**ANNEXURE A: ARC**

1. Feedback on irregular expenditure investigation

| Date reported OA | Details of the transgression | Confirmed Amounts of irregular expenditure | STATUS OF IRREGULAR EXPENDITURE |
| --- | --- | --- | --- |
| 2015/16 financial year |
| 2015/16 Financial year | Over expenditure on the budget | R205 177 358.00 | An investigation was conducted into this over expenditure on ARC budget that resulted into an irregular expenditure finding by AGSA. The guidance as per annexure B of Irregular Expenditure guideline issued by National Treasury indicates that If the irregular expenditure is irrecoverable and there is no person who is liable in law, the Accounting Authority may write off the amount in line with the policies and procedures of the ARC.The ARC Council was provided with quarterly reports on how the amount is increasing per annum due to continuous short funding of ARC through the Parliamentary Grant (PG). .The investigation noted as per the inputs received from the Chief Executive Officer that:a) The Executive Management Committee has regularly, through quarterly performance reports, reported the financial position of ARC to the Accounting Officer of DAFF. This was done in lieu of compliance with the PFMA.b) The ARC has through its Council Committees raised concerns about the financial situation of the entity. Subsequently letters were drafted to the Executive Authority about this matter.c) The financial situation of the ARC as a going concern was raised by the Audit and Risk Committee and Council to the Minister and to the Portfolio Committee in each of the years. All this is contained in the annual reports of the ARC for the years being reported on.This is indicative of prudent and responsible management pertaining to the situation the ARC founds itself in. It was recommended that a cost saving measures be implemented with vigour by the office of the CFO, which would include monitoring of expenditure on a monthly basis. |
| 2016/17 financial year |
| 2016/17 Financial year | Over expenditure on the budget | R199 263 480.40 | An investigation was conducted into this over expenditure on ARC budget that resulted into an irregular expenditure finding by AGSA. The guidance as per annexure B of Irregular Expenditure guideline issued by National Treasury indicates that If the irregular expenditure is irrecoverable and there is no person who is liable in law, the Accounting Authority may write off the amount in line with the policies and procedures of the ARC.The ARC Council was provided with quarterly reports on how the amount is increasing per annum due to continuous short funding of ARC through the Parliamentary Grant (PG). .The investigation noted as per the inputs received from the Chief Executive Officer that:a) The Executive Management Committee has regularly, through quarterly performance reports, reported the financial position of ARC to the Accounting Officer of DAFF. This was done in lieu of compliance with the PFMA.b) The ARC has through its Council Committees raised concerns about the financial situation of the entity. Subsequently letters were drafted to the Executive Authority about this matter.c) The financial situation of the ARC as a going concern was raised by the Audit and Risk Committee and Council to the Minister and to the Portfolio Committee in each of the years. All this is contained in the annual reports of the ARC for the years being reported on.This is indicative of prudent and responsible management pertaining to the situation the ARC founds itself in. It was recommended that a cost saving measures be implemented with vigour by the office of the CFO, which would include monitoring of expenditure on a monthly basis. |
| 2017/18 financial year |
| 2017/18 Financial year | Over expenditure on the budget | R103 810 688.60 | An investigation was conducted into this over expenditure on ARC budget that resulted into an irregular expenditure finding by AGSA. The guidance as per annexure B of Irregular Expenditure guideline issued by National Treasury indicates that If the irregular expenditure is irrecoverable and there is no person who is liable in law, the Accounting Authority may write off the amount in line with the policies and procedures of the ARC.The ARC Council was provided with quarterly reports on how the amount is increasing per annum due to continuous short funding of ARC through the Parliamentary Grant (PG). .The investigation noted as per the inputs received from the Chief Executive Officer that:a) The Executive Management Committee has regularly, through quarterly performance reports, reported the financial position of ARC to the Accounting Officer of DAFF. This was done in lieu of compliance with the PFMA.b) The ARC has through its Council Committees raised concerns about the financial situation of the entity. Subsequently letters were drafted to the Executive Authority about this matter.c) The financial situation of the ARC as a going concern was raised by the Audit and Risk Committee and Council to the Minister and to the Portfolio Committee in each of the years. All this is contained in the annual reports of the ARC for the years being reported on.This is indicative of prudent and responsible management pertaining to the situation the ARC founds itself in. It was recommended that a cost saving measures be implemented with vigour by the office of the CFO, which would include monitoring of expenditure on a monthly basis. |
| 31/07/2018 | AJ Power (Pty) Ltd scored total points of 92 with a price of R415 970 whilst Peninsula Power Products scored total points of 97.66 with a price of R417 721. AJ Power (Pty) Ltd was awarded the contract based on its lower price and not on highest points. Therefore, this resulted in the contract not awarded to the bidder who scored highest points in terms of PPPFA and PPPFA Regulations as amended. | R415 970.00 | Investigation into the irregular expenditure findings raised by AGSA was finalised, the report recommended that disciplinary actions be taken against three employees at our Animal Production (ARC-AP) Campus. The following is the outcome of disciplinary action taken against the three employees:1. Acting SCM Accountant – Final Written Warning Issued 2. Finance Manager – Final Written Warning Issued3. Senior Research Manager – Final Written Warning Issued.ARC has submitted an application for the condonation of this irregular expenditure to National Treasury, ARC is still waiting for the outcome of its application. |
| 31/07/2018 | Continue using garden service after the expiry of the extension and thus exceeding the 15% threshold. The campus had requested further extension until the tender process was finalised by the ARC Chief Financial Officer. It ignored the fact that the further extension was not approved and continued to use the services of Clean to the Root without a valid contract. The continuous use of the invalid contract was in contravention of Section 37.2 of the ARC by exceeding the allowed 15% variation and six-month period without the necessary approval. The initial contract was for a period of 3 years which was concluded and signed off on 30 May 2011 to commence work on 1 June 2011. The contract expired on 31 May 2014 and ARC –OVR prepared an extension request for the contractor to continue with the work until the new contractor/bidder was appointed. The request for the extension of the garden services contract in OVR was approved until the replacement is concluded (in five months) until 31 October 2014. A request for approval to extend the contract until finalisation of the tender process was declined on 21 November 2014 with comments from the CEO “Due to budget cuts can we explore a different model where savings will be achieved”. Although the procurement of the garden services was included in the procurement plan for the following years, the process did not commerce the tender process for the garden services was centralised and the replacement took forever and to date there is no contractor appointed in this regard. The contract with Clean to the Roots was terminated at the end of October 2017. Therefore, the grand total amount of this tender including five months extension period is R1 8 61 169.65. The contract awarded to R1 625 400, additional 5 months for the period 1 June 2014 to 31 October 2014 was R235 769.65. Per the information submitted by the Senior Manager SM the total amount paid for the service rendered outside the approved contract agreement is R1 757 526.67.However, AGSA did the calculation based on the payment listing and concluded that the total amount was R1 998 785.84 made up as follows Amount relating to 2014/15 financial year R 247 523.54 Amount relating to 2015/16 financial year R 616 248.44 Amount relating to 2016/17 financial year R 743 956.70 Amount relating to 2017/18 financial year R 391 057.16 Total payments R1 998 785.84 | R1 998 785.84 | Investigation into the irregular expenditure findings raised by AGSA was finalised, the report recommended that disciplinary actions be taken against two employees at our Onderstepoort Veterinary Research (ARC-OVR) Campus. Disciplinary hearing is underway against the following employees:1. Facilities Manager * The disciplinary hearing was held at the beginning of 2019/20 financial year, it was decided during the hearing that a further investigation be conducted to identify all employees responsible for the irregular expenditure.
* Further investigation was conducted and concluded, it was found that the SCM Accountant at OVI must also be held accountable for this irregular expenditure.
* The disciplinary hearing scheduled for 21 July 2020 was postponed, due to employee being on sick leave.

2. SCM Accountant* The disciplinary hearing scheduled for 17 July 2020 was rescheduled to the 4 August 2020, due to employee being on sick leave.
* The disciplinary hearing scheduled for 04 August 2020 was postponed due to the employee been under covid-19 quarantine.
 |
| 2018/19 financial year  |  |
| 31/07/2019 | Deviations from SCM processes not in accordance with stipulated requirements – Single Source Deviation from ARC SCM policy not approved as per Treasury Instruction 3 of 2016-17:

|  |  |  |
| --- | --- | --- |
| Date Submitted to SCM | Description of the Service | Amount |
| 11-12-1807-02-19 | Request to deviate from the SCM policy for the appointment of Decision Inc. IMMX as a single source supplier for the Microsoft dynamics AX 2012 R3 upgrade to the ARC. | R790 000,00R550 060,00 |
| 11-Feb-19 | Deviation request to deviate from the ARC policy to enable contracting Eighteen surveyors for the National Yield Estimation project | R659 000,00 |
| 21-Feb-19 | Request to deviate from the procurement process to procure HPE Blade enclosure hardware direct from Datacentrix | R666 242,52 |
| 26-Mar-19 | Request to deviate from the SCM policy for the appointment of Purple Window as a single source supplier for the upgrade of exsam in Ms Dynamics AX 2012 R3 ERP | R998 800,00 |

 | R3 664 102,52 | This irregular expenditure was as a result of misinterpretation of Treasury Instruction 3 of 2016-17 that Single Source procurements above R500 000 must be approved/Supported by National Treasury.A meeting was held between National Treasury and ARC management to clarify Treasury Instruction 3 of 2016-17 and its intended purpose. ARC has submitted an application for the condonation of this irregular expenditure to National Treasury, ARC is still waiting for the outcome of its application. |
| 31/07/2019 | Contract variation by more than 15% not approved as per Treasury Instruction 3 of 2016-17. Payments were made to the Supplier; however, the payments exceed the contract amount of $43 358. 86. The translated contract amount is R640 562.30, Payments to date amount to R 752, 702,24Payment made exceeded the amount approved on the deviation for imported good because of VAT input | R112 139,94‬ | The matter is still under investigation, appropriate disciplinary action will be taken as soon as the final report is issued to management. |
| 31/07/2019 | Emergency approval for clearing of cargo and import taxes for FMD vaccines due to an outbreak in Limpopo not in-line with ARC SCM policy.Emergency clearing of FMD vaccine and import taxes for for an outbreak of the FMD in Limpopo interms of Section 44.2." Emergency cases are cases where immediate action is necessary in order to avoid a dangerous or risky situation or misery situation to health, life, property or environment and there is insufficient time to invite competitive bids". | R553 536,12 | The matter is still under investigation, appropriate disciplinary action will be taken as soon as the final report is issued to management. |
| 31/07/2019 | Tender number ARC/23/10/18 - The appointment of the service provider was dependent on the negotiations on the price as per the approval of the BEC as the price quoted was R2 069 000. Further if negotiations were unsuccessful, the BEC required that the tender be re- advertised. | R2, 069, 737.80 | The matter is still under investigation, appropriate disciplinary action will be taken as soon as the final report is issued to management. |
| 31/07/2019 | An approved deviation memo for the emergency appointment and use of financial expert services (Dadani Trading) during the 2018 audit. The ARC decided to approach consultants who are familiar with the public sector environment/ the ARC in particular and were immediately available to assist with year-end work as well as work on the AIP.Two deviations approved, the first approved by the CEO in terms of SCM Policy Section 34(d) "for a task that represent a natural continuation of previous work carried out the firm" the second seviation was in term of Section 34(a) " when only one firm is qualified or has experience of exceptional worth for the assignment | R1 691 850.00 | The matter is still under investigation, appropriate disciplinary action will be taken as soon as the final report is issued to management. |
| 31/07/2019 | Quotation processes incorrectly followed for procurement above R 500 000(VAT inclusive). The table below illustrates the details of quotations awarded that should have followed the competitive bidding process:

|  |  |
| --- | --- |
| Supplier Name  | Amount paid  |
| Opteron Pty(Ltd) | R571 653(VAT inclusive) |
| Xivutiso Fiona Trading and Projects | R510 075(VAT inclusive) |

 | R1 081 728.00 | The matter is still under investigation, appropriate disciplinary action will be taken as soon as the final report is issued to management. |

**ANNEXURE B : ARC**

1. Feedback on serious supply chain irregularities

| **No** | **Employee Level / Business Area** | **Nature of allegation** | **Status**  |
| --- | --- | --- | --- |
| **1** | SGI –Facilities | Allegations of procurement irregularities (Security Cameras) at SGI (Bethlehem) campus. | **Status**The Investigation is finalised. The employee responsible resigned from ARC before the disciplinary process could be finalised. |
| **2** | TSC – Facilities | Procurement irregularities by farm manager  | **Status**Report finalised. The case is at CCMAThe Disciplinary hearing was held on 08 and 09 July 2020, awaiting the outcome of the DC |
| **3** | OVI Campus | Alleged procurement irregularities by SCM Section at OVI | **Status**Investigation in progress |
| **4** | OVI -Facilities | Perceived unfair procurement practice on renovation of ablution facilities.Three year service of Boiler, and Animal Feed | **Status**The Investigation is finalised. The matter was referred to campus management to take the necessary Disciplinary action. |
| **3** | OVI -Facilities | ARC-OVR Alleged procurement irregularities at OVR workshop  | **Status**The Investigation is finalised. The matter was referred to campus management to take the necessary Disciplinary action. |
| **4** | VOPI -Facilities | Suspected irregular appointment of a service provider to provide fuel at VOP | **Status**Investigation in progress |

| CAMPUS | SUPPLIER NAME | METHOD OF PROCUREMENT | DESCRIPTION | ORDER AMOUNT  |
| --- | --- | --- | --- | --- |
| AP | Musenga  | RFQ | SANITIZER  | R52 496,50 |
|   | Mothwanape | Emergency | DISINFECTION MAIN BUILDING | R50 000,00 |
|   | Mothwanape | RFQ | DISINFECTION OF ROODEPLAAT | R7 772,03 |
|   | Mix Creation | RFQ | 3 PLY MASK | R25 000,00 |
|   | Labotec | RFQ | THERMOMETER | R1 092,50 |
|   | Antivirus Trading | RFQ | DISINFECTION OF NCECA | R9 525,00 |
|   | Mothwanape | Emergency | DISINFECTION OF MEAT SCIENCE | R38 785,40 |
|   | Solani trading | RFQ | SANITIZER AND THERMOMETER | R74 940,00 |
|   |   |   |   | R259 611,43 |
| Infruitec | Body shop | Petty cash | hand sanitiser & wipes | R239,90 |
|   | Crazy Store and Body shop | Petty cash | Spray bottles , aloe gel , oils | R887,30 |
|   | Laborem Lab Supplies | RFQ | Spray bottles | R455,70 |
|   | The Crazy Store | Petty cash | Spray bottles | R300,70 |
|   | Die Boord Pharmacy | Petty cash | Thermometer & batteries | R1 412,90 |
|   | Bidvest Steiner | Petty cash | Masks | R1 719,48 |
|   | Bidvest Steiner | Petty cash | Hand sanitiser spray | R1 932,00 |
|   | Clicks | Petty cash | Wet wipes | R445,15 |
|   | Steiner Hygiene (Pty) Ltd | Emergency  | Ster-fog spray once-off | R34 776,31 |
|   | Steiner Hygiene (Pty) Ltd | RFQ | Thermometers | R16 675,00 |
|   | Petty cash | Petty cash | Batteries  | R240,00 |
|   | Petty cash | Petty cash | Spray bottels | R443,15 |
|   | ETHANOL SA | RFQ | Ethanol | R9 648,50 |
|   | MOONSTONE INVESTMENTS 15 | RFQ | Spray bottels and wipes | R10 723,75 |
|   | Mr Farmer CC | RFQ | Cloth Masks | R25 875,00 |
|   | FORMS MEDIA INDEPENDENT AFRICA | RFQ | Steri-stands | R21 562,50 |
|   | MOONSTONE INVESTMENTS 15 | RFQ | Lavender Oil | R1 495,00 |
|   | STEINER HYGIENE | RFQ | Steri-fog chemicals | R10 891,65 |
|   |   |   |   | R139 724,00 |
| TSC | Steiner Hygiene | RFQ | Hand Sanitiser 70% gel 25L | R89 635,60 |
|   | Steiner Hygiene | RFQ | Surgical Masks Box of 50 | R114 425,00 |
|   | Mandi and Prich | RFQ | 3 Layers Cloth Face Masks | R10 500,00 |
|   | Supra Healthcare Johannesburg | RFQ | Disposable Face Shield | R861,06 |
|   | Supra Healthcare Johannesburg | RFQ | Thermometer Non-Contact Infrared | R43 125,00 |
|   | Love and Charm Trading | RFQ | Disinfecting of buildings | R15 909,68 |
|   | Courier-IT SA | RFQ | Courier Services | R314,26 |
|   | Die Humansdorpse Kooperasie | RFQ | Disposable surgical type face masks, Box of 50 | R25 012,50 |
|   | Die Humansdorpse Kooperasie | RFQ | Hand and surface sanatiser, 70% alcohol, per L | R3 069,93 |
|   | Die Humansdorpse Kooperasie | RFQ | Spray bottle, 1L | R985,78 |
|   |   |   |   | R454 454,45 |
| PHP | Musenga | RFQ | PPE | R83 621,04 |
|   | Laborem | RFQ | PPE | R9 157,45 |
|   | Steiner Hygiene | Deviation | Disinfection of office(deep cleaning of office space | R4 312,50 |
|   | Steiner Hygiene | RFQ | Disinfection of office(deep cleaning of office space | R1 863,78 |
|   | AA Mosaka | Deviation | Disinfection of office(deep cleaning of office space | R59 122,01 |
|   | Petty cash | Petty cash | Thermometers | R7 000,00 |
|   |   |   |   | R165 076,78 |
| IC | Absolute office Pty Ltd | RFQ | PPE (5X BOX of Masks, 3X Box of Nitrile gloves & 4X 25L 70% alcohol based hand sanitizer & Re-useable and washable mask)   | R25 330,64 |
|   | Aug Behrens Pty Ltd | RFQ | Purchase of 3 scanning machine | R5 895,70 |
|   | Redspot Soap CC | RFQ | Office space disinfection completed prior to the return of employees | R29 997,25 |
|   |   |   |   | R61 223,59 |
| SG | Pick 'n Pay | Petty Cash | Hand Sanitizers | R359,80 |
|   | Alda's Interiors | Petty Cash | Face Masks-Crop protection | R1 000,00 |
|   | Alda's Interiors | Petty Cash | Face Masks-Facilities, Finance, HR Support | R1 000,00 |
|   | Alda's Interiors | Petty Cash | Face masks-Crop Improvement and Germplasm | R2 000,00 |
|   | Alda's Interiors | Petty Cash | Face masks Production Systems | R2 000,00 |
|   |  | Petty Cash | Consumables for Isolation Room | R1 600,00 |
|   | Mr Price | Petty Cash | PPE Production Systems | R1 473,80 |
|   | Mr Price | Petty Cash | Thermometer | R1 600,00 |
|   | Mr Price | Petty Cash | Protective clothing | R259,00 |
|   | Bethlehem Masons | Petty Cash | Thermometer | R1 600,00 |
|   | Bethlehem Masons | Petty Cash | PPE Production Systems | R1 450,00 |
|   | Bethlehem Masons | Petty Cash | Batteries for thermometers | R179,90 |
|   | VKB | Petty Cash | Sanitizer and masks | R1 958,90 |
|   | Crazy Plastics | Petty Cash | Sanitizer, face shields and masks | R1 974,93 |
|   | Hygiene Outright | Petty Cash | Sanitizer | R825,72 |
|   | kroon Pharmacy | Petty Cash | 96% ethanaol | R3 486,80 |
|   | kroon Pharmacy | Petty Cash | 70% alcohol sanitizer | R1 392,65 |
|   | kroon Pharmacy | Petty Cash | FFI Masks | R1 900,26 |
|   | VKB | Petty Cash | Absolute ethanol | R5 492,40 |
|   | VKB | Petty Cash | Nitrile gloves | R1 891,75 |
|   | VKB | Petty Cash | 25L Sanitizer | R1 392,65 |
|   | Hoek Pharmacy | Petty Cash | 70% alcohol sanitizer | R1 392,65 |
|   | Hoek Pharmacy | Petty Cash | ALSC-MASK002 | R1 348,95 |
|   | Bargain Box | Petty Cash | Disinfection of buildings | R26 424,52 |
|   | Fourie Turbo | Petty Cash |   | R64 004,68 |
| GC | Redspot Soap Trading | RFQ | Mask Non-Medical - Protection Non-woven 4 Layer 1s | R4 485,00 |
|   | Joyce Solutions | RFQ | THEMOMETER INFRARED SCANING +LCD | R10 165,00 |
|   | Joyce Solutions | RFQ | Hand Sanitizer dry disinfectant  70%  | R19 692,68 |
|   | True Ambition Trading | RFQ | STAND/FOOT - SANITIZING STATION + BOTTLES | R29 700,00 |
|   | Aristocraft Trading | RFQ | Visors, 500 ml Bottles, Bleach | R5 120,56 |
|   | Printing Things | RFQ | Branded Fabric Face Masks   | R18 400,00 |
|   |   |   |   | R87 563,24 |
| VOP | Tripple Medical Distribution | TR -contract | 250ML Hand sanitizer | R18 700,00 |
|   | Tripple Medical Distribution | TR -contract | 25L Sanitizer | R14 756,58 |
|   | Tripple Medical Distribution | TR -contract | Mask 3PLY | R16 000,00 |
|   | Tripple Medical Distribution | TR -contract | Gloves Nitrile | R10 350,00 |
|   | Tripple Medical Distribution | TR -contract | 500 ML hand sanitizer | R1 750,00 |
|   | Tripple Medical Distribution | TR -contract | Thermometer | R4 400,00 |
|   | Tripple Medical Distribution | TR -contract | Mask 3PLY Surgical face | R2 044,00 |
|   | Tripple Medical Distribution | TR -contract | Mask FFP-Dust mask | R8 000,00 |
|   | AA Mosaka Tradind enterprise | Deviation | Disinfection of buildings | R82 161,35 |
|   |   |   |   | R158 161,93 |
| CO | OHS Care | RFQ | Medical Screening  | R137 540,00 |
|   | Robin Aden Cox | RFQ | Branded fabric face masks   | R16 000,00 |
|   | Pinnacle Hygeine Services  | RFQ | Disinfection of buildings | R7 682,00 |
|   |   |   |   | R161 222,00 |
| BTP | Supra Larex Pty Ltd | RT CONTRACT | FACE SHIELD | R997,50 |
|   | Supra Larex Pty Ltd | RT CONTRACT | FACE MASK | R8 000,00 |
|   | Supra Larex Pty Ltd | RT CONTRACT | 3 PLY MASK | R790,00 |
|   | Supra Larex Pty Ltd | RT CONTRACT | Coverall Premuim Hooded | R4 200,00 |
|   | Supra Larex Pty Ltd | RT CONTRACT | Digital Thermometer | R2 400,00 |
|   | Supra Larex Pty Ltd | RT CONTRACT | Sanitizer | R5 400,00 |
|   | Inqaba | Below 2000 | Gloves | R1 022,36 |
|   | Phetokhule | RFQ | JUMBO Rolls | R1 500,00 |
|   | Phetokhule | RFQ | Sanitizer Wipes | R1 100,00 |
|   | Plastilon | Below 2000 | Plastic Bucket | R75,04 |
|   | United Scientific Pty Ltd | RFQ | Ethanol | R8 280,00 |
|   |   |   |   | R33 764,90 |
| OVI | Fortistle Pty (Ltd) | RFQ Evaluation on 3 Treasury selected suppliers | Personal Protective equipment | R2 619 817,30 |
|   | Tara Healthcare | Selected listed supplier | Personal Protective equipment | R122 620,30 |
|   |   |   |   | R2 742 437,60 |
|  |  |  |  |  |
|  |  |  | Total | R4 327 244,60 |