



REPUBLIC OF NAMIBIA

Ministry of Finance

Procurement Policy Unit

(Established under section 6 of the Public Procurement Act, 2015)

SUMMARY REPORT ON COMPLIANCE AUDITS - 2021/22

Ministry of Finance

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1. Objective

To provide a brief consolidated summary to the Honourable Minister on Public Entity compliance for 2021/22, as determined through compliance Audits conducted by the Procurement Policy Unit (PPU) during the 2021/22 Financial Year. The report further seeks to present for attention and support the proposed remedial actions to be taken against common blatant non-compliance with the Public Procurement Act, 2015 (PPA) by public entities.

2. Background and Discussion

The implementation of the Public Procurement Act, 2015 commenced 01 April 2017. The date 31 March 2022 marked the fifth-year anniversary of the implementation of the legislation. By design, the Public Procurement Act, 2015 provides for monitoring and reporting on the performance of the Public Procurement Act, including assessment to determine compliance. It is on this background that the PPU undertake, compliance monitoring on a regular basis, to determine the level of adherence by public entities.

The objects of the PPA under section 2 are outlined below;

- a) *to promote integrity, accountability, transparency, competitive supply, effectiveness, efficiency, fair-dealing, responsiveness, informed decision-making, consistency, legality and integration in the procurement of assets, works and services including, among others, to -*
 - (i) *harmonise procurement policies, systems and practices that apply to public entities and maximise economy and efficiency in public procurement to obtain best value for public expenditures;*
 - (ii) *set and review standards and practices for the public procurement system in Namibia;*

 - (iii) *monitor compliance by public entities; and*
 - (iv) *build procurement capacity in Namibia;*

- b) *to promote, facilitate and strengthen measures to implement the empowerment and industrialisation policies of the Government including, among others -*
 - (i) *the job creation for Namibian citizens;*
 - (ii) *the empowerment of Namibian registered small and medium enterprises, women and youth by creating economic opportunity for them and enhancing their participation in the mainstream economy;*
 - (iii) *sourcing of goods manufactured, mined, extracted or grown in Namibia and local services and labour, including local entrepreneurial development; and*
 - (iv) *preferential treatment in the allocation of procurement contracts to -*

- (aa) Namibian registered small and medium enterprises;
- (bb) Namibian registered joint venture business;
- (cc) categories of Namibian manufacturers, suppliers, contractors and service providers;
- (dd) Namibian registered entities that promote the protection of the environment, maintain ecosystems and sustainable use of natural resources; or
- (ee) Namibian natural persons or categories of persons, including persons who have been, economically or educationally disadvantaged by past racial discriminatory laws or practices, as the Minister may prescribe for a specified or unspecified period and either unconditionally or subject to such conditions as the Minister may determine, having regard to the policies of the Government; and

c) to regulate the letting and hiring of anything or the acquisition or granting of any right and the disposal of assets.

The Government of the Republic of Namibia recognise the need to maintain faith and confidence of the general public in the operations of the procurement system by instituting compliance audits to determine compliance by public entities and provide reports for public consumption and institute measures to improve the status quo, where necessary.

3. Compliance Audit Planning

3.1 The audit processes

Below is the established compliance audit process mapping:



4. Compliance Audits conducted and findings

4.1 Compliance Audits

The Procurement Policy Unit in line with its compliance calendar conducted 15 compliance audits at selected public entities. Amongst the compliance audits conducted, verification process has been concluded and final report issued. The remaining 7 public entities have received their draft reports and awaiting comments from the respective public entities. In Table 1 below is an updated register on the status of compliance audits conducted during the 2021/22 Financial year:

Audit Period	Public Entity Audited	General Score (out of 100%)	Specific Score (out of 100%)	Overall Score (out of 100%)
Quarter 1	Ministry of Agriculture, Water and Land Reform			
	Ministry of Works and Transport			76
	TransNamib			76
Quarter 2	Agribank	100	28	42
	Ministry of Public Enterprises	83	16	29
	National Housing Enterprise (NHE)	100	52	62
	Namibia Students Financial Assistance Fund (NSFAF)	100	42	54
Quarter 3	Namibia Institute for Public Administration and Management	83	40	49
	Namibia Institute of Pathology Limited (NIP)	83	49	56
	Ministry of International Relations and Cooperation	50	10	18
	University of Namibia (UNAM)	50	35	38
	Social Security Commission (SSC)	50	10	18
Quarter 4	Namibia University of Science and Technology (NUST)	67	30	37
	Roads Fund Administrator (RFA)	83	73	75
	Ministry of Mines and Energy	17	39	34
	Ministry Of Labour, Industrial Relations and Employment Creation	50	16	23

4.2 Compliance Audit Findings

During the audit, the procurement activities of a public entities were scored using a score sheet to determine compliance to the Public Procurement Act, 2015. The scores were summarized to determine the following compliance levels;

- a) General compliance of a public entity to determine the compliance levels of Public Entity. The general compliance assessment includes the establishment of the

internal procurement structures, the Annual Procurement Plans and submission of Progress reports.

- b) Specific compliance of a public entity is determined by the average sum scored by a public entity for all procurements audited.
- c) The scores from the general compliance and the specific compliance are computed to establish the overall compliance of the Public Entity for the Audit.

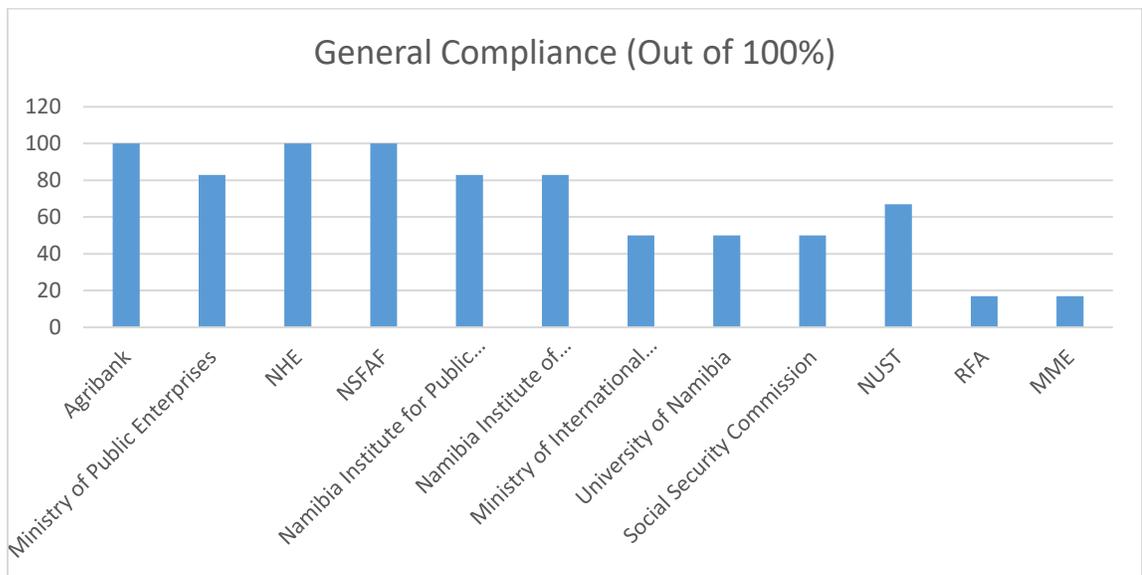
In the next section, an overview of the performance levels of the Public Entities audited during the 2021/22 Financial Year are indicated.

4.2.1 General Compliance levels

The Audit process found a satisfactory performance as majority of public entities scored a satisfactory level. It is clear that the majority of Public Entities have a structure for procurement in place, Annual Procurement Plans are prepared at a fair presentation level and progress reports submitted.

During the Audit, Public Entities were found to be compliant with the consultation with the PPU, establishment of the structures and preparation, approval of the APP and progress reports. However, below are the non-compliances that the public entities committed;

- Performance agreements signing by all the Procurement Committee, PMU members i.t.o Regulation 5(3)
- The signing disqualification declaration and public procurement code of conduct ethics and conduct by all members
- Ensuring that the period of appointment in line with regulation 11(6)(a)
- Publishing of the Annual Procurement Plans
- Submission to PPU./



4.2.2 Specific Compliance levels

The Audit process found worrisome performance level as all public entities scored below the 50% mark. Specific procurement activities reviews the levels of compliance by a public entity relating how a procurement activity best complies to the Public Procurement Act, its regulations and directives issued therein, inclusive of guidelines. Specific public entities such as Ministry of International Relations and Cooperation and the Social Security Commission scored an average rate of 10% for their procurements. In the specific procurements, most public entities had problems with complying to the following:

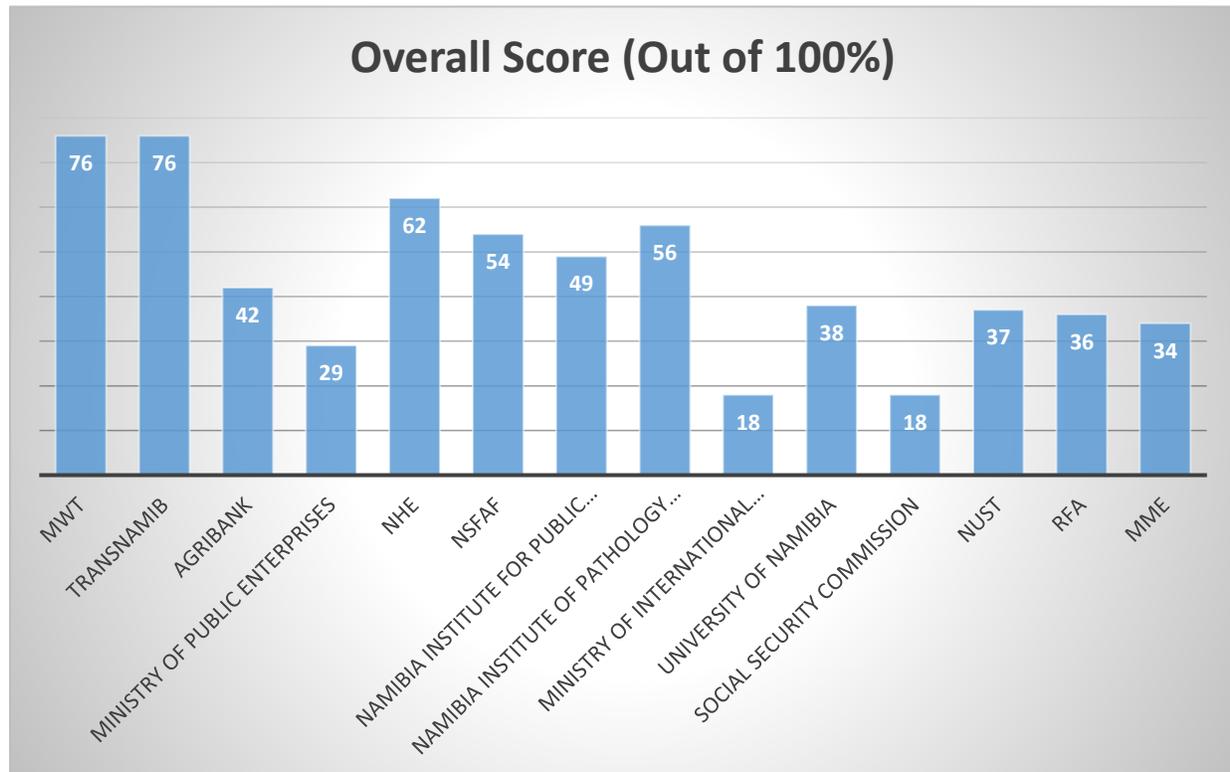
- Is the purchase requisition submitted (Regulation 8(2)(e))
- Is the procurement activity part of the approved APP for the financial year under review
- Is the procurement executed in line with the estimated value in the APP
- Is the certification for availability of funds done by Accounting Officer in terms of section 25(4)(b) of the PPA
- Procurement method justified (Section 27(4) & 27(5))
- Documentation



4.2.3 Overall Compliance levels

The Procurement Policy Unit has set the required performance levels at 80% for a Public Entity to be considered compliant. During the Audit processes, the PPU found worrisome performance level as all public entities could not meet the minimum required audit score of 80%. The highest score was MWT and Transnamib at 76%, while public entities such

as Ministry of International Relations and Cooperation and the Social Security Commission scored an overall score of 18%



5 Possible remedial measures

The poor compliance levels observed may not be condoned and is to be addressed with the urgency it deserves. Below are possible remedial measures that can be explored:

- (i) Continuous and targeted capacity building in key areas of challenge; and
- (ii) Implore proper procurement planning in public entities to improve efficiency.
- (iii) Introduce targeted remedial measures for administrative non-compliance in order to restore faith in the procurement system and promote the objectives of the Act.
- (iv) Enhance professionalization and considerations for development of a procurement cadre to enhance career development of procurement officers.
- (v) Capacity building for accounting officers.

In line with the recommendations made to public entities, most commonly public entities were advised to adopt the recommendations in preparation of a follow-up Audit to be conducted by the PPU in a period of 12 months from the date of the Audit. However, commonly identified recommendations includes;

1. Appointment of Internal Organizational structures for procurement in line with the Act and Directives

2. Preparation of APP's by segregating the procurement activities to enhance efficiency
3. Adoption of the default method of procurement as a preferred choice of procurement
4. Notification of bidders and signing of contracts
5. Constant publication of awards
6. Documentation to enhance accountability and support review process.

6 Recommendation(s)

On the basis of section 25(1)(b) "*An Accounting Officer - is accountable for the full compliance with this Act and directives and instructions made under this Act*", It is therefore key to ensure that the possible remedial measures are implemented to ensure that capacity building is enhanced, and that remedial actions are taken against those who commit administrative non-compliance.