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CHAIRPERSON: Good morning. Advocate Mphaga.

ADV MPHAGA: Chairperson, we are ready to proceed to lead the evidence of Mr Casparus Johannes Hoffman. He can take the oath.

5 (Witness is sworn in.)

WITNESS (ARMSCOR) : MR PIERRE HOFFMAN (Hereinafter referred to as "MR HOFFMAN"), GIVES EVIDENCE UNDER OATH

10 EXAMINATION IN CHIEF:

ADV MPHAGA: Mr Hoffman, I see you are widely known as Spear, is that the nickname?

MR HOFFMAN: Yes, it's actually the name that I've, that I was called since I know, so I'm not sure where it comes from but by, it is, you can call it my nickname then yes.

MR HOFFMAN: Thank you very much.

ADV MPHAGA: We are just going to take you through your statement that you prepared for the Commission as you would see on page 1 of the bundle. Commissioners, we have the statement and it is also there are attachments which forms the bundle of the evidence. So, from time to time we'll refer to the page numbers and also the dividers. So you made a statement to give evidence before this Commission, if you look at page 8, it is ... Is that your signature?

25 MR HOFFMAN: Yes, that's my signature.

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ADV MPHAGA: And the date that is annexed, that is appended there, it is the 2nd of April 2014 when the statement was signed, am I correct?

MR HOFFMAN: That's correct.

5 ADV MPHAGA: So in your statement you deal with various topics, introduction on page 1 and on page 2 you deal with your involvement, the involvement with the Finance Department in Procurement prior to the SDP's, am I correct?

MR HOFFMAN: That's correct.

10 ADV MPHAGA: On page 3 you deal with the SDPP period.

MR HOFFMAN: That's correct.

ADV MPHAGA: On page 7 you address the result from the auditor-general's report, am I correct?

MR HOFFMAN: That is correct.

15 ADV MPHAGA: And again on page 7 you also address the comments on the Internal ARMSCOR Audit Reports?

MR HOFFMAN: That's correct.

ADV MPHAGA: And your statement then concludes on page 8 of the bundle?

20 MR HOFFMAN: That's correct.

ADV MPHAGA: And then let's proceed with your statement starting from paragraph 1.1 of the Introduction, it is common cause that you were previously employed by Armaments Corporation of South Africa ARMSCOR in December 2007.

25 MR HOFFMAN: That's correct.

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ADV MPHAGA: You have since retired from ARMSCOR and you are presently engaged in providing tax consulting services, is it correct?

MR HOFFMAN: That's correct.

5 ADV MPHAGA: In paragraph 1.2 you indicate that you were employed by ARMSCOR in the Finance Department from 1979 to December 2007 which was before, during and after the SDP's, is it correct?

MR HOFFMAN: That's correct.

10 ADV MPHAGA: Now I wish to briefly refer you to your *Curriculum Vitae*, it's on file 1 Commissioners, divider number 1 and it's marked page 1. It's a ... Do you have the CV?

MR HOFFMAN: Yes, I've got the CV in front of me.

15 ADV MPHAGA: I see it's two-pager CV, I guess it has been summarised immensely?

MR HOFFMAN: Yes I've done it, I've summarised it yes.

ADV MPHAGA: Okay, without getting to the detail of the CV on page 1 of the CV it indicates that you were born on the 22nd of September 1947, is that correct?

20 MR HOFFMAN: That's correct.

ADV MPHAGA: It provides also for your education and qualifications but of importance there it indicates that you have a Bachelor of Commerce Financial Accounting which you received from the University of Pretoria 1971.

25 MR HOFFMAN: That's correct.

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ADV MPHAGA: And it also indicates that you had the one year military training in 1966.

MR HOFFMAN: That's correct.

5 ADV MPHAGA: And during the course of your career you attended different courses as indicated there, there are different managerial directors, trustee training workshops, courses, refresher courses like tax and financial reporting to maintain status on the, at SAIPA as a tax practitioner.

MR HOFFMAN: That's correct.

10 ADV MPHAGA: And you are also registered as a member of the South African Institute of Professional Accountants and a tax practitioner.

MR HOFFMAN: Yes, a tax practitioner registered at SARS.

ADV MPHAGA: At SARS?

15 MR HOFFMAN: Yes.

ADV MPHAGA: Now you also wanted to give us a detail of your employment history at Crafford Du Toit And Partners from 1967 to 1979, is that correct?

MR HOFFMAN: That's correct.

20 ADV MPHAGA: During your consultation you indicated that this partnership or company has since evolved, can you just explain to the auditors, to the Commissioners?

MR HOFFMAN: Thank you, yes. Yes, Crafford Du Toit And Partners was a company in those days and over the years there was a lot of amalgamations and if you have today, it actually

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ended up as part of the present Price Waterhouse Coopers.

ADV MPHAGA: Thank you Mr Hoffman, and you further indicate your positions that you held at ARMSCOR Corporation from 1979 until your retirement in 2007 and also on the
5 ARMSCOR Retirement Fund, can you briefly take the Commissioners through that employment history?

MR HOFFMAN: Thank you. I started my career in ARMSCOR in 1979 on the lowest managerial level and you can see there that 1979 until 1982 I was the manager Financial
10 Accounting and I was promoted to Senior Manager Accounting and that was the position I held from 1982 until 1987. Then in 1987 I got another portfolio that ... 1982 until 1987 I was only responsible for the financial accounting side, then in 1987 I got promoted and I got the responsibility of the financial contract
15 administration in addition to my portfolio of the financial accounting.

And then in 1994 I was promoted to General Manager Finance and Infrastructure and during that period I was responsible for financial accounting and reporting budgets,
20 financial contract administration and also a second hat you can call it, that hat was the retirement funds, and then also the infrastructure, services provided to the ARMSCOR, in the ARMSCOR building as a whole. Yes, and then, then in 2000, I think in 2000 the Public Finance Management Act came into the
25 equation if I remember correctly in 2000, then I was actually

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called the Chief Financial Officer and I think in around about
2003 the Act actually said or stated that the Chief Financial
Officer should also become an executive director on the board
and from that date until my retirement I was then also an
5 executive member of the ARMSCOR Board.

ADV MPHAGA: Thank you very much Mr Hoffman. And ...

MR HOFFMAN: Sorry, would you like me to say something
on the Retirement Funds Portfolio?

ADV MPHAGA: No, I think it speaks for itself. Thanks so
10 much for that. And you say you are now self-employed from
January 2008 to date as a tax practitioner?

MR HOFFMAN: Yes. After my retirement I decided that I
should just, I can't just sit and do nothing, so I've decided to
carry on my career and two, I've opened a small office at my
15 house and I got registered as a tax practitioner and since then
I'm doing, I've run my own business in a very small scale doing
mainly tax services to individual persons, I've, I'm not involved
in companies and so on anymore.

ADV MPHAGA: Thank you very much. Let's go back to
20 your statement on page 1, paragraph 1.4, you raise a number of
things there that you are relying on documents to give this
evidence and also that due to the loss of a bit of memory these
events having happened 17 years ago and further that your
evaluation or notes for the evaluation are no longer available,
25 can you just take the Commission through that?

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MR HOFFMAN: Certainly. Yes, I've tried to emphasise three, four points in that paragraph. I think yes, in my evidence I had to rely on drawing up the statement or I had to rely on documents that was made available to me, that was the first point, I ..., there was no way that I could remember anything before I saw, when I started seeing some documents I was able to remember some of it, so that's the first point, so I can only say that this is, that what I'm, what I'm saying today as a witness is to the best of my knowledge true and accurate and I had to rely on, heavily rely on the documentation that was provided to me, that's the first point.

In addition to that since my retirement I've experienced a significant decline in my memory, I can experience it on a day to day basis, it's not like previously in my career that I can remember lots of stuff without making notes, now I have to write down everything in my diary from a day-to-day basis, so I personally, I can feel that I have a lot, a loss of memory, so that's the other point.

And then the third point is although at the time of the SDPP's and my involvement there, although I was at that stage able to understand and apply complex financial formulas and concepts due to a lack of practice I haven't been involved with those sort of financing structures and financing methodologies and so I won't be able to really say a lot on the technical aspects today and the last thing is when I was

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involved in this project I had, I made a lot of notes as part of my duties as we went along through the whole process and when I left ARMSCOR I did not anticipate that I will be, will have to be witnessed, give a witness of this nature, so I have
5 got, I haven't got that notes available today to assist me in some of the instances.

ADV MPHAGA: But we can take it that after having considered documents which were shown to you it has refreshed your memory on the material issues relevant to this
10 evidence?

MR HOFFMAN: Yes, there was a lot. Since I've been able to see a lot of the documents yes, I could remember lots of the stuff but as I say the important thing is that the technical stuff in there I won't be able to really go into deep regarding the
15 technical issues.

ADV MPHAGA: Thank you Mr Hoffman. On paragraph 1.5 you indicate the basis for your evidence, that it will relate to the rationale for the LBBP's, the financing of the LBBP's and matters that are connected therewith, am I correct?

20 MR HOFFMAN: That's correct.

ADV MPHAGA: Page 2 of your statement you indicate that you were involved in the LBBP's as the chairperson of the financing evaluation team, can you just elaborate on that paragraph now?

25 MR HOFFMAN: Yes, my involvement with the SDPP's was

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at the chairperson of the financing evaluation team and this team's responsibility was, had to do with the evaluation of the bidders' offers as one leg of the evaluation process of the SDPP process as a whole, so I can't, I won't be able to say
5 anything about the other two legs. Yes, my responsibility was ring-fenced to this financing effort, financing evaluation.

ADV MPHAGA: Thank you. And in paragraph 1.7 you indicate what you are going to testify today. Can you just elaborate on it?

10 MR HOFFMAN: Yes. I think what I would like to bring to the Commission is that there was a period since my involvement, my employment in ARMSCOR, a period before SDPP's, pre-SDPP's and also then during the SDPP's, so I've made, I've tried to summarise in the rest of the document the
15 difference between the two involvements.

ADV MPHAGA: And in paragraph 1.8 you only indicate that the documents that you are going to rely upon have been declassified?

20 MR HOFFMAN: I have to rely on the ARMSCOR personnel that gave me these documents yes.

ADV MPHAGA: Thank you very much. Now in paragraph 2 it is quite apparent that you are going to take this Commission on your involvement of the finance department prior to the SDP period what processes you followed which will clearly give
25 light as to the difference between the pre and post-SDP period.

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So, can you just take us through paragraph 2.1 in that regard?

MR HOFFMAN: Certainly. Certainly. Yes, prior to the SDPP'S I was responsible for the, as I said before, for the Finance Department in ARMSCOR but there was no, at
5 throughout that whole period we were never involved in any financing activities, we didn't, there was no way that we had to borrow money from outside because of the fact that ARMSCOR, all the payments or all the contracts that we were involved with was, the funding was provided by the Department of Defence
10 on, through the Special Defence Account by way of financial authorities from the Department of Defence, so financial authority is issued by the DoD to authorise ARMSCOR to continue with placing an order, so before any contract could be placed, that was the ..., that was the difference there, and we
15 as the ... My, the responsibility in that role ... Can I carry on to paragraph 2.2?

ADV MPHAGA: Yes, you can just carry on.

MR HOFFMAN: My responsibility was there that we as from the Financial Contract Administration Division, part of my
20 department, we had to look at the contractual conditions, the financial contractual conditions such as the price, post-placement of the contract. The financial Department was then responsible to ensure that payment was made in line with the contractual conditions and to make, and we had to make sure
25 that the financial authority was not exceeded throughout the

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whole, throughout the whole period of the contract, so that was, that was the way funding took place, there was no way that the Defence Force, also the Department of Defence also didn't borrow money, they received their funding from the budget that was provided to them as a part of the Parliament's Act. So, that was, and then I can carry on, forward to paragraph 2.3, it still involves this.

So, my recollection of this role of the Finance Department pre-SDPP's is borne out of, by paragraph 4.1.3 of A-PROC-097 with an implementation date of 1 November 1997. This paragraph states that the role for the team which is tasked with the financial evaluation is to analyse the price offerings accurately, so that's where price come into the equation, offerings accurately and this policy further states, it states there that:

"The assistance of the ARMSCOR auditors can be sought on specific aspects such as long term capital budgeting, financing methods and similar complex issues if necessary".

To avoid confusion, in my previous paragraph I stated that we had nothing to do with financing as such, what I mean here by financing here is actually financing, the financing in the company that had in the offerer, I mean an outside company, part of his business surely will be to go and borrow money from outside, so this financing was really the financing cost that was

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inherent or that was part of their costing structure, so the internal auditors, we as the normal functionaries of the ARMSCOR Department, we were not, we couldn't go to outside companies to go and investigate their costing structure, so the
5 internal auditors of ARMSCOR had the mandate to go and dug into deep into the company's costing structures and to assist my department in the pricing of it.

That relates actually to single sourced suppliers, we need a multisource offer, there's, it's the offerers, it comes
10 in on a tender basis and the best offerer price and other stuff wins the tender, so there's nothing, there is not necessary for us to go and dig into their costing structures but when it was a single source supplier where there was only one company that could provide the hardware, there we had to go and dig into
15 their systems to make sure that the price offered was actually fair and reasonable.

ADV MPHAGA: Yes.

MR HOFFMAN: Sorry, would you like me to go further on that paragraph?

20 ADV MPHAGA: Yes, can I ... Sorry, can I ...

MR HOFFMAN: Sorry? So, if I understood you well in paragraph 2.1 you indicated that there was a (indistinct) budget of the DoD, can you just indicate what you mean by that?

ADV MPHAGA: Yes, the DoD, they had ... I can't say
25 much about their insight rulings but surely they had to come up

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with five year plans or 10 year plans and that should be related on, to a yearly budget in every year which were approved in Parliament and they had to in terms of their own affairs, had to stick within that budget as a whole for their operating side and for, also for the requirement of hardware by way of ARMSCOR's involvement. So they could not from their side, on their side they also cannot exceed the government's budget ...

CHAIRPERSON: I'm sorry Advocate Mphaga if you don't mind (indistinct) evidence now from DoD dealing with that issue. I see the witness is (indistinct) how it operates. Whether there is enough evidence on record (indistinct) the manner in which DoD was financing whatever equipment that they had (indistinct) to purchase and the manner in which that was done, I think two, three, four witnesses have already testified to that.

ADV MPHAGA: Thank you Chairman for your guidance. Thank you very much. Let's now proceed. If you look at page 3 of your statement you make reference to Annexure "PH2" which you will find on divider number 2 page 3 of the bundle.

MR HOFFMAN: We're on page 3 yes, Annexure "PH2".

ADV MPHAGA: Yes, what document is that on page 3? It's titled A-PROC-097.

MR HOFFMAN: Yes, sorry Sir. That is a document called: "Practice for the Selection of Contractual Sources", that is VB1000 and that', it's an acquisition plan, this is a document

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required by the defence family as a whole and that is, we had, I've only mentioned that because we were part of the whole system. So this is the document on page 4 you will see the financial evaluation role, it's basically as stated before, I can
5 read it if you want to.

ADV MPHAGA: I think you have already done so. I just wanted to emphasise that the powers or authority of the Department of Finance of ARMSCOR was limited by this policy, am I correct?

10 MR HOFFMAN: That's correct.

ADV MPHAGA: Now let's move on to the SDPP phase, the role of the Department of ARMSCOR's Financing Department. Can you take us through that process from paragraph 3.1?

MR HOFFMAN: Certainly. As I say here it's also
15 emphasised here that what was unique in terms of the SDPP's is that there was not a committed budget within the DoD with which to finance the equipment to be purchased, it was therefore determined that the bidders would be asked to provide for financing in their office, so this is where I say
20 where the difference comes in between my previous role and the role that came into the equation at that stage.

ADV MPHAGA: So in paragraph 3.2 you indicate that there were requests for offers which were sent to bidders which contained financial requirements, is it this financial
25 requirements which you as the Department of Defence had to

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evaluate?

MR HOFFMAN: Yes, that was the, that was their offers, the financing requirements were in the offers that went out to the different contenders.

5 ADV MPHAGA: If we look at page 72 of the bundle Commissioners, it is under File 13, evidence has already been led on the RFO's when they were (indistinct), just for the purpose of the record you will see there that on page 72 it indicates that the RFO's were issued on 16 February 1998 and
10 then that diagram also indicates when the responses for the various systems were required, can you see?

MR HOFFMAN: I can see that.

ADV MPHAGA: Thank you. And you, in paragraph 3.2 you refer to the cover pages of the request for final offers in
15 respect of Corvettes, Advanced Light Fighter Trainer, Light Utility Helicopter, the LIFT and the submarines, am I correct?

MR HOFFMAN: That's correct.

ADV MPHAGA: Now just by way of example if you go to page 8 of File 3, page 3 of the bundle, of page 8 of the bundle.
20 It's under file divider number 3.

MR HOFFMAN: I have it before me.

ADV MPHAGA: Page 8 yes. The financing requirements which you are mentioning in paragraph 3.2 are listed on that page, can you see there?

25 MR HOFFMAN: Yes.

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ADV MPHAGA: And these financial requirements were the same for all the systems that were to be purchased, am I correct?

MR HOFFMAN: That's correct.

5 ADV MPHAGA: Now just for the record it will be seen that it has what we term "The General Requirements", 5.1, "The Financial Plan", 5.2. Am I correct to say that the requirements are listed under those topics?

MR HOFFMAN: That's correct.

10 ADV MPHAGA: Now these financial requirements, who were responsible of writing them out on the RFO?

MR HOFFMAN: I think within ARMSCOR with input from other departments it should have been ... The division that had to make sure about that was our Secretariat Division in
15 ARMSCOR.

ADV MPHAGA: No thank you, but what is important is that your department ...

MR HOFFMAN: Sorry? Can I answer?

ADV MPHAGA: Yes.

20 MR HOFFMAN: Yes my, well my team, the Financing and Evaluation Team was responsible for the criteria that went, that were, that went into the ROF. Yes. I mean the RFO.

ADV MPHAGA: Thank you very much. Now let's proceed then to 3.3 where you deal with the issue how your team was
25 appointed and came to do the evaluations, can you proceed to

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take us through paragraph 3.3?

MR HOFFMAN: Certainly:

5 *"I received a verbal instruction from Mr Henrich [sic] Esterhuysen where he tasked me to perform the evaluation of the financing proposals. Although I cannot recall the date on which such instruction was given (to me), I note ..."*

After I've had access to the documents I noted that:

10 *"... the earliest evidence of my involvement was my attendance at a meeting with the RSA/UK strategic defence package ..."*

Where there was a discussion between the RSA/UK, on the RSA/UK Strategic Defence Packages. That was on 14 February 1997.

15 *"This was part of a series of meetings to be discussed after an offer was received by the DESO – MoD UK in which they offered the South African government certain packages. I understand that my former colleague Mr Esterhuysen will deal with this*
20 *matter more fully in his evidence before the Commission. I further understand from Mr Esterhuysen that my involvement in those ..."*

At that stage I understood from Mr Esterhuysen that my involvement in those discussions would centre on the DESO
25 gold denominated loan. At that stage ... Okay, I can just go

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further. And then I also, I noted in the minutes of that meeting I've got information on that at this stage, so a copy of that minutes is part of Annexure "PH8". Now on page 35 of the annexures you will see the front page of those minutes ...

5 ADV MPHAGA: Let's give the Commissioners some time to locate the page. Thank you. You may proceed.

MR HOFFMAN: Thank you. Yes, on that page you will see right at the bottom there present for the financial team of this, of the meeting my own name. Then you will see names there
10 of, two names of Mr Kruger, Mr Hertjie Bloem from ABSA. That is when I was asked by Mr Esterhuysen to attend this meeting I told him that, even himself, he didn't know anything about this sort of gold denominated loan, so he said I must come and listen what it's about, so I then said I can't go there on my
15 own, I have to bring people with me that has the knowledge in this area, so I've approached ABSA who were our bankers at that stage and I approached some of the senior people in ABSA to come and assist me during that meeting, so that is why you will see the ABSA names there, and also Ms Brentia Potgieter
20 was in the Department of Internal Audit with Mr Grobler, working for Mr Grobler but she was actually very well, what is the word that I can use, educated or in that also a very competent person in the field of this sort of structures, so that's why Brentia was there right from the start and I see also
25 Mr Grobler's name. The reason why he was there was basically

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perhaps he was Brentia's superior or she worked for him. So yes.

Then on page 36, the next page you will see the name of Mr Buck there, I can't even remember him, but he was
5 a representative apparently of the government, the UK Government, so and there's, and that paragraph 3, 4, 5, 6 mentioning is made of this sort of involvement. I can really don't recall any real, any real further involvement from our side and as far as I know that offer was never, came to, was never
10 put into place or, so I can't remember any further involvement.

ADV MPHAGA: So one can take it was an exploratory meeting which bore no fruit at all?

MR HOFFMAN: Yes, I was not at any other meetings of that in that regard.

15 ADV MPHAGA: Thank you. Then in paragraph 3.4 then you proceed to indicate about your next involvement as you can recall the directive given by Lieutenant-General Du Preez, can you just illustrate that?

MR HOFFMAN: Yes certainly. The next ... Subsequent to
20 that meeting of the UK, with the UK people the first evidence or the next evidence of my involvement with the SDPP's is contained in the directive dated 28 October 1997 and this directive was issued by Lieutenant-General Phillip Du Preez, P O Du Preez in which he confirmed the establishment of a team
25 and its initial members, so I think as my, as I, if I can recall it

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correct that after that first meeting that the idea of a multisource tender process came to the question and following from my presence at that previous meeting I was then asked to carry on with the new process, and I can just refer you to
5 Annexure 9 page 45 of this Annexure 9. Can I carry, can I continue? There in paragraph 17, there you will see a paragraph on Finance and there you will see:

10 *“The Finance Evaluation Team is led by Mr C J Hoffman who will coordinate the involvement of the Department of Finance and ARMSCOR bankers, representatives. This team is ...”.*

So, what was ... The fact that now ARMSCOR bankers became involved, it's a flow from my suggestion right at the beginning that we need their sort of expertise, so that is why they became
15 members then. Then they actually, the persons that were involved at the first meeting, Mr Kruger and Bloem (indistinct), they actually provided other persons, other personnel from ABSA to assist me.

So, the members then were, or I can later, we can
20 ... Later in my statement you will see then how the members became part of my committee, but at this, the first indication was that Lieutenant Colonel Ben Raubenheimer who was at that stage, he was actually ... I'm not sure whether where Mr Jack Grundling took over from him but it was, it must have been
25 right at this stage because Mr Grundling took over from him as

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the Chief of Finance of the Department, but Mr Raubenheimer was actually mentioned here as the chairman although when we had our first meeting I was the chairman of the first meeting. I became, I was there, members of Department of Finance, we will later see there was ... We will come to that in the next paragraph.

ADV MPHAGA: Yes. Thank you, thank you very much. I see also on the same paragraph 3.4 you made mention of your first meeting which is as per Annexure "PH10" on page 48 of the bundle.

MR HOFFMAN: Yes certainly, if we have ... We can have a look at Annexure 10, that was our first meeting, there you will see page 48, can I continue?

ADV MPHAGA: Yes, just wait until ... Yes.

MR HOFFMAN: On page 48 that was the first meeting, you will see there the names then of the first people that were involved from the start, my own name there. Mr Erasmus there was then the person from ABSA, General Raubenheimer was there and then Ms Potgieter from my side and from the DoD's side it was Mr Kganyago. And that meeting, the first meeting was actually, had to do with to create a value system for the discriminating criteria of a financing, for a financing proposal in general, so you will see that on page 50 you will see, you will then see the cost of ..., the four criteria that we've worked on then was on the left hand side of that block on page 50,

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we've come to then to the four criteria, the four discriminating criteria, cost of finance, cash flow, hidden cost and financial soundness, that were the four pillars of the value system and then we had discussions to actually give weight to the different
5 criteria and the outcome of that was that we've allocated weights to that, the cost of finance, it ended up at 30%, cost of ..., cash flow 30%, hidden costs 30% and financial soundness 10%, making up the 100% and that is the value system and the weights that actually was part of the whole exercise. That went
10 into the, that went, that was part of my commission, my team's involvement. You will see that weights and that was part of the whole evaluation exercise.

ADV MPHAGA: Now ...

MR HOFFMAN: Sorry Sir.

15 ADV MPHAGA: Yes. Should I proceed or should I take you back to your statement?

MR HOFFMAN: Perhaps we could, should go back to the statement, it will be better for myself.

20 ADV MPHAGA: Now on paragraph 3.5 you refer to the minutes of SOFCOM, can you just take us through as to their importance?

MR HOFFMAN: Yes:

25 *"The minutes of a SOFCOM meeting held on 6 May 1998 states that a letter was sent to the Department of Finance (DoF) on 14th April 1998*

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requesting the participation of DoF in the evaluation of the offers”.

And I've ..., there's a copy of this meeting, or 11 is a copy of the minutes of SOFCOM, if you have a look at page 55 of that
5 minutes paragraph 4. Can I continue? There you will just see there is mentioning of that letter to the Department of Finance, a letter requesting official DFin participation in the evaluation of this was dispatched on 14th April 1998. And then in Annexure 12, that's where the letter is. Page 60 is the letter signed by
10 Mr Pierre Steyn, Secretary for Defence, and this letter was directed to Ms Ramos.

On page 60 the paragraph 5 there it stated there that the ... Can I continue:

15 *“The Department of Finance is cordially invited to assist the DoD and the DTI in this evaluation, thereby lending a substantial credence to the recommendation that will be forwarded to Cabinet. Official nomination of a chief director to the Management Committee and directors, deputy
20 directors to the Financing Evaluation Team to commence involvement during April 1998 until evaluation completion at end of June”.*

So that's where we got names from the Department of Finance. It was actually also my request to Mr Esterhuyse right from the
25 start, was that I need representation from all the different role-

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players being the Department of Finance, Department of Defence, ARMSCOR and then also need an expert from specific environments and I think the experts, if I can say experts, was the ABSA people because they were specifically recommended
5 by ABSA, they were working within the financing environment in ABSA and also I believe that the Department of Finance would have sent us their experts in their field of financing, and from our side, from ARMSCOR Ms Potgieter was really the expert on the technical issues.

10 ADV MPHAGA: I see that you indicate in paragraph 3.6 that in fulfilling the instructions of Mr Esterhuysen you then nominated and assembled a team and you mentioned their names in that paragraph.

MR HOFFMAN: That's correct. In the middle of paragraph
15 3.6 you will see the names. I must make it clear that the names I'm ..., that the names I will call out now was actually the names of the responsible person from the different environments, so you will see there Mr Jack Grundling, the chief of Finance, you will see that General Raubenheimer was
20 now out of the equation, he was only part of the first meeting. Then Mr Grundling was then the chief of Finance of the DoD, Ms Potgieter from ARMSCOR, Mr Erasmus from ABSA, Mr Kganyago from the Department of Finance, Ms Bristowe from the Department of Finance supported by Mr Ronald White and
25 myself as the chairperson of the team. It must be clearly

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stated that Mr Grundling was not a fulltime member, he was therefore assisted by three members of his staff who in fact became part of the evaluation team. Then their names, there were actually four names but I think the ..., that the names, there was a Colonel Visser, 'n Colonel Kalmeyer, Colonel Boot and also a Captain Van Rooy that was really part of it but the, I think the names of Visser, Boot and Van Rooy stands out as the people that was, that assisted throughout the process, assisted Mr Grundling.

10 Then from ABSA's side Mr Erasmus also called in another guy from ABSA, Mr Marx that also assisted him but Mr Erasmus was the responsible person from ABSA's side and also I'm not sure whether it's stated here but the team of ... In my final report I've noted that the people from Department of Finance actually gave a consolidated input, they've done their evaluations as a group and that was handed as a (indistinct) input from Department of Finance.

ADV MPHAGA: And you mentioned Mr Grobler, did he play any role in the whole process?

20 MR HOFFMAN: Mr Grobler didn't play any, didn't play any role in any of our activities, no.

ADV MPHAGA: Thank you very much, then you proceed to page 5 of the statement, paragraph 3.7 where then you deal with the roles that were played by the specific teams, can you just take us through that?

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MR HOFFMAN: Yes. There were no specific roles on the team apart from my role as the chairperson to ensure that the team was governed in accordance with good norms, however, in carrying out the technical aspects of the team the team relied heavily on the input of the experts within the team namely Ms Potgieter and people from ABSA and especially also then people from Department of Finance, so Ms Potgieter, she was actually, she was, she did all the staff work in the Committee, she was responsible for the minutes and also assisted me with letters and also the finalisation of the report, although the report was done within inputs from all, everybody in the Committee but she did the staff work for me and she was also responsible for all calculations, spreadsheets, anything, any information that was necessary that had to be given to the members of the team and also interaction between the team and the bidders and in many cases she had to go back to the bidders after we've received the offers to make, to get clarity on certain aspects and also to get more information relating to cash flows and stuff like that.

ADV MPHAGA: Thank you. And in paragraph 3.8 you indicate that on 19 May 1998 then with, after consultation with team members you issued evaluation instructions, can you just take us through that Sir.

MR HOFFMAN: Yes, certainly. On 19th May after consultation with the team members, as I said, and as the

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chairperson, I issued evaluation instructions to all the members of the team. These instructions were to guide the members of the team when assessing the financial proposals received from the bidders and a copy of this instructions is attached at
5 Annexure 13 starting on page 68. There you will see on page 71 the scope. Excuse me. Okay, you will see the names there, that was the names of the team, people from ...

Mr Grundling, I can just repeat that, myself, Ms Potgieter, Mr Erasmus, Mr Kganyago, Mr White and Ms Bristowe
10 from Department of Finance and there you will see the background, the names, we've referred to this previously now on your request earlier and then the responsibilities of the team members is also illustrated there, also stated there. Then on page 75 you will see the, sorry, I ... Can I ... Can I
15 continue? Evaluation aspects and weights, you will see the critical criteria there, paragraph 7.1 and then you will see the discriminating criteria which I mentioned earlier, the cash flow, the cash cost of finance, cash flow, hidden costs, financial soundness, and it makes mention of the information requested
20 in the RFO and also make mention of the weights.

Then on, I would like to highlight one aspect on page 77, can I continue? On page, in paragraph 8.1 you will see there:

*"The overall evaluation formula that will be used
25 consists of the following three elements namely*

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technical, industrial participation and financing”.

That makes up the following formula. Now and then you will see in 8.2:

5

“The bidder with the best financing proposal will receive the lowest score as financing forms the bottom part of the formula”.

10

Now in the meeting, in the SOFCOM meeting on 1 and 2nd of July where we had, where we presented our report that formula was actually changed, but it didn't, there was no real effect on our evaluation and on our scorecard because what we did in compiling our own scorecard, our score, the team's scorecard, we actually went through the whole evaluation process and we gave scores to each contender or each bidder and the person with the highest score was actually ...

15

You will see in our documentation also further on that we actually, the scores were calculated and in our score sheets the highest, the contender with the best score got the highest points, so it only ... The applying the overall formula was, they just had to take our scores. So this 8.2 that assess that the person with the lowest bidder, they didn't take the lowest bidder from our reports, they take, they took the highest bidder because the formula ended up not like it's there but it was a formula stating best value was determined by, it was not in my documentation but I've discovered that from in my discussions that we had when I had to look at the

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documentation, but Mr Esterhuysen will also testify on this, but I can just mention the formula, the formula, the final formula was best value was equal to the Military Value Index plus the Industrial Participation Index, plus the Financing Index. Each
5 one got a 100 points awarded and then 300 divided by 3 was then the final score.

So, I just wanted to make that clear that although this paragraph changed since my initial instructions to the members it didn't have any effect on our scorecards. I hope I
10 have made that point clear.

ADV MPHAGA: Thank you very much for that clarity. Now you proceed and in 3.9 and 3.10 to discuss the instructions as set out in the value system and ...

MR HOFFMAN: Yes I've actually ... Sorry. I've actually,
15 it's in my report on page 76, the 7.2 and 7..., yes, 7.1, 7.2 in my instructions was the (indistinct), and the discriminating criteria.

ADV MPHAGA: Thank you. You see, on paragraph 3.10 on the 20th of May 1998 then you sent each individual member of
20 the team a set of the financing proposal and the evaluation sheet, can you just take us through that and the annexures?

MR HOFFMAN: In addition on 20th May 1998 I then sent each member of the team the complete set of financing proposals and the evaluation sheets and each member of the
25 team signed for that letters in acknowledgement of receipt and

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copies of those letters are attached in Annexure 14. All the members yes, all the members that received that documents. Would you like me to go, would you like me to go through an example of the letters on ... Sorry.

5 ADV MPHAGA: Yes please, if you could just take the Commissioners through one example of that on page 83.

MR HOFFMAN: On page 83 of the document there you will see at page 83, can I continue?

ADV MPHAGA: Yes.

10 MR HOFFMAN: Thank you. This letter was addressed to Mr Ronald White of the Department of Finance, they were doing evaluation of financing proposals which is a set of financial evaluation instructions, a set of evaluation sheets and a complete set of the following financial offers was also then
15 given to them. And then yes, the last paragraph:

*"We would like to thank you for your willingness to participate in the evaluation and would appreciate if the complete evaluation sheets will be returned on or before the date as indicated on the evaluation
20 sheet".*

So yes, so we've then requested them and this was their, they've all accepted that by signature and you will see the date of 21 May 1998 there. Is it 21 ... I can't make out that date, 21 May, yes. The other page 86.

25 ADV MPHAGA: So all the members acknowledge receipt as

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Mr White's receipt there.

MR HOFFMAN: Yes, it was the same for everybody yes.

ADV MPHAGA: Let's proceed then to paragraph 3.11 of your statement in regard to the meetings that were held by your team, including your interaction with SOFCOM.

MR HOFFMAN: Thank you. Yes, paragraph 3.11:

"It appears from the minutes of our team that progress meetings were held by the team ..."

There are several different minutes of different dates:

"... wherein progress with the evaluation was discussed and decisions were taken on how the team would implement the evaluation. What is notable from the minutes is that the team sought to keep SOFCOM informed of its progress and to solicit decisions from SOFCOM where necessary. A copy of the minutes of each of these meetings is attached hereto as follows, ..."

There were meetings on 28 May 2011, June, 22nd of June and also then a meeting on 3rd of July and if I can carry on to ...

Would you like to ... Yes, I think the important one that I want to highlight here is actually mentioned in paragraph 3.12, there we had a problem, we experienced a problem from the start that we had certain critical criteria in the request for offers and receiving the information we actually discovered that there were a lot of offerers that didn't qualify in terms of the critical

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criteria, so we had to go back to the SOFCOM and ask them
their guidance on how we should deal with these discrepancies,
is that the right word? Yes. And specifically on the SOFCOM
minutes dating 3rd of June 1998, that is in paragraph, in
5 Annexure 19 you will see the minutes of that SOFCOM meeting,
if we can, can we revert back to that?

So there you will see on paragraph 105, can I carry
on? Thank you. Page 105 there you will see that I myself
didn't attend this meeting but Mr Grundling from my team and
10 also Mr Donaldson that was actually the chief or the more
superior person from the DoF, he was, they were the persons
representing my team there on that meeting and we then asked,
there were ..., we then went back to the Committee and so you
will see on paragraph, on page 106 there we ... I just want to
15 make ...

Yes, there we ... I just want to make ... Yes, there
we ... You will see the different, paragraph C1, 2, 3, 4 there
carrying on to the end of 10, 14 items there. This was the sort
of criteria, problems that we've had with certain criteria and
20 then we've sought guidance from them on that. So, the
feedback that we got from them we were advised to form a
workgroup to establish a common price-base, the most, there
were only, there were two more important aspects of that
critical, of that criteria that were mentioned that will have an
25 effect on the evaluation and that was the grace period of less

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than four years and also the payment period, that was the two more important aspects of that, that we needed to sort out, and they said we must carry on, we must form a workgroup to establish a common price base per offer and that was done and
5 it was actually done by getting the information to a common base through the, to calculating the nett present value on that information, so the evaluation was taken then to a common base for everybody.

The rest of the criteria they said actually we must
10 try and evaluate as many as possible of the offers and that was the, we continued from then on to, with that instructions.

ADV MPHAGA: Thanks Chair, I see it's 11h00, it's past 11h00, I'm not sure, we are almost halfway through.

CHAIRPERSON: Maybe we should take a break, tea break
15 for about 20 minutes and then we'll come back after 20 minutes. Thank you.

(Commission adjourns.)

(Commission reopens.)

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

MR HOFFMAN: I do.

CHAIRPERSON: Thank you.

ADV MPHAGA: Thank you Mr Hoffman. Before we
25 adjourned you were still dealing with the minutes of SOFCOM relating to the non-conformities and you indicated that

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SOFCOM recommended the workgroup be convened to establish a common price-base per offer, you were still explaining that.

MR HOFFMAN: Yes, thank you Sir. Yes, as I explained the two crucial criteria was the grace period and the ... Sorry, just one moment. Payment, pay-down period. So that was taken into consideration for all, for the ones that were outside but it will all, it was all taken to the same baseline by way of the calculations using the nett present value concept, so for those two critical criteria, well actually that could have influenced the evaluations, that was brought down to the same baseline. The others, there were others, my other minor criteria and in my report that is just mentioned I think, I can't say whether which criteria or which non-conformances of the other criteria related to which contender, so it's not, but in my report in general we've mentioned the other non-conformances, that was brought down to the same baseline. The others, there were others, my other minor criteria and in my report that is just mentioned I think, I can't say whether which criteria or which non-conformances of the other criteria related to which contender, so it's not, but in my report in general we've mentioned the other non-conformances in general.

ADV MPHAGA: So, would you say that these non-conformances which are about 14 of them did not only affect one contender but affected many contenders?

MR HOFFMAN: I think yes, it could have effect, I can't

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exactly say who was affected the most but throughout all of them I think at least one of them, one or more of them were related to all of them, if I can explain it in that way.

ADV MPHAGA: Now the common price-base per offer, did
5 it then rectify the problems?

MR HOFFMAN: Yes, because that was the two main aspects of the non-conformances yes, that rectified that, it made it possible to compare apples with apples.

ADV MPHAGA: No, thank you very much. Now we're back
10 in paragraph 3.12 where you also indicate that after you received feedback from SOFCOM on how to deal with the non-conformances, the team then sent requests for more information to the bidders and proceeded with the evaluation. Can you just elaborate on that?

MR HOFFMAN: Yes. That was actually yes, if we, when
15 we received the feedback from SOFCOM we then, it was also then possible to get clarity on some of the aspects and to eliminate them, if I can say it like that, so that was before we did the evaluation, so we had the opportunity to go back to the
20 people and say give us more information on this and this and this to clarify some of the issues and then after that we continued with the evaluation.

ADV MPHAGA: Now subsequent then to the evaluation it appears that you prepared a finance report which you submitted
25 to SOFCOM, it is under "PH20", am I correct?

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MR HOFFMAN: Yes, that's correct. Annexure "PH20", that's a report.

ADV MPHAGA: Now before you go to the report may you just take us through paragraph 3.13?

5 MR HOFFMAN: It states there that:

"The Finance Report was a summary of the work of the Team. It set out the procedure that the team followed. Therefore it describes what the value system was and the critical and discriminating factors which are set out in the RFO's. The Team conducted a presentation of the report to SOFCOM".

10

So this, our report was presented to SOFCOM at the meeting of 1 and 2 July, it was workgroup there that there were slideshows, slide ... It was presented by way of slideshows, it was a slide show yes, and as I stated earlier due to my inexperience in that field I've, the presentation, although I was present at the workgroup session the presentation was mainly done by the ABSA experts with the, and if I remember correctly Ms Potgieter was also mainly involved in doing the presentation.

15

20

ADV MPHAGA: Maybe then let's ... I mean you indicated earlier that the compilation of the finance report, was it through a collective of the team members?

25

MR HOFFMAN: It was ... Yes, the compilation of the report was done in, as a group in the meetings with all the

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input and, but I mean the actual report was done by Brentia as, who was responsible for the staff work but all the input from the Committee went into the report.

ADV MPHAGA: Now let me take you through to the report on page 112, divider 20. Can you then take us through the report and highlight the most important aspects of the report to the Commission?

MR HOFFMAN: Thank you. Yes, on page 113 you will find the reports, the background, the purpose of our group, you will see the names of the team there responsible, as I said earlier that was the people that was responsible from the different stakeholders and also what I previously said Mr Grundling of the Department of Defence was assisted by three members of his staff who in effect became part of the evaluation team, so they've done it as a group.

“The Department of Finance consolidated their input into one evaluation report signed by Ms P Bristowe, Mr R White, ...”.

Yes, those people were involved and then Mr Erasmus was assisted by Mr Marx, also from ABSA. I think yes, between Mr Erasmus and Mr Marx they were really the gurus and they were responsible when we did the final presentation to a large extent. Then on page 114 you will see the procedure followed, the value system against which the proposals would be evaluated was drawn up by ..., that's the summary of ..., should

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I go through it again or?

ADV MPHAGA: Just highlight whatever is important.

MR HOFFMAN: Yes, I think what is important here is that we've had a value system against which we evaluated the proposals and the value system was, the value system was in the request for offer, it was registered at our Secretariat way before the offers went out, so we followed the correct procedure, the fact that each of the members of the team received a copy of the proposals and the evaluation sheets with the benchmark information that had to aid them in their evaluations. There was a lot of benchmarks that they were able to, without doing their calculations themselves they had benchmarks to evaluate against. And then completed forms were returned on the 22nd of June, the information was consolidated, weighted and normalised to 100 and the result is contained in paragraph 7 of the report. As I said previously the contender with the highest score was the winner. So, and then just again:

"The value system has been drawn up containing collection of aspects and factors which are taken into consideration when assessing the value of a financing proposal".

And there you will find the criteria, 5.1 the "Critical Criteria", there you will see the two most important ones that what I had mentioned earlier, the grace period and the repayment period,

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that could influence the offer and as I said that was brought to the same baseline. And then you will find on page 115 the "Discriminating Criteria", that's where we started off right at the ... Sorry, can I continue? Right, that's where we started off at the beginning:

- Cost of Finance
- Cash Flow
- Hidden Cost
- Financial Soundness

10 There's the weights that was allocated right at the start, 30%, 30%, 30%, 10%. And then we were just mentioning the information that was requested in the RFO and there you will see the findings:

15 *"Several non-conformances, even with our critical criteria were found. As it did not seem practical to disqualify most of the proposals, we reported these non-conformances to the Strategic Offers Committee (SOFCOM) on 3 June 1998. The SOFCOM indicated that we should continue and evaluate as much of*
20 *the proposals as possible with indication of their non-conformances".*

And there on 116 on the top there you will see a summary of the non-conformances and in general I'm not able to say which related to which offer, so. And let me just read this paragraph
25 after the Criteria just to make sure what I want to say. Yes

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okay, I think that has to do ... And then the one ... In my, you will see the paragraph there, the last paragraph before "Discussion of Our Report":

5

"As the information for the Lead-in Fighter Trainer (LIFT) was only distributed to the evaluation team members on 23rd of June 1998, due to the required information requested from contractors, not have been supplied, the results will only be available on 1 July 1998".

10

Although this paragraph is in my report, the... In fact I think it must have happened very close to each other because in fact the results of the LIFT or the evaluation scores were actually, did form part of our presentation and of our final input to the SOFCOM and I also made sure in my discussions over the past week seeing all the documents that this was in fact also included in the final report, the final calculations by Mr Dawie Griesel who previously was a witness here, so yes, that was, the paragraph should have been taken out perhaps but it was in my report that I made, it was a fact included.

15

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ADV MPHAGA: And if you could take us to page 118, there it indicates the results. Can you just take us through it?

25

MR HOFFMAN: Yes. That is now a summary of the results, there you will see the ranking, you will see the different contenders, the different projects, Corvettes, submarines, Maritime Helicopter, Advanced Light Fighter

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Aircraft, Light Utility Helicopter and Main Battle Tank. So, this is then, this in the second last column to the right you will see the "Norm Rating" and you will see then the ranking, so what was done, this is a summary that came from, that came from all the different score sheets, that summary, that gave a point and then it was normalised. Now if you normalise you take the person with the highest score from the scorecard and you give him 100 and then you actually apply the formula to get to the scores of the others to calculate the normalised scores. And then the highest normalised rating here will then be the, will then get the first ranking and so from highest to low will get the second, first and so on.

ADV MPHAGA: And on page 19 it is the ... 119, the report was signed by yourselves on the 29th of June 1998, is that correct?

MR HOFFMAN: That's correct.

ADV MPHAGA: And let's now proceed to paragraph 3.15 where you deal then with the Nett Present Value.

MR HOFFMAN: Yes. Paragraph 3.15 states that:

20 *"The figures in the Finance Report were computed based on a nett present value calculated at the discount rate of 13.5%".*

As far as I can remember, and then in the logical sense that should have been supplied to us by the Department of Finance, that's the sort of values that they worked on, so our

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calculations were done on that 13.5%. If you look further down the paragraph you will see that a statement, that the minutes of the AASB meeting held on 8th July states ... That's now, 8th July is after we've presented our report, then we were
5 requested, in admittance you will see that we should do our calculations, repeat our calculations or repeat our evaluation based on a discount rate of 8%. We can have, we can go to paragraph, or to Annexure 22 if you want me to do that, so page 150, page 154, let me just see, 154 is the front page of
10 the minutes, there you can see Mr Donaldson was also there, I can't see ... Ms Potgieter was there as a co-opted member from representing my team from there and then the report, that's an additional item there. What I want to say is really I can't see whether it was this ... Yes, ...

15 ADV MPHAGA: I though you mentioned "PH22", not 21.

MR HOFFMAN: Ag sorry yes, that's why I can't find it here, the "PH21" was more about where the, the changing of the formula was actually explained. Sorry, "PH22", the minutes of the AASB, that's correct. There you will see on page 173
20 paragraph 5:

"The financing ..."

Can I carry on? Thank you. Paragraph 5:

*"The financing evaluation team presented results in which nett present value (NPV) is calculated using a
25 discount rate of 13.5%: however the team had*

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agreed to consider a discount rate of 8% subsequent to the integration at the SOFCOM, where this issue was initially raised”.

5 So, we were instructed to do the evaluation on that basis, we've done that but I can't find any further, as far as I can ascertain no use was made of that calculations.

ADV MPHAGA: So, if I understood it well that your results as per the report still stood despite this request for the 8%?

MR HOFFMAN: That's correct.

10 ADV MPHAGA: Then on paragraph 3.16 you refer to the minutes of SOFCOM of the 1st and 2nd July. Can you just take us through that?

MR HOFFMAN: Thank you. I just want to read it. Yes, I've included it in my statement, it didn't have anything to do with our evaluation report as such, it was just interesting that at that stage according to the minutes and we've, we requested the Department to ... No, the, to provide a sort of a report on the affordability of the packages, that report is included here, it's on paragraph, Annexure 21. There on page 161, can I
15 continue on that one? Yes Sir, that's ... As I said I've seen the report now but it didn't have anything to do with our evaluation at all, I don't know whether it was for use of the Department of Defence, I can't say at this stage.

20 ADV MPHAGA: This report did not affect your evaluation as per the report that you submit to SOFCOM?
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MR HOFFMAN: Not at all, nothing. It had nothing to do with the evaluation as such.

ADV MPHAGA: Thanks. That concludes then your evidence in regard to what happened during the SDPP's, then
5 we proceed then to paragraph 4 which then refers to the results from the Auditor-General's Report. Can you take us through that.

MR HOFFMAN: Yes Sir. The, all I ... I was, I can remember that there was other investigations previously where
10 I was not involved at all, I wasn't called for evidence in any other committee, I think Ms Potgieter was involved there with the investigation by the Auditor-General, but all I can, all I can mention today is if you look at the annexure, page, Annexure 23 on page 216 there at paragraph 6 of that, on that page, ...

ADV MPHAGA: Maybe before you come to that, can I refer you to page 202. 202, you will see there it's a document from the Auditor-General's office addressed to Mr H S Thomo, the CEO of ARMSCOR, dated 6 July 2000, am I correct?
15

MR HOFFMAN: That's correct.

ADV MPHAGA: And it's ... There, then the topic there is indicated as "Audit Findings for the Period Ended 31 March 2000: Strategic Defence Packages". Can you see that?
20

MR HOFFMAN: I can see that.

ADV MPHAGA: Now you are referring to 216, what do you
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want to mention about that, of the report?

MR HOFFMAN: Yes, page 216. Can I carry on?

Paragraph 6, all I can find in this report after these documents was available, was made available to me recently is paragraph
5 6 where it ... That's the only aspect, only paragraph in the report that made mention of the Financing Evaluation Team and it states that, it states "Arithmetical Errors":

"Some arithmetical errors were discovered but they had no effect on the final results".

10 That's the only paragraph relating to our committee, our team.

ADV MPHAGA: Thanks. Then let's proceed then to the Internal ARMSCOR Audit Report on paragraph 5, can you take us through that, of your statement?

MR HOFFMAN: Thank you Sir. I ... Yes, there was also
15 two audits done by the internal auditors, the first one was done by Mr, a team consisting of Mr Van der Walt, Chief Engineer Quality Engineering Services, Dr BJE Van Tonder, Senior Manager Quality Engineering Services and Mr Grobler, Senior Manager Internal Audit signed in January 1999 and Mr Grobler
20 has testified about this report. So, of importance in that is that this audit was also requested by Mr Esterhuyse in order to assure ARMSCOR's management that the processes followed during the evaluation of the international package proposal were proper and transparent. 5.3:

25 *"It must be noted that no improper conduct was*

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found on the part of any ARMSCOR employees involved in the evaluation of the various proposals”.

Okay, and then what's also ... What I can also mention is that in the report, the report notes that Ms Potgieter was interviewed for the purposes of the audit and the report notes that the financing evaluation was performed according to a written procedure which had been approved and the value system which had been filed with the Acquisition Secretariat prior to the evaluation. A copy of this report is attached in Annexure 24.

ADV MPHAGA: Page 253 of the Internal Report, of the bundle, 253.

MR HOFFMAN: I have it in front of me, yes.

ADV MPHAGA: Those are the comments of the internal auditors in respect of the financing evaluation.

MR HOFFMAN: Yes, that's correct.

ADV MPHAGA: And reading through these comments there is nothing irregular that was found against the financing evaluation?

MR HOFFMAN: That's correct.

ADV MPHAGA: Anything in conclusion?

MR HOFFMAN: Would you like me to read my conclusion?

“Conclusion”:

“As far as I know after we concluded our evaluation report the actual financing of the SDPP's was

conducted by the Department of Finance”.

Yes, that ... My involvement came to an end after our report was handed over and I had no further involvement of any, in any sense with the further, with the process going forward, I
5 know that the providing of the funds was done by the Treasury, Department of Finance and they carried on with the negotiations from there on. And yes, I ... In my view, in my view I think that the team accomplished our task both timeously and effectively.

10 ADV MPHAGA: Thanks Chairperson, Commissioner Musi, that concludes the evidence of Mr Hoffman.

COMMISSIONER MUSI: Can I just for clarity's sake understand what is meant by this grace period, you will find it at page 113, one of the critical criteria, "Grace Period of 4 years" and then
15 again at 116, "Non-Conformance: A Grace Period of less than 4 years was offered". Can we first understand what is meant by this "grace period" and how was it not complied with?

MR HOFFMAN: Commissioner Musi yes, page 113, the grace period, it was actually, the criteria was that they should
20 offer a grace period of 4, of not less than 4 years because it was, no pay-downs should be done before a ..., but in the first 4 years, so but some came in with the offer and say their grace period will be only 3 years, so that influenced the calculation, so we said that should be brought down to the same baseline,
25 that was the one, the grace period. The other one, can we

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just, Commissioner Musi, can you just repeat the other question?

COMMISSIONER MUSI: No, no, no, I think once you explained what you mean by grace period I think I understand the situation. Thank you.

5

CHAIRPERSON: Any person who wants to cross-examine Mr Hoffman? Thank you. Any re-examination?

ADV MPHAGA: Thank you Chairperson, no re-examination at this stage.

10 CHAIRPERSON: Thank you Mr Hoffman, you are then excused. Thank you.

MR HOFFMAN: Thank you Chair.

15 ADV MPHAGA: Thanks Chair. The next available witness will be Mr Donaldson from Treasury. Chair, as per our, your request that we need to maybe try to get him to give evidence on Tuesday the 8th we have during consultation yesterday expressed your wishes, however, Mr Donaldson will be travelling and only coming on the night of Monday and yes, so on Tuesday we only have Tuesday to revise with him his
20 statement which is already available and also some documentation that we may need. So, it looks like he won't available on Tuesday but on Wednesday the 9th as scheduled he will be here to give evidence.

25 CHAIRPERSON: Thank you. I suppose (indistinct) was supposed to take the stand as from the 9th of April will all be

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available?

ADV MPHAGA: Thanks Chair yes, we have also discussed the possibilities of Ms Ramos and Mr Khanyago giving evidence. We are in the process of going through the statement and the documents that were provided to us because we have been requested that if we are satisfied that Mr Donaldson covers the evidence that would have been covered by Ms Ramos and Mr Khanyago we can therefore indicate to Treasury whether it's necessary, so we will, by Friday they've asked us to come back to them, we'll discuss that with yourselves in regard to other witnesses but we have looked at the statement, it's comprehensive enough.

CHAIRPERSON: So, for now we can adjourn until next week Wednesday which is the 9th.

ADV MPHAGA: As the ... Yes Chairperson.

CHAIRPERSON: Can I also request that a short summary of the evidence of Mr Donaldson be put on our website at least by Monday morning?

ADV MPHAGA: Thanks Chair, we undertake to do that and also to provide any third party with the ... We will attempt to do that and provide any third party with the documents by Monday.

CHAIRPERSON: Thank you. Then we'll adjourn until next week Wednesday which will be the 9th of April. Thank you.

ADV MPHAGA: Thank you Chair.

(COMMISSION ADJOURNS)