

Auditing armament projects and processes

Case study and discussion

Key figures on French armament procurement



Bn€ 16,5

Yearly budget

(R&T, procurement, maintenance)



> Bn€ 65

Contracts log book
(sum of « engaged not paid »)



150

Major projects in portfolio

(worth more than M€ 500)



> 15 years

Average proc^{mt} cycle

(3 x 5y studies, development,
building & commissioning)

Auditing the French armament procurement process ...
... at the ministerial level

1. A specific **risk assessment**
2. Enforcing the **ministerial internal control**
3. Auditing an **armament project**

1. Risk assessment & activity planning

A risk assessment based on the strategic goals of defence and focused on the procurement process ...

1. Procurement process → 3 strategic goals :
 - a) Delivering to the armed forces (quality, on time, best value)
 - b) Sovereignty & freedom of action
 - c) Enforcing the French and European DTIB
2. The armament chapter of the annual **risk assessment**
 - a) The **acquisition and support processes** (from requirement to decommissioning)
 - b) The activities, organisation & performance of **dedicated structures**
 - c) **Project portfolio**
3. Output : the yearly audit programme of CGA
... for instance : the 9 audits of the 2017-2018 audit programme

1. Risk assessment & activity planning

The 2017-2018 CGA audit programme

1. Acquisition & support process:

- a) The **decisional information about the costs** of armament programmes
- b) The **management of the mutualised risks budget line** of armament yearly budget
- c) The **refurbishment of army equipment** after overseas projection
- d) The **acquisition via NATO structures**

2. Dedicated structures:

- a) The **human resources of tests and expertise centres** in the DGA (Direction Générale de l'Armement, the armament projects management directorate)
- b) The **simulation systems in training centres** of the army

3. Projects portfolio:

- a) The **Fennec helicopter** of air force & army aviation
- b) The **maintenance of the C130H Hercules** fleet
- c) The lessons learned in the **fast track contracting process of medium-size frigates** (Frégates de Taille Intermédiaire, FTI)

2. Enforcing the ministerial internal control

Due to the risks at stake,
a strongly formalised internal control system
throughout the whole procurement processes.

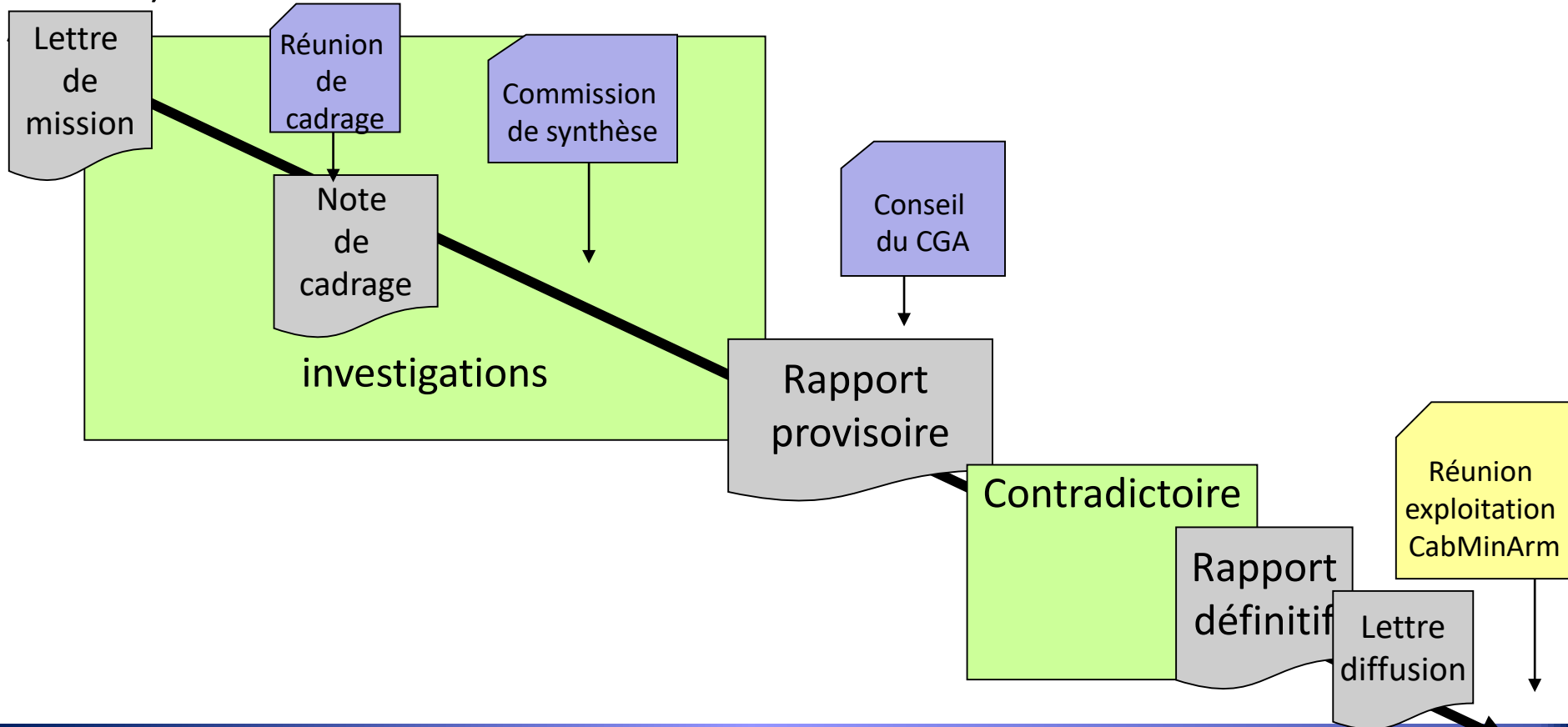
And a **special commitment of CGA to enforce this internal control** :

1. A **consultative voice** in the main governance programmes committees (capacity requirements, financial, ministerial)
2. **Checking facts**, detecting blind spots of projects, counter-appraising and **playing the role of the devil's advocate**
3. **Struggling against** time, access to information and complexity

3. Auditing an armament project

1. A very classical way in conducting audits :

- a) Mission letter, planning meeting, assessing the project or contracts
- b) Synthesis commission, Elder Council, contradictory process
- c) Final cover letter of the head of CGA to the minister herself

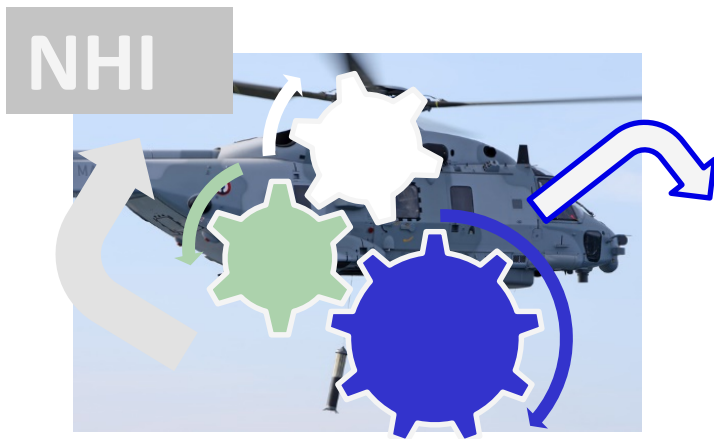


3. Auditing an armament project

2. Lessons learned from auditing the commissioning of Tiger & NH90 helicopters :
- 25 years later, both programmes are not achieved
 - Maintainability is undermined by root misconceptions
 - Technical & logistical information systems are not relevant
 - Type certificate holding is not managed by an actual industrial company

Two basic question of aircraft operation & safety:

- Who is type certificate holder?
- Who is the certification authority?



3. Auditing an armament project

3. Most significant recommendations :

- a) Making sure that
 - a) a single actual industrial project management exists
 - b) the certification agency is designated and operational
- b) Contracting significant in-service management, survey & engineering activities with AHT & NHI
- c) When the first helicopters are delivered below specification setting proper contractual dispositions
- d) Establishing relevant information sharing => reliability calculation & spare parts stocks

3. Auditing an armament project

4. Difficulties and limitation in auditing activities :

- a) The relevant timing,
- b) and width and the complexity of projects
- c) the international agencies & FMS “black boxes”



5. Main shortfalls of our armament programmes :

- a) Mismanagement of international programmes
- b) Initial under-evaluation of global costs
- c) Negative effect of monopolies
- d) Political pressure to engage over budget



Questions & discussions ???