents you had reference to in conducting your internal audit. At 3.9 you mention that in addition thereto interviews were also conducted, could you talk us through these interviews?

MR GROBLER: Chairperson, Commissioner Musi yes, we did perform interviews with the different project teams and team leaders, I think that is stated in our report, it specifically,

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the specific individuals that we did have interviews is stated in my report on page 272. For the different project teams in terms of the financing we only had a discussion with Ms Potgieter as we deemed it she was able to assist us with the full interview, she was also performing the work and she was capable of conducting the interview with the team. In terms of the Procurement Secretariat who is also with the senior manager of Procurement Secretariat that we had the interview, so those were the specific people that we had interviews with during our initial investigation.

So, the interviews that we conducted would have been conducted by both three members of the Internal Audit Team, all of us were present at the specific interview where we first read the report where it questioned the principles being used based on our understanding we get a proper understanding of the process being followed by the different teams and in establishing or finalising the evaluation as reported.

In areas where we also could not actually verify some of the information in the report we had the ability to discuss that during the interview to verify that and in areas where that was still not possible it was supplied to us after that, just the information to make sure that it is there and they can substantiate the information in the reports.

ADV SELLO: At paragraph 3.1 you refer to ..., 3.11, my

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apologies. 3.11 you refer to additional information and we understand this is additional to the source documentation and following interviews. What kind of documentation would that be?

5 MR GROBLER: Chairperson and Commissioner Musi, that will typically be source documents or documentation to substantiate some of the calculations. If I can take the Commission to page, just see on the (indistinct) page 159 for example, included in that report under paragraph 16 is the
10 calculation of the Military Performance Index. That information or that calculation could not be confirmed based on the information on the report only, although the cost was included in the report it did not give a detailed analysis or detail of the
15 Military Value as from the evaluation and therefore the Audit Team could not re-perform that calculation at that stage, so to that extent we went back to the specific team requesting to give us that detail and they provided us with the applicable spreadsheet from their laptops that they actually did the calculation, so then we were able to confirm the detail coming
20 back to this calculation and then make our comments on this specific report.

ADV SELLO: Is my understanding therefore that your audit was premised on three sets of sources of information, the source documents, the interviews and additional documents
25 were required?

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MR GROBLER: Commissioners, that is correct.

ADV SELLO: Now on these interviews, were these formal interviews, what was the nature of the interviews?

MR GROBLER: Chairperson, these were not formal
5 interviews, we did not keep any minutes of the interviews, it was discussions conducted with the programme teams where we clarified information and each member made notes for later, for purposes of later preparing the report.

ADV SELLO: And in terms of considering the source
10 documents and all the information contained in each and the interviews, did all audit members participate in interviewing one candidate or what was the approach adopted by the audit team in dealing with the documents and the interviews?

MR GROBLER: Chairpersons as stated the audit team
15 consisting of all three members were present at the specific interviews, the audit team would have looked at the reports and based on the speciality and skills of the specific team members questions would have been raised on the specific issues as stated in the report, so in terms of process it could have been
20 all three members, in terms of specific technical issues the technical members of the team could have raised questions on this specific issues, but that is a combined interview that was held and thereafter a report was prepared based on the information.

25 ADV SELLO: And you deal with the completion of that

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process and preparation of the report at 3.12 of your paragraph. Could you take us through the process then followed after the document, after the audit was final, the internal audit was finalised by the team?

5 MR GROBLER: Chairpersons, the audit report was prepared and signed by all three team members, thereafter it was supplied to Management Board that directed that members must give comments on that report, such comments were then distributed or sent to the-then CEO Mr Llew Swann, also
10 supplied to the Internal Audit Team for purposes of verifying the comments being given, making sure that our report or the information report is actually, or commenting on the specific issues if stated by any of those members just to verify the accuracy of our report. To this extent the comments were, that
15 were received basically stated that corrective action will be taken, it stated, did give some explanation in some areas, however, it did not influence the report of the audit team that was later then presented to the Audit and Risk Committee.

ADV SELLO: We have referred to your Annexure "GG10"
20 which is the Internal Audit Report at page 268, please turn to page 270 of that report. The signatures you speak of at paragraph 3.12 of your statement, are these the signatures appearing in the approval page?

MR GROBLER: Chairperson, Commissioner Musi, that is
25 correct, it includes the two technical individuals as well as my

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own signature as senior manager of the Internal Audit Division.

ADV SELLO: Against your signature is a date, 26 January 1999. Should we interpret that to be the date on which the final audit report became available or was signed
5 off?

MR GROBLER: That is correct Commissioners, that is the date that the report was final and then it was distributed in January.

ADV SELLO: At paragraph 3.14 you then deal with the
10 presentation you made to the Audit Committee. Was this on the key findings of ...

CHAIRPERSON: I'm sorry Advocate Sello, can I just find
out something from the witness. Is it the normal practice that
an audit report will be signed by each member of that team,
15 because I realise that other members of the team, they don't seem be called auditors. Is this the normal process that an audit report is signed by each member who was involved in that team?

MR GROBLER: Commissioner, it was done in this specific
20 case as the team consisted of not only the Internal Audit Division, so because I also included technical auditors and we formed a combined team at that stage it was also stated that we all signed the report to make sure that it's the view of all three auditors on the specific issue, so the normal audit report
25 just conducted by Internal Audit, the financial audits would

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only have been signed by the senior manager of Internal Audit, but this was an *ad hoc* audit and therefore it was deemed necessary that all three team members sign for the accuracy of that information.

5 ADV SELLO: If I may follow up the Chair's question with another for clarity, did the Internal Division have the power to co-opt members onto auditing teams and if so, with whom did that authority reside?

MR GROBLER: Chairperson yes, the Internal Audit
10 Division has the authority to supplement a team based on the specific area to be audited, that authority will lie with the senior manager of Internal Audit. In those cases it will mostly be an import of a source used for a portion of the audit. To this extent the audit was conducted by both three members for
15 the complete audit, so that is why it was also deemed necessary for them to sign.

ADV SELLO: Thank you. From paragraph 3.16 to 3.24.1 you deal, and just at some length with the audit findings of the first internal audit. You have annexed the actual audit report,
20 could you explain to the Commission why it is you elected to extract and quote as you have the portions from the audit report that are reflected in these paragraphs?

MR GROBLER: Chairperson, Commissioner Musi, the portions extracted from the audit report is to give a general
25 observation or general impression of the typical findings that

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was experienced during the audit. It does not, the observations made in the report was made in order to improve the process as well, it was not, the observations made was not to motivate the specific finding or opinion on that area being audited. I think that if you look at the findings being mentioned it is in general stating towards specific areas of configuration control that was not sufficient, it was also stated towards detail of information that was not properly contained in the specific reports that was required, so that was the essence of the information contained in those reports.

The one specific area where we did mention that we could not confirm the recommendation made was specifically also included to the Committee stating that we could not confirm the recommendation of the LIFT programme to the AAC based on the information supplied to the SOFCOM.

ADV SELLO: Against that background can you take us through the individual programmes and the findings that you have pointed to, starting with the LIFT and ALFA at paragraph 3.18?

MR GROBLER: Chairpersons, in terms of paragraph 3.18 it talks to the detail of the valuation reports that's not included and that's not under proper configuration control, so those shortcomings was stated as part of our findings, it was also part of the feedback that we did receive from management that that information will be added to the reports at a later

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stage. I think in terms of paragraph 3.18.3 it is specifically my statement to say that the LIFT recommendation could not be supported by the information supplied to SOFCOM, I think those are the main recommendations or shortcomings coming from the report from LIFT and ALFA. At the time of our preparation of our audit initially the LIFT and ALFA reports was still busy or still in process of being finalised, that was something that I personally did confirm before the report was issued, whether those reports were actually completed as stated during the interviews.

ADV SELLO: At 3.18.3 you make the point and you quote:

“The final decision regarding the LIFT contractor cannot be accounted for based on documentation supplied to the SOFCOM”.

Continue with the quotation, could you explain what’s set out therein?

MR GROBLER: Chairperson, Commissioner Musi yes, the documentation that was supplied to SOFCOM did not recommend the final preferred offerer that was submitted to the AAC. What we said in our report is that it probably fell or was considered by a higher level of evaluation committee as there were three orders of evaluation, the first, the second and the third, and in our report we stated that it could have probably been the first, or no, let me just correct that, in my report I

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stated that it could be the third order evaluation being conducted which I also include in my report is an incorrect statement, it could have or should have been replaced with first order. So, what we felt is that it was at a higher level and we could not really substantiate that and that is why we made the comment to say that what we see from the information supplied to us is not supported in the final recommendation and we could not see where the gap is coming from.

ADV SELLO: Please refer to that first audit report, your annexure "GG10" which starts at page 268, I refer in particular to page 282. I would like to draw your attention to paragraph, to the fourth paragraph under 3.1.3.

CHAIRPERSON: I'm sorry Advocate Sello, can you just make sure that we're on the right page before you start reading?

ADV SELLO: I do apologise Chair, my mistake. Chair, I'm referring the witness to Annexure "GG10". Chair, I'm referring the witness to Annexure "GG10" and that starts at page 262 of your bundle. 268 apologies, 268 of your bundle and that is the first audit report. I specifically want to refer the witness to page 282 and 282 should have numbered paragraphs 3.1.3 headed "Interview". Thank you Chair. Mr Grobler, at that page I particularly want us to discuss paragraph 4 on that page, I would like you to read it into the record and explain to the Commission what exactly that means.

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Commissioner Musi, I am at 282, I've referred the witness to paragraph 4, the fourth paragraph, not paragraph 4 at 282. Thank you Chair.

MR GROBLER: Chairperson, Commissioner Musi, the
5 paragraph referred to, if I can read it, states:

*“During the interview the programme manager stated that on occasion the SOFCOM provided him with verbal instructions, e.g. the modification of results to include the effect of risk without providing the
10 team with written confirmation”.*

During the interview it was stated that the results of the evaluation was influenced by risk, the initial value system did not include the effect of risk with calculating the military value, however, during the, one of the SOFCOM meetings it was an
15 instruction to state that the values should also be moderated with the impact of risk.

The Programme Team at that stage did indicate that they were satisfied with the request based on the principles, why it was requested, although they did not get a written
20 confirmation of that. The team did discuss that that. The team did discuss that with the specific project team trying to understand the principles for that. In that case it also referred, it specifically referred to the LIFT Programme where risk had to be included for the cost to abate that specific risk
25 identified with some of the specific products being offered,

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then the cost will be impacted which will also impact the Military Value as the cost is a factor that is being used to calculate that, however, we do not have the detail to discuss how or the specific request and why it was made, I cannot confirm why SOFCOM did do that. It was, however, in some of the other programmes risk was included as part of the calculation of the Military Value.

ADV SELLO: Are we to understand that the introduction of risk to modify the results is a matter that should be taken up with the officials or those who participated within SOFCOM? You cannot state more than you have on the matter?

MR GROBLER: Chairperson that is correct, I cannot state why the SOFCOM during the discussion would have stated that after their overview of the different programmes.

ADV SELLO: Thank you. Continuing with your statement then from paragraph 3.19 and at paragraph 3.19.1 you deal with the finding in relation to LUH. Could you take us through that?

MR GROBLER: Commissioners, I refer you to paragraph 3.19 on page 10 of my report. The first matter being stated there is the issue or the method being utilised for process of evaluation, the actual method that was used consisted of a comparison of the offers against each other rather than against the norm. If I can maybe just by way of example just inform the Commissioners what is it that we meant, if you compare, if you requested a ...

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The requirement is for example 10, if somebody offers you 12, somebody offers you 8 and somebody offers you 6, instead of comparing it against the norm you will start to compare it against each other, so the actual calculation will then differ compared to the norm if you start to compare it against each other. It will then start, instead of being 100% for compliance to the norm one will get more and one will then get less because you compare it to the highest one, you don't compare it to the norm anymore, so in that sense it will differ, the actual calculation, if you compare it against each other than comparing it to the norm and that's what we clearly stated in our report, we don't know what the impact of that will be based on the full evaluation, however, we do feel that it will not, the preferred bidder will probably remain the preferred bidder because they will in any case be the higher one that it was measured against, so we felt that it would not have influenced the specific evaluation at that stage. I think that is stated on page 3.19.1 of report on page 11. I am not sure if the Commissioners understand what I tried to explain? It might be a too simplistic explanation from my side for the Commissioners' understanding.

CHAIRPERSON: I think we will attempt to understand you.

MR GROBLER: Thank you Sir.

ADV SELLO: Proceeding then Mr Grobler to 3.20 where you begin to deal with the Corvettes, could you take the

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Commissioners to what you have quoted in respect of the Corvettes?

MR GROBLER: Commissioners from paragraph 3.20 the first issue being highlighted was that the value systems had
5 been compiled mainly by the Navy but with inputs from the ARMSCOR team these were approved by the Navy, it was also clear from our interview that the Navy played the leading role in the evaluation of offers and the compilation of the final report although said it was with the inputs from the ARMSCOR
10 team.

ADV SELLO: With reference to what you have just read at 3.20.1 evidence has been led before the Commission that the evaluation teams consisted jointly of members of ARMSCOR and the DoD and they, each team, and the members thereof,
15 conducted the evaluation jointly. Please explain the finding about the one playing a leading role in the evaluation of offers in the light of the evidence I have just summarised for you that has already been tendered to the Commission.

MR GROBLER: Chairpersons, the leading role what is
20 stated there is that the team leader of the project, although it was a combined team, was the Navy, it was not the ARMSCOR programme manager similar to some of the other programmes. In the area of the two Navy programmes the Navy played the leading role in both of those specific evaluations, they were
25 the team leaders, they also, if you look at the supporting

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documentation, the two reports being included in the bundle, it is both Navy documents being prepared by the Navy, however, it must be said that the ARMSCOR team members were part of those teams, so they formed part of that specific teams
5 although the team and the compiling of the report was done by the Navy, not by the ARMSCOR individual.

ADV SELLO: Are we to understand therefore that notwithstanding the wording of that finding ARMSCOR played an appropriate role in the evaluation process as members of
10 the evaluating teams?

MR GROBLER: Commissioners that is correct, during the interview it was also stated that they played a specific role that is required, also to substantiate that and to be accountable for that specific programmes, that is also why we got to the
15 conclusion as stated in our report that we felt that although they played a leading role, although it was prepared by the Navy we did conclude that the process was still accountable based on the process that ARMSCOR was part of that process and there was nowhere an objection to state that they are not
20 satisfied with the information contained or the final recommendation being given.

ADV SELLO: Please proceed then to deal with the issues you raise in paragraph 3.20.2.

MR GROBLER: Chairpersons, in 3.20.2 it is stated that
25 the evaluators' results were done by way of consensus, it was

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also stated that we did not have full visibility or traceability to the specific detailed input as included in the report. It was also stated that the weights were known to the, based on the methodology being used to determine the weighting system, the weights were known to the evaluators and we said that could possibly have influenced the allocation of scores. It is undesirable from the Audit Team that the weights should be known to evaluators because that might influence the evaluation, it doesn't mean it will influence, it might influence if you know what it will be. From the specific report itself it was stated that it was done on an individual, or it was done on a basis of evaluating each criteria and then the final calculation was done by specific people, so although you might know that the influence could have been limited if you look at the way it was compiled then, the final evaluation was done.

ADV SELLO: Are you suggesting that in the normal course of ARMSCOR, ARMSCOR's evaluation, such weighting would not be known to the evaluators at all?

MR GROBLER: Chairpersons yes, we ... ARMSCOR will normally have a different team that will do the weight system if the amount of resources available is sufficient. ARMSCOR will normally have a different team that look after the weighting first, determine the weighting, drafting the value system and then a different evaluation team that do not know the specific weights, so that would have been the normal process being

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followed by ARMSCOR based on the availability of resources but that is the norm that is normally ... It's undesirable from our view that the weights are known to evaluators.

ADV SELLO: At paragraph 3.3 of Annexure "GG10" being your internal audit report the Internal Audit Report at page 288 paragraph 3.3 is headed "Corvettes". From page 288 to 290 the report deals with the Corvettes, is that correct?

MR GROBLER: That is correct Commissioner.

ADV SELLO: Without necessarily highlighting every observation set out therein and in light of what you have elected to quote in your statement please explain the conclusion set out at page, the last paragraph of page 290 which conclusion you also have quoted in your paragraph 3.20.3.

MR GROBLER: Chairpersons, the audit report made specific statements regarding observations that we noted during the process. During the interview process we followed the whole evaluation process and understood how it was done, although we did mention some deviations or some shortcomings that we felt in terms of the normal process, however, based on our evaluation of the specific programme we were still comfortable to make the statement to say that we felt it was adequate and accountable. The report should not be seen to motivate my moti..., my opinions stated there as we just listed some observations during the process, we did not try to

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substantiate our opinion as stated there.

ADV SELLO: Should we understand therefore that notwithstanding the fact that the report doesn't set out the detail of what the process is or ought to be, what you are
5 telling the Commission is that notwithstanding the observations made in paragraph 3.3 and the shortcomings identified, all in all the process as you, the evaluation process as you understood it ought to have been was adequate and accountable?

10 MR GROBLER: Commissioners that is correct, that was the final opinion in front of the team.

ADV SELLO: If we can now turn to the submarines which you start to deal with at paragraph 3.21 of your statement you earlier alluded to what is contained therein, now that we are
15 dealing with the issue directly you might want to unpack and make proper reference to what's set out in 3.21.

MR GROBLER: Chairperson, Commissioner Musi, the ... From paragraph 3.21 the first statement being made there is regarding the Military Performance Index given in paragraph 16
20 of my report and that is stated on page 292 if I'm correct, just sorry, that's the wrong reference that I ... That's in my report, I just want to refer you to the correct page in the Submarine Report". I want to refer to the specific submarine report. The first one I, in paragraph 3.21 the first issue I just want to refer
25 to the specific issue by as stated in paragraph 16 of the

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Submarine report, that is as on, that is as stated on page 159 of the bundle in Section 7. Chairpersons, my specific comment refer to paragraph 16 of that report and that was the one I also referred to previously to say that if you look at the information contained in that report we could not verify the information supplied in the report only with the information in the report, therefore we had to go back to the specific division to get the detail for finalisation and concluding on that specific issue. The information report did not give you the detail in order to do that calculation and that was a concern at this time of the specific audit.

When we did go back we were able to verify the information although there was a mistake of US\$1 million in the calculation being the costs used for purposes of calculation, that was identified but that did not impact on the final evaluation in any manner.

If I can then proceed, the further issues what we stated in our report, it also stated that the methodology being used is not described adequately, so they all dealt with specific issues regarding the completeness of reports and the detail contained in those reports. We also stated that if you look at the specific reports there were very little reference to ARMSCOR individuals being part of those teams although it was stated in lower level documentation that ARMSCOR is part of those specific teams.

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ADV SELLO: On the last point you make, is this again, are we to understand this is again a case of it not being immediately apparent from the documentation that ARMSCOR played its required role or is it a case that ARMSCOR's role
5 was diminished in the process of evaluation of the submarine?

MR GROBLER: Chairpersons no, I don't think the ARMSCOR role was diminished, I think it was just the visibility given to the role that ARMSCOR played was not properly visible. Also expecting that the programme manager from
10 ARMSCOR should have signed that report as part of the finalisation of that report. Looking at the lower level of documentation it was however clearly stated that ARMSCOR formed part of that processes, but ARMSCOR did not sign the high level report as such.

ADV SELLO: At paragraph 3.21.2 you make, you quote from the report as follows:

*"The report should be updated to include intermediate results from which the final recommendations can be derived clearly and
20 unambiguously".*

Would you like to comment on that statement?

MR GROBLER: Chairpersons yes, we made comments to management that they consider, they can consider for implementation or not, in this case I am not aware whether that
25 specific report was updated to include all of that information as

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stated. In some of the other areas yes, it was updated, in this specific case I cannot confirm whether it was done.

ADV SELLO: And the updating of that report, would that be a function of management generally and not the Internal
5 Audit Division?

MR GROBLER: That is correct Commissioners, that is management's responsibility.

ADV SELLO: Turning then to DIP at 3.22 without necessarily unpacking the detail of the figures that's set out
10 therein, could you explain what the gist of the finding is or what the issue sought to be raised was and the position and the finding of the Audit Committee in respect thereto?

MR GROBLER: Chairpersons, the specific matter raised was the scoring methodology being used by the DIP Evaluation
15 Team in specific areas specifically for technology transfer as one area where capping was being applied that if the specific tenderer did not comply with the ranges being given they would have received a specific score. The view of the team, it was trying to understand what is the principle or logic being applied
20 for such a scoring methodology being used. Normally you would have expected if somebody overachieved they would get a higher score than a zero, not getting a zero if you achieved a higher score because you did not fall within the expected ranges for that the team established for that specific issue. It
25 was clarified or it was discussed with the teams and trying to

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understand what the principles were. The, it was, however stated or it was found that it was approved as part of the value system by the SOFCOM and therefore it was just a confirmation that it complies with the initial approved value systems, so
5 although we do question the methodology being used we could understand for what the principles were being applied in that specific instance.

The further issues being raised in the specific DIP section of my report, it related to proactive credits being
10 applied or considered for during the evaluation phase so that was also stated to make it visible, I don't think it was completely visible from the evaluations we found or that's why we made it visible in our report. The other issue was just the clarification of scoring methodology where one supplier would
15 offer the same DIP benefit in two different offers, so there was a specific application of allowing 50% and we just said that must be clarified for example to understand why that is being done but we did get feedback from the specific area why it was specifically done in that manner.

20 ADV SELLO: In relation to what you just said last are you in this instance talking about the Spanish Mirage Upgrade Programme by ATE, an oil-outfitting, oil rig outfitting by Atlatech. As I understand it, and correct me if I'm wrong, what is contained in 3.2.2.1 is a direct extract from the audit report
25 from paragraph, at paragraph 3.5 of the audit report and that

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Commissioners would be at page 295, is that correct?

MR GROBLER: Commissioners, that is correct.

ADV SELLO: If you could refer then to page 295 and the page preceding are you able to explain or provide the context of this quotation in the context of what is discussed in the report on DIP?

MR GROBLER: Chairpersons that is the, if the first instance where we talk about the Spanish Mirage Upgrade from ATE, that is a specific benefit that was offered in two different areas, so I think that was the one area where the offerer supplied the same benefit, offered the same benefit for both programmes, both of those were already proactive credits being given in the past, so both of them were proactive credits being applied or in terms of the DIP policy where they could have proactive credits for previous benefits that they already sort of banked for that purpose in terms of our DIP policy at that stage, so in the one instance it was just the mentioning of Atlatech, the other one was, the same one was offered in both there where they applied the specific scoring methodology to say that only 50% will be allowed because they applied it in both, but it was the same principle of allowing or taking into consideration proactive DIP credits. What we felt is that our view was that at that stage we are looking forward and not looking back, so that is why we also raised it in that sense.

ADV SELLO: Mr Grobler if I could just get an

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understanding, was it the audit team's finding that this, the proactive credits system had been employed or should we understand that the DIP team picked up the attempt to use the same programmes twice in order to gain DIP credits? I'm not
5 sure I'm clarified as to what the position is.

MR GROBLER: Chairpersons in the one instance was just to make it visible that there are DIP credits included. If you look at the summary of benefits being supplied to SOFCOM it will not clearly state in the one case that it's a proactive credit
10 being included in the calculation, it would just state that this is one of the subcontractors, this is one of the benefits that the country will achieve. In the other case the DIP team were aware that it was an inclusion in two different offers and therefore they already discussed that and they got to a
15 percentage to say but they will only allow 50% of that specific calculation in the two different evaluations, so they were aware of that.

ADV SELLO: Now at paragraph 3.22.3 you quote the assurance given to the Audit Committee by the general
20 manager DIP. Would you like to talk to that?

MR GROBLER: Chairpersons, on page 13 of my report the ...

ADV SELLO: I'm sorry Chair.

CHAIRPERSON: Which page are you referring to Advocate
25 Sello?

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ADV SELLO: Oh, I do apologise Chair, I forget to say of the statement, my apologies Commissioner Musi, of the witness's statement, 3.22.3. That should be at page 13 of the witness's statement. Thank you Chair, my apologies
5 Commissioner Musi, I wasn't clear. Mr Grobler, you have found your paragraph 3.22.3 in your statement, please talk to what is set out therein.

MR GROBLER: Chairperson, Commissioner Musi, my paragraph 3.22.3 make reference to the comments that we
10 received from the general manager that was responsible for DIP, at that stage it was part of the process of giving information or the initial supplier of the report to the Management Board and we got the confirmation back that the assessment, well the document will contain full explanations
15 and response, reasons for DIP evaluations made and are available and will be archived as suggested. So it was just a corrective action as well to state there that they will correct that position and archive that information for further use.

ADV SELLO: And the paragraph that follow at 3.23 and
20 3.24 you then highlight the finding of the audit team in relation to the FINCOM and the Procurement Secretariat.

MR GROBLER: Commissioner, that is correct.

ADV SELLO: Please talk us through that.

MR GROBLER: Commissioners, in terms of the FINCOM as
25 stated in paragraph 3.23 of my evidence, there it was clearly

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stated that the process followed, we were satisfied with that, the value system was filed by the Acquisition Secretariat prior to all evaluations being done, it also stated the evaluation teams that consisted of both ARMSCOR, Defence Secretariat and also specialists from ABSA that was utilised for some of the evaluations being conducted. We were satisfied with the process being followed in that specific evaluation.

In terms of the Procurement Secretariat which was mainly consisting, which was mainly based on the interviews held with the Procurement Secretariat we said that they did (indistinct) for documentation and correspondence from the different offers during the process. It also stated that we were satisfied with the process, it was only released, information was only released to the evaluation teams at the appropriate times, all value systems and other correspondence were filed as required, so we were satisfied with the process being followed through the Procurement Secretariat to account for those specific processes.

ADV SELLO: Thank you Mr Grobler, and according to your statement that would bring us to the end of the first interim audit, no, first audi report, is that correct?

MR GROBLER: Commissioners, that is correct.

ADV SELLO: Before we leave that report and turn to the second, can I refer you back to your paragraph 3.9 of your statement at page 8 of your statement, that's the paragraph

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that reads: "In addition to the source documents ...", you have a footnote in that paragraph as footnote 3, do you see it?

MR GROBLER: That is correct Commissioners, that is a misstatement that is currently in my report and the correction
5 that I would actually ...

ADV SELLO: The Commissioners have found that. Could you read into the record your footnote 3 and take us to the report to highlight the issues that are raised in that
footnote?

10 MR GROBLER: Commissioners, in the footnote it is stated that:

"In the course of preparation of the statement I noted two significant typographical errors in the First Audit Report i) At paragraph 2.20 ...".

15 Of my report. I just want to get it, as stated on page 276 where reference is made in that specific paragraph to third order value system, that should have been first value order system, not third value order system.

ADV SELLO: At 220, is that the ... The sentence, the
20 third sentence at 220 which reads:

"No said order evaluation in terms of the policy has been performed"?

MR GROBLER: That is correct Commissioners.

ADV SELLO: And we understand we should read that as
25 a "no first order evaluation"?

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MR GROBLER: Commissioners that is correct, paragraph 2.20 the “third order evaluation” ought to read “first order evaluation”.

5

ADV SELLO: And the second point you would like to make?

10

MR GROBLER: Commissioners, in paragraph 3.4.2 of my report it is stated that questions on clarification of offers were not routed through the ARMSCOR Acquisition Secretariat, the word “not” was erroneously included in that statement, it should not have been included because that statement is specifically made on page 293 of my report, it’s in the third paragraph under 3.4.2 where it’s currently stated “were not routed through”, that is an incorrect statement because the report clearly stated at the back in the interview of Procurement Secretariat the finding was it was done through the Procurement Secretariat.

15

ADV SELLO: Thank you for pointing those out Mr Grobler. I would like to now draw your attention to page 288 of that same report and in particular paragraph 3.3 under the “Corvettes”. There is a note that’s set out therein, would you, regarding Mr Smith. Would you talk us through that?

20

MR GROBLER: Chairpersons, definitely during the interview it was also stated that, or Mr Byrall Smith also stated that he will request a separate more detailed audit to be conducted on the programme early in 1999, however, such a

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request was never received from Mr Smith, there is a form, there is a process that a request will be sent to Internal Audit on a formal basis, so we never performed a follow-on audit on request of Mr Smith from the Internal Audit Division, whether
5 the request was raised towards technical issues, that is unknown to myself at this stage.

ADV SELLO: Thank you. And lastly I would like to refer you to page 273 having taken us through the key features of your audit report to highlight of the Internal Audit Team,
10 particularly what is set out in paragraph 2.1 and 2.2.

MR GROBLER: Chairperson and Commissioner Musi, our overall finding in terms of the report as stated on page 273 paragraph 2.1, it states that:

15 *“During the execution of the audit no evidence of improper conduct was found on the part of any ARMSCOR employees involved in the evaluation of the various proposals”.*

In terms of the following paragraph it states that:

20 *“In general reports of the teams that evaluated technical merit of the proposal were adequate and contained sufficient information to allow the Audit Team to verify the adequacy of the procedures that were followed and the appropriateness of the recommendations made to the SOFCOM”.*

25 Problems that were experienced in this regard are described in

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the discussion with the individual programmes as stated in the following portions of the report. I think the important part is then just thereafter to state again that the LIFT recommendation we could not substantiate from information from information supplied to SOFCOM, that was the main recommendations or the main findings.

ADV SELLO: And as regards the LIFT what is set out is at 2.3 is what you sought to explain when we were discussing the specific findings relating to the LIFT and the ALFA.

10 MR GROBLER: That is correct Commissioners.

ADV SELLO: That brings us to the end then of the first audit report. Chair and Commissioner Musi, we are moving on now to deal with the second audit report, I do not know if we should proceed, I forgot all about tea break Chair, I apologise and I'm in your hands.

CHAIRPERSON: Maybe let's adjourn for only for 10 minutes. Then when we come back I want the witness to explain to me what 2.3 actually means. I don't quite understand that, I tried to read it twice, I don't quite understand it, if he can explain that to me when we come back from tea now.

ADV SELLO: We will do so Chair.

CHAIRPERSON: Thank you, we'll then adjourn.

(Commission adjourns.)

25 **(Commission reopens.)**

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CHAIRPERSON: Can the witness confirm that he is still under oath?

MR GROBLER: I do.

ADV SELLO: Thank you Chair, Commissioner Musi.

5 Before we adjourned the Chair wanted the witness to address himself to what's contained in paragraph 2.3 of the Audit Report at page 273 and to explain exactly what is set out therein as the Chair found it a bit ambiguous, so Mr Grobler if you could explain what is set out, the conclusion in 2.3 you
10 may do so with reference to more detailed findings in the report.

MR GROBLER: Chairperson and Commissioner Musi, the statement in 2.3 relates to the request from Mr Esterhuyse to say where it was requested to say can the recommendation to
15 the AAC be supported by the recommendations made to the SOFCOM. If you look at the evaluations conducted and submitted to the SOFCOM, specifically if I can refer the Commissioners to page 55 of the pack where it's called the LIFT evaluation. Commissioners, there is the recommendation
20 for the technical portion of the evaluation that was given. In there, there's a specific recommended bidder stated as the preferred offerer or the normalised that received the highest score. That company was not, or that specific product was not the one recommended. Even in ...

25 ADV SELLO: Sorry to interrupt, are you ... Are we to

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understand then that the presentation made to SOFCOM as to the preferred bidder is what is set out in page 55 and particularly Aeromacchi MB339FD?

MR GROBLER: Chairperson that is the technical portion,
5 the evaluation consisted of technical industrial value and financial. In terms of the evaluation, the financial and the technical the financial and the DIP portions would not have differed, the only portion where a difference could be is in the technical evaluation if you look because it's a combined score.
10 If I look at the reports the report to the SOFCOM contained two portions for the LIFT evaluation, recommendation A and recommendation B. In both cases the offerer as recommended to the AAC was not the preferred offerer, so our finding was that if you look at the evaluation done by the information
15 supplied to SOFCOM ...

CHAIRPERSON: Just hold on, hold on a second. If you can just be slow so that we can follow you, you referred us to page 55 and you say on page 55 this was a technical evaluation and you rightly point out that the first ranked product as far as the
20 technical evaluation is concerned was not a preferred one, now from there you made other several points which I couldn't quite follow because you were talking rather too fast for me.

ADV SELLO: Chair if I may suggest, Mr Grobler, you referred to recommendation A and recommendation B. If I am
25 correct recommendation A is on your page 55 and your

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recommendation B is on page 59, is that so?

MR GROBLER: That is correct Commissioners.

ADV SELLO: And these are the recommendations in respect of LIFT and ALFA made to the SOFCOM?

5 MR GROBLER: These are the recommendations made in terms of LIFT.

ADV SELLO: Okay. Thank you for pointing that out. Now having understood that could you explain what, are we interpreting page 55 the recommendation A and
10 recommendation B, having done that then please consider what the findings set out in 2.3 of your Internal Audit Report and explain why there is a disjuncture?

CHAIRPERSON: Advocate Sello, Commissioner Musi also just tells me that he also doesn't follow, he's in the same boat
15 with me. Can we just slowly try and understand the evidence of this witness? I understand recommendation A and this appears not to be what SOFCOM ultimately could be for the AAC, is this what the witness is saying?

MR GROBLER: Chairperson, this is the technical portion
20 of the evaluation of LIFT.

CHAIRPERSON: I understand there is a technical portion of the evaluation, there were three portions, so you are talking only about one portion. Now do I understand you to be saying that this, the result of the technical evaluation were taken over
25 to SOFCOM and SOFCOM put those results before the AAC? Is

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this what you are saying to us?

MR GROBLER: Chairperson, the recommendations the different teams recommended to the SOFCOM, they recommended and then it was the, the information was compiled and the preferred bidder was determined, my statement that I'm trying to make to the Commissioners are that if you look at the reports that was submitted to SOFCOM and the compilation of the information nowhere did the preferred bidder that was announced by the AAC evidenced by information supplied to SOFCOM, SOFCOM information clearly stated that BAE is not the preferred bidder at that stage, so what I'm trying to portray to the Commission is even if you look at the options for technical in the report stated to SOFCOM it still didn't include BAE as the, or the Hawk as the preferred bidder at that stage.

CHAIRPERSON: Thank you. Then a second question, what is this recommendation B which is contained on page 59?

MR GROBLER: Chairperson, that's an alternative that was also included in the report to SOFCOM.

CHAIRPERSON: Included by who to SOFCOM?

MR GROBLER: Included by the technical teams to SOFCOM, that formed part of their technical presentation to SOFCOM to say that if you include risk and exclude risk this will be the impact of such an evaluation. I think the Commissioners will also, I also pointed out earlier that

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SOFCOM made certain statements towards the technical teams to look at risk, I think this also impacted on that specific statement to say they considered risk in that specific instance and this would be the impact thereof.

5 CHAIRPERSON: Thank you.

ADV SELLO: Is the chair then clarified on their finding as set out in paragraph 2.3 of the Internal Audit Report? Thank you. And obviously the same applies to Commissioner Musi, are you satisfied with the explanation?

10 CHAIRPERSON: He says that's correct.

ADV SELLO: Thank you Chair, thank you Commissioner Musi. Thank you Mr Grobler for clarifying that. If we could turn now to your paragraph 4 headed "Audit Report: Second Interim Audit on GG Packages (AG 402 DK)". Commissioner Musi and Chair, that would appear at page 13 of the witness's statement. Main paragraph 4, that's where it starts towards the bottom of the page. At paragraph 4.1 to 4.3 you deal with the request and the scope of the audits as was understood by the Audit Division. Would you like to take us through what's contained in these paragraphs?

MR GROBLER: Chairperson and Commissioner Musi, the, on the 24th of May the Management Board requested that we conduct a follow-on audit on the process followed since the announcement of the preferred suppliers by Cabinet as was done in November 1998. At that time the audit request was

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made the process underway was the negotiation of the umbrella agreements and the clarification of technical issues, technical and DIP evaluation teams were conducting evaluations. The request came from Management Board via the general manager Finance. We, in an attempt to clarify the scope of the audit prepared a memorandum to the Management Board that is attached as in my statement. Sorry Sir, just when I attached the memorandum, I did not attach the memorandum, sorry Commissioners.

10 The memorandum, we went back to the Management Board just to clarify the specific request from Management Board and that is stated as in paragraph 4.3 we stated our understanding of the request from Management Board. We did put some emphasis on specific areas that we felt is the main essence of the request as perceived by the audit team. That then led to an investigation being conducted by the same team at that stage.

ADV SELLO: Could you please point out in which period this audit took place and over what period in terms of timeframes? I think you deal with that from paragraph 4.1.

MR GROBLER: Chairpersons, the request was done in May. Due to the availability the audit was done during the period in June, I just want to get the specific date for the Commissioner. I wrote it here.

25 ADV SELLO: Refer to your paragraph 1.5, I think that's

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where you give the dates on which ...

MR GROBLER: Chairpersons, if I can refer you to my report as included in the pack is on page 307, that is the, it starts from page 304 is the actual report. The investigations
5 were conducted from the period of 14th of June, let me just confirm, 17th of June as stated in paragraph 3.1 is the first inves..., the first interview conducted until the last interview that was conducted on the 14th of July as stated in, on page 322. So that was the period of the investigation of the second
10 audit that led to the Second Audit Report.

ADV SELLO: So the request was you said in May, and the audit conducted between the 17th of June and the 14th of July 1999 and are you able to describe what was happening with the SDPP's at this period, anything of
15 significance?

MR GROBLER: Chairpersons, at ... During that period it was the negotiation of the umbrella agreements, it was the selection of subsystems, subsystems to those different platforms and products being selected, it was also the DIP
20 issues to be clarified and negotiated that stage to get to an agreement that can be signed for the acquisition of that specific product.

ADV SELLO: You mentioned that you prepared a memorandum to the Management Board on the understanding of
25 the Audit Division as to the scope of the audit and you set that

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out at 4.3. My question is was the understanding contradicted by the Management Board before the audit begun?

MR GROBLER: Chairperson and Commissioner Musi no, it was not contradicted, the request was not, was not clear enough for the Audit Team, so that was why clarification was requested, also giving feedback to the Management Board on the timeframes that the audit will take place due to the available resources for them to understand when they will get which reports and when the audit will be completed.

5
10 ADV SELLO: If you refer to the last entry, the second last entry and the ..., no, the last entry of your quote at page 4.3, that was, those were the programmes you were to audit, would you like to mention what the, what became of the audit in respect of each?

15 MR GROBLER: Chairperson, Commissioner Musi, the request was to look at the different programmes that included submarine programme, LUH programme, Corvette programme, LIFT programme, Maritime Helicopter and the ALFA programme, the Gripen. Do you, I just want clarification, do you want me to
20 discuss the different findings on the different reports just for clarification?

ADV SELLO: I'll clarify that. At the time of the request the audit involved non-SDPP programmes, is that correct, in a sense that the Maritime Helicopter at this time was not forming
25 part of the SDPP's but was, became part of the internal audit,

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is that correct?

MR GROBLER: That's correct Commissioner, my understanding was it was one big ... We treated it as one package at that stage from the Internal Audit Division because they were all done simultaneously, so we dealt with it as one package.

ADV SELLO: Understanding then what the scope of the audit was, was the methodology employed for this internal audit any different from the methodology you have described in respect of the first internal audit?

MR GROBLER: Commissioners no, the methodology was no different, although the availability of documentation was at that stage different from the initial phase, the initial audit. During the initial audit the information was already compiled, it was submitted to the SOFCOM. During the second phase they were still busy with negotiations, so there were not, there were not many documents that we could peruse as part of our audit process on the finalisation of any matters, so the process was still fluid at that stage, so we did not have a lot of supporting documentation that we could rely on and was therefore mainly relied on our interviews at that stage.

ADV SELLO: Earlier you mentioned that the report that was given to management or to the Audit Committee, once this report was finalised what process did it follow if different?

MR GROBLER: Chairpersons, the report followed the same

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process, it was again given to management as a progress, although it was stated as interim report it was given to management as progress at that stage to understand where we are in the process, the findings were also reported similar to the first audit, to the Audit and Risk Committee after it was given to management, so it was a similar process being followed.

ADV SELLO: And at 4.7 you make the point that this was presented to the Audit Committee on the 1st of December 1999.

MR GROBLER: That is correct Commissioners, we did present a summary of findings to the Audit and Risk Committee similar to the first audit report.

ADV SELLO: Now you refer to page 328 of your bundle, that's under "GG14", 13 I apologise, Annexure "GG13" starting at 325, at pages 325 to 327, is that the presentation you referred to or a summary of the presentation you referred to in paragraph 4.7 and what are the key issues set out therein?

MR GROBLER: Commissioners that is correct. The extract referred to is a, is from our Audit Report on the activities performed during a specific period as reported to the Audit and Risk Committee. Included there it includes the portion on commenting on the activities during that period, just I think there's a page missing in this document because the first page is not included here. Well you can see it's 327, page 3 follows

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on the first page, so it makes it difficult for the Commissioners to understand but the first portion at the top there is feedback from the initial or the second audit and there we did state certain findings, we also made the statement that the auditor-general will audit the Strategic Defence Packages, it's
5 unfortunate I cannot refer them to the first portion of that specific report.

ADV SELLO: Now Sir, thank you. Mr Grobler and Chair and Commissioner Musi, we apologise for the omission. The
10 page that is skipped is page 2, typed 2 of the report, of the presentation, what is currently before the Chair and Commissioner Musi is page 1 and 3, we will obtain page 2 and update your files accordingly and we apologise for the oversight. Thank you. Now I'm ... Now you have referred to
15 Annexure "GG13" and is that made up of two documents, a summary of your presentation and the minutes of the Audit Committee where you made the presentation and those minutes, are they the minutes appearing from page 328?

MR GROBLER: That is correct Commissioner.

20 ADV SELLO: We note that these minutes at 328 to 330 have got scribbles, is it a copy of the draft minutes before it was adopted by the Audit Committee?

MR GROBLER: That is correct Commissioners, the draft minutes that were, the corrections will be in the following Audit
25 Committee's statements.

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ADV SELLO: Could you explain to the Commission why we do not have the final version of the minutes?

MR GROBLER: I just need ... Chairpersons, the ... I think if you refer to page 341, let me just confirm there, I think
5 it's the, I think there in paragraph or page 341 there is some of the corrections being stated that was made towards the previous minutes, unfortunately I could not find the corrected minutes in our documentation system to this stage.

ADV SELLO: And this copy of the minutes were, is
10 your, was your own copy for your records and it was the only copy you could fall back on?

MR GROBLER: Commissioners that is correct, that is my own copy that I have my possession.

ADV SELLO: From paragraph 4.8 you deal with the audit
15 findings, are these the findings that you presented to this Audit Committee on the 1st of December 1999 and could you take us through them?

MR GROBLER: Chairperson, Commissioner Musi yes, that is correct, this is the findings of the team at that specific stage
20 when we reported to the Audit and Risk Committee. I think if you look at paragraph 4.8 what is stated there the main concern regarding the evaluation process centred around the degree of accountability of ARMSCOR in attending procedures used by some of the preferred suppliers, that needs to be
25 clarified, I think ARMSCOR, the suppliers were busy in the

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process of selecting subsystems. In that sense the same process were not followed as by ARMSCOR, the same formal process was not followed by ARMSCOR and that was the first finding that we stated there, it was a general finding I think in the programmes that the selection process was not formalised to the same extent as ARMSCOR.

We also made further observations and recommendations of the, to the, based on our evaluations at the specific stages, I think if you look at paragraph 4.10, and to be more specific towards specific programmes, the LUH, there it was stated and page 16 of my evidence that the main contractor Agusta used his own procedures, I think it's just the supporting of the initial statement I made that there is not a formal process being used. In terms of the Corvette what is stated there is that our own programme team also, consisting of South African Navy personnel become closely involved with the selection, evaluation of equipment and subcontractors for the Combat Suite to address the value system or to address value for money and affordability, that was one of the observations also being made for visibility to management that they are aware of what is being done.

We also stated that the programme team evaluated different competing subsystems, so those were all issues or matters being discussed at those specific stages of the evaluation. As stated those were all still fluid positions and

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negotiations were ongoing on those specific issues. In terms of the LIFT the subcontractors were mostly left to BAE for final approval by the Programme Team, the selection thereof, so although we do state that BAE retains the full responsibility for the total systems.

In terms of the ALFA programme they were still busy looking at the discussion of differences or discrepancies between the user requirement statement and the costed options in the offer, so those were still negotiated to get to a conclusion. In terms of the submarine the negotiations were initially done by three, by the whole team but due to the availability and timeframes it was then attended by only some individuals which we also commented on to say but it also impacts on the accountability for ARMSCOR if ARMSCOR relies on parties outside of ARMSCOR to conduct certain of the investigations or negotiations on our behalf.

Then in terms of our finding on paragraph 4.15 I think that was the main conclusion reached by the Audit Team to state that although some concerns were raised in the report we were still satisfied that no evidence was found that would indicate any misconduct with regards to ARMSCOR in the execution of the work to that stage, that was the finding of the team based on the discussions and evaluations at that stage.

ADV SELLO: We note that the first audit report which is "GG10" from appearing at pages 268 to 297 is referred to as

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the "Audit Report". We note that the current report under discussion is referred to as the Interim Audit Report, could you explain the difference in how the audit reports are referred to?

MR GROBLER: Chairpersons, the First Audit Report was, 5 that was a completion of a process and that was our final report. In terms of the mandate for the second audit we were not completed with the process and as our understanding and also clarified in the statement to Management Board we said that we will also give a status report, so as we could not 10 complete this audit at this stage we therefore compiled a report which was stated as an interim report, the Second Interim Report to Management Board to update them on the process and where we are at that stage because we could not complete the report, so it was not a finalised or it was the final report of 15 the process and evaluations up to that stage but it was not finalising the request from Management Board in totality because this whole process were not completed to find the agreements, that was signed only at a later stage.

ADV SELLO: Just a second while they update the 20 Commissioners' file. Chair and Commissioner Musi, the page that is being inserted in your file relates to the presentation we just recently spoke of, page 2 thereof which Mr Grobler made to the Audit Committee on the 1st of December 1999. Thank you Chair and Commissioner Musi. Mr Grobler, you mentioned 25 that a final report in respect of the second audit was not done

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at the time, please advise the Commission, was it ever done and if not, why not?

MR GROBLER: Chairpersons, the ... We did not conduct a final audit or we did complete the audit as stated in the request
5 of the second report, we completed it up to a specific phase and commented and made observations to management as well as Audit and Risk Committee on the process followed. The process were overtaken by events as the Auditor-General started their audit of the specific process, so the Internal Audit
10 Division at that stage selected not to continue with their audit and it was also communicated to the Auditor-General to state that as we are also coordinating activities we are avoiding duplication of work, since they started with their process we will not continue with that process as requested by
15 Management Board and that was communicated to the Auditor and Risk Committee as well.

ADV SELLO: And the involvement of the Auditor-General is what you deal with from paragraph 4.16 of your statement, is that so?

20 MR GROBLER: Commissioners that is correct, that is the, what I deal with in 4.16 further on.

ADV SELLO: Please refer to your Annexure "GG15", I thin in response to the previous question you briefly alluded to this document, it appears Commissioners at page 339, and if
25 you could just place that annexure in its proper context.

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MR GROBLER: Chairperson, Commissioner Musi, the document referred to is a letter from myself to the Office of the Auditor-General on the Audit of the Strategic Defence Acquisition Packages where it is stated that:

5 *“As indicated to you we were requested by our CEO to perform a follow-up audit on the initial two audits regarding the above of which reports containing our findings were supplied to the external auditors, currently performing the audit on your behalf. In order to avoid duplication with the audit performed by your office in this regard we would prefer not to conduct the follow-up audit unless your audit indicate that internal process did not function properly. As agreed upon we would therefore appreciate a copy of your report pertaining the audit to be forwarded to ARMSCOR once it’s been completed”.*

10

15

So that was my letter to the Auditor-General indicating that we will not continue with that specific audit.

20 ADV SELLO: In light of the Auditor-General’s audit and your advice to him as appears at page 339, was a second subsequent internal audit conducted or was it necessary to still conduct?

MR GROBLER: Chairpersons no, it was not conducted and in our view it was not necessary to conduct that as we are also

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coordinating the activities and making sure that we don't duplicate work between the different parties.

ADV SELLO: Was ARMSCOR as per your request kept updated or appraised of the progress of the Auditor-General's investigations?

MR GROBLER: Chairperson and Commissioner Musi yes, the Audit Committee was updated on the progress. On page 17 of my report we've indicated the minutes, we've attached the minutes of the meetings that we've highlighted there, showing the actual feedback given to the Audit and Risk Committee while this process was proceeding from the Auditor-General's side. I think to this extent we've attached the minutes to my evidence from page 16, ag item 16 page 340 to 380, to pages 346 I think is the Audit and Risk Committee minutes indicating the updates that were given to the ..., were given to them on the progress of the Audit and Risk, ag, the Auditor-General's audit at that stage.

ADV SELLO: Was ARMSCOR served with the final report of the Auditor-General?

MR GROBLER: Chairpersons yes, the Auditor-General did supply us with the report as requested, that is as attached on page 331 to 338 of my evidence, that report indicating "Special Review by the Auditor-General on the Selection Process of Strategic Defence Packages for the Acquisition of Armaments at the Department of Defence" is included in the pack, that was

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the feedback given to our Audit and Risk Committee as well.

ADV SELLO: Now very, if you can very briefly just point out what were the key findings of the Auditor-General as reflected in his report you referred to from page 31.

5 CHAIRPERSON: Advocate Sello, let me hear what page you referred to?

ADV SELLO: I do apologise Chair, 331. At 331 there at the Auditor-General's Audit Report titled: "Special Review Selection Process of Strategic Defence Packages". That is the
10 report the witness advises was served on ARMSCOR by the Auditor-General at the conclusion of his investigation. The question to the witness is are there any key issues he would like to highlight out of that report, the findings of the Auditor-General.

15 MR GROBLER: Commissioners yes, some of the key findings I think confirmed what we also indicated in our report, the, it also ... One of the key findings refer to the technical evaluation Lead-In Fighter of the LIFT programme where it was stated that they could not substantiate the information as
20 stated, I think that they just referred to more information as what we contained as they took the audit further than what we would have done at that specific stage.

ADV SELLO: Now I apologise, please refer to the specific paragraph in the report you are speaking to.

25 MR GROBLER: Yes Chairpersons, I'm referring to

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paragraph 3.2 on page 334.

MR GROBLER: There they just start to mention the costed and non-costed option which I cannot speak to. I think on paragraph 3.7 on page 338 it's also talking about the tender
5 procedures, subcontracting, negotiation phase, it, I think that was also something that ... No, let me withdraw that, that's not correct, that is the appointment of the team, that's not the same team that we mentioned. Chairpersons, but I think also in the ... I think it's also important to note that in the
10 conclusion they did not find any material weaknesses or in the work done by, or the audits previously conducted by Internal Audit or that evidence ever had any shortcomings in the work done by Internal Audit at that stage.

ADV SELLO: And just following up on the point you just
15 made, did the Auditor-General in any manner, material or otherwise contradict the findings of the Internal Audit Team as reflected in the Internal Audit, the first Internal Audit Report?

MR GROBLER: Chairpersons no, there was no contradiction from the Auditor-General stating that the Internal
20 Audit Report was not factually correct.

ADV SELLO: Now if we could turn to paragraph 4.21 of your statement where you introduce the investigation by the Auditor-General, National Director of Public Prosecutions and the Public Protector and could you talk us through what is set
25 out from paragraph 4.2.1 to 4.2.3.

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MR GROBLER: Chairperson and Commissioner Musi, the information contained in my report relates to the investigation conducted by the three different parties the Auditor-General National Director of Public Prosecutions and the Public Protector. To this extent I did not submit the report as part of my evidence as I'm of the understanding that it will already be part of the investigation or the documentation submitted to the Committee. I think the essence that we would like to make is to say that that evidence or the progress on that audit was also indicated to the Audit and Risk Committee as evidence in the minutes that is attached to my statement. Now I think that is from page 344 up to 355 which are extracts from the Audit and Risk Committee where the progress was stated of that specific investigation being conducted.

ADV SELLO: If regard is had to the JIT Report certain recommendations were made to ARMSCOR following the investigation. Are you aware what ARMSCOR attitude towards the recommendations was?

MR GROBLER: Chairpersons yes, in paragraph 4.23 of my statement it is stated that the General Manager Finance informed the Committee that the recommendations by the Joint Investigation Team had been implemented.

ADV SELLO: And this as we find at page 356, the minutes of 15 November 2002, is that correct, 356 entry 5.5 of the minute at page 356?

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NOTE: Caucus.

MR GROBLER: Commissioners that's correct, if you do have the copy in your records.

5 ADV SELLO: Annexure "GG22" starts at page 355, it's a two-page document and these are minutes of the Audit Committee Meeting of the 15th November 2002. And the specific entry I refer to is at 356 against item 5.5.

MR GROBLER: That is correct Commissioners.

10 ADV SELLO: Now we ... In summary what would you say the key findings of the JIT were in relation to the conduct of ARMSCOR in the SDPP process?

MR GROBLER: Chairpersons, the, as stated in my evidence on paragraph 4.22 on page 18:

15 *"The Committee was informed that among other findings made by the Joint Investigation Team none of the ARMSCOR employees and/or officials were implicated in any wrongdoing with regard to the SDPP's".*

20 ADV SELLO: In your evidence Mr Grobler you have dealt with the two internal audits conducted by ARMSCOR Audit Division, you have dealt with the audit conducted by the Auditor-General and also the investigation by the JIT, what conclusions are you proposing the Commission draw from your evidence?

25 MR GROBLER: Chairperson and Commissioner Musi, I

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think from the evidence we are stating that based on the limited time that within which the audit had to be conducted, both the first and second internal audit I am of the view that the Audit Team arrived at its finding based on the standard
5 audit practice applicable at the time, no material deviations were noted by the Auditor-General from the findings contained in both the First Audit Report and Second Audit Report. Further the findings of the Joint Investigating Team confirmed that none of ARMSCOR employees and officials were implicated
10 in any wrongdoing with regard to the SDPP's. I think during our evaluation we came to a, we, got sufficient information to come to our conclusions that we made in our reports.

ADV SELLO: You have now given the conclusion as set out in your statement, is there any other matter that you think
15 is relevant to the nature of your testimony that we haven't canvassed you would like to bring to the attention of the Commissioners?

MR GROBLER: Chairperson and Commissioner Musi, I think my statement is complete regarding our activity and
20 involvement in this process.

ADV SELLO: Thank you Mr Grobler. Chair and Commissioner Musi, that is the evidence of Mr Grobler.

CHAIRPERSON: Thank you. Is there any person who wants to cross-examine Mr Grobler?

25 ADV CANE: Chair if I may be permitted I have one

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issue to raise with Mr Grobler on behalf of the Department of Defence. Jenny Cane.

CHAIRPERSON: I will come back to you, I still want to find out if there is someone who has to cross-examine. You will re-examine after cross-examination if anybody is going to cross-examine.

ADV CANE: Thank you.

CHAIRPERSON: Is there anybody who wants to cross-examine Mr Grobler? Thank you. Nobody's prepared to cross-examine, then you can re-examine. Thank you.

NOTE: Caucus.

CROSS-EXAMINATION:

ADV CANE: Mr Grobler, may I ask you to please turn to page 268 of your bundle. You will recognise that document as the Audit Report.

CHAIRPERSON: I'm sorry Ma'am, which page?

ADV CANE: Page 268.

ADV SELLO: Chair, if I may while Chair and Commissioner Musi are trying to locate the document, for correctness of the record I believe that Ms Cane is cross-examining on behalf of DoD and not re-examining the witness.

CHAIRPERSON: This is what Commissioner Musi was whispering into my ears. (Indistinct) from ARMSCOR, so it is correct that you are cross-examining and not re-examining, thank you.

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ADV CANE: Thank you for that clarification, thank you to my learned friend. Mr Grobler, at page 268 you have the audit report and now that you have located yourself I'd ask you to page on within that report to page 272. In the
5 Introduction the first paragraph you have outlined in your evidence that interviews with the team leaders and members of the Evaluation Team (indistinct) functioning in ARMSCOR were held and you (indistinct) interviewed and I want to draw your attention to the two people interviewed in relation to
10 submarines, Project Wills being Captain Andy Reed and Mr Rob Vermeulen, do you see that?

MR GROBLER: Yes Commissioner, I do see that.

ADV CANE: Now in that regard at page 293 of your report (indistinct) page 292 you have an observation at the foot
15 of page 292 recorded there and it refers to the evaluation results relating to the submarines and there's a concern expressed pertaining to the supporting data and then Mr Griesel in his evidence told the Commission, and for the record it is transcript page 2830, that these results in paragraph 16 to
20 which (indistinct) will refer you (indistinct) were verified by you personally and you confirmed the accuracy of the calculation made in relation to the submarine proposals during your further investigation. Firstly would you confirm that that evidence confirming your role is correct?

25 MR GROBLER: Chairpersons, I think that is my, what I

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stated, that, and I referred the Commission to those pages, that I did go and confirm that information afterwards before the report was issued, that is something that was done by myself, yes.

5 ADV CANE: Then would you please turn to page 159 where you will see the relevant results for the Military Performance Index of the submarine, page 159. You will notice there at paragraph 16 to which you referred the commissioners at the table therein, in confirming those results as recorded in
10 the table save for the (indistinct) which you pointed out which does not (indistinct) final results you said, did you apply the formula and the methodology recorded in paragraph 16 on that same page 159?

MR GROBLER: Chairperson, can I just quickly refer to my
15 notes? Chairperson, from the information that's available to myself it seems that that was the formula being used, yes.

ADV CANE: Thank you Mr Grobler. Chairperson, I have no further questions.

CHAIRPERSON: Now I think at this stage I can ask if
20 actually there is any re-examination?

ADV SIBEKO: Thank you Chairperson, at this stage we have no re-examination.

CHAIRPERSON: Thank you Mr Grobler, thanks a lot, you are excused. Thank you. Advocate Sello, Advocate Sibeko?

25 ADV SIBEKO: Chair, that brings to the conclusion the

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proceedings for today and the witness can be excused. For purposes of further conduct of the proceedings as (indistinct) the next witness will be Mr Hoffman who will give evidence on Thursday morning.

5 CHAIRPERSON: Can we make sure that the evidence or a summary of the statement of the next witness is posted on our website (indistinct)? I know that you might not be leading that witness but can you just (indistinct) relevant person who is going to lead that witness.

10 ADV SIBEKO: We'll do so Chair.

CHAIRPERSON: Thank you. Then in that case we will adjourn until Thursday morning. Thank you.

(COMMISSION ADJOURNS)