



REPUBLIC OF NAMIBIA



FOLLOW-UP PERFORMANCE AUDIT REPORT
WITHIN THE MINISTRY OF ENVIRONMENT AND TOURISM
EXTENDED TO THE MINISTRY OF FINANCE
ON TROPHY HUNTING

FOR THE FINANCIAL YEARS 2012/13 TO 2014/15

Published by authority

Price (Vat excluded) N\$ 21.40
Report no.: 2016/121

REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my performance audit report on the follow up Performance Audit Report within Ministry of Environment and Tourism Extended to Ministry of Finance on Trophy Hunting, for the financial years 2012/2013, 2013/2014, 2014/2015 in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

A handwritten signature in black ink, appearing to read 'Junias Etuna Kandjeke'.

WINDHOEK, NOVEMBER 2016

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

TABLE OF CONTENTS

Contents

ABBREVIATIONS	ii
EXECUTIVE SUMMARY	iii
CHAPTER 1 – INTRODUCTION.....	1
1.1 The Historical Background of the audit object/auditee	1
CHAPTER 2 – FINDINGS.....	3
2.1 The co-ordination and communication between the Ministry of Finance and the Ministry of Environment and Tourism	3
2.2 Financial statements for VAT and Income tax assessments within Inland Revenue Department.....	4
2.3 Inspections	5
2.4 Park and Wildlife Management Bill.....	6
CHAPTER 3 – CONCLUSIONS.....	7
3.1 The co-ordination and communication between the Ministry of Finance and the Ministry of Environment and Tourism	7
3.2 Financial statements for VAT and Income tax assessments within Inland Revenue department.....	7
3.3 Inspections	7
3.4 Park and Wildlife Management Bill.....	7
CHAPTER 4 – RECOMMENDATIONS.....	8
4.1 The co-ordination and communication between the Ministry of Finance and the Ministry of Environment and Tourism	8
4.2 Financial statements for VAT and Income tax assessments within Inland Revenue department.....	8
4.3 Inspections	8
4.4 Park and Wildlife Management Bill.....	8

ABBREVIATIONS

ABBREVIATION	EXPLANATION
OAG	Office Of The Auditor-General
MET	Ministry Of Environment And Tourism
MOF	Ministry Of Finance
IRD	Inland Revenue Directorate
GDP	Gross Domestic Product
VAT	Value Added Tax

AUTHORS:

E. STRAUSS (Team Leader)

E. SHEEHAMA (Auditor)

EXECUTIVE SUMMARY

The Office of the Auditor-General is authorized to carry out Performance audits in terms of Section 26 (1) (b) (iv) of the State Finance Act, (Act 31 of 1991) which reads as follows: (The Auditor-General) “may investigate whether any moneys in question have been expended in an efficient, effective and economic manner.” Performance auditing may be defined as examining whether Government Ministries are “*doing the right thing*” and utilizing the resources “*in the right and least expensive way*”.

The purpose of the follow-up audit is to provide Parliament with timely information on the audited entities, operations and to determine the progress made by the audited entity on the implementation of the recommendations made in the Auditor-General’s report dated June 2006.

The main audit report covered the period from February 1998 to December 2001. The audit focused on the Division Wildlife Management. The Inland Revenue Directorate (IRD) was also identified as a key stakeholder as they are primarily responsible for the assessment and collection of trophy hunting revenue.

The major findings and conclusions revealed by the follow-up audit were as follows:

1. The follow-up audit found that there is no formal platform of communication between IRD and MET regarding trophy hunting information as recommended which makes it difficult for the IRD to confirm income from trophy hunting activities.
2. The audit also found penalties for offences were not adjusted.
3. The audit found that the income generated through trophy hunting is not split or explained in the notes to the financial statements as was recommended. In addition, MET did not avail annual reports on the actual utilization as well as prices per animal hunted to IRD. This inhibits the IRD’s ability to determine the correct amount generated on all hunting activities. This could lead to a loss of revenue to the Government due to the understatement of income generated by hunting farms.
4. The audit found that inspections are not carried out on a regular basis at butcheries, trophy manufacturers and hunting farms to ensure that all regulations of MET are met and all irregularities are detected.
5. At the time of the audit the Park and Wildlife Management Bill has not been finalized and enacted. The delay to finalize and enact the Parks and Wildlife Management Bill inhibits the MET’s ability to effectively manage trophy hunting in Namibia.

Recommendations:

1. There should be a formal platform of communication regarding trophy hunting information between the two Ministries in order to ensure that there is a regular flow of necessary information.
2. The IRD should request hunting farms to split the amount of income generated through trophy hunting in the notes to the financial statements by indicating the exact amount for accommodation, transport and trophy hunting. Furthermore, the MET should enforce the annual return to compel hunting farms and trophy hunters to include prices per animal hunted. The MET should then compile annual reports indicating the actual utilisation as well as the prices per animal hunted and avail such reports to the IRD to assist the IRD to determine the correct amount generated on all trophy hunting activities.
3. It is pertinent that regular inspections should be carried out at butcheries, trophy manufacturers and hunting farms to ensure that all MET regulations are met and all irregularities are detected.
4. The Bill should be finalised and enacted without further delay in-order to guide the MET to effectively manage all trophy hunting activities including matters related to inspections, revising and adjusting penalties issued for transgressions.

Comments received by the respective Ministries

The Ministry of Finance and Ministry of Environment and Tourism provided comments on the relevant findings which are disclosed in more detail under the respective findings in chapter 2.

CHAPTER 1 – INTRODUCTION

The purpose of the follow-up audit is to provide Parliament with timely information on the audited entity's, operations and to determine the progress made by the audited entity on the implementation of the recommendations made in the Auditor General's report.

1.1 The Historical Background of the audit object/auditee

The Main audit report covered the period from February 1998 to December 2001. The audit focused on the Division Wildlife Management. The Inland Revenue Directorate (IRD) was also identified as a key stakeholder as they are primarily responsible for the assessment and collection of trophy hunting revenue. The main audit report focused on the following areas:

- Flow of information between the Ministry of Environment and Tourism (MET) and the Ministry of Finance (MOF).
- Financial statements for VAT and Income Tax within the Inland Revenue Directorate (IRD).
- Inspections conducted at hunting farms, butcheries and trophy manufacturers.
- The finalisation of the Park and Wildlife Management Bill.

Trophy hunting forms a vital part of income generated towards Gross Domestic Product (GDP) in Namibia, it must therefore be handled with due care and permits should be awarded to those who meet the set requirements.

It would be impossible for trophy hunting to generate more or better income in the absence of effective co-ordination and flow of information between MET and MOF that is responsible for issuing hunting permits, controlling hunting quotas and collection of tax revenue on trophy hunting income.

As mentioned above trophy hunting is an essential component to the GDP or income in Namibia. Therefore, it needs efficient inspections on hunting farms and well trained and enthusiastic inspectors to evaluate and assist the hunting farm owners in managing their games as well as ensuring proper recording and declaration of trophy hunting income and expenditure for tax purposes.

The Nature Conservation Ordinance No 4 of 1975 of the MET governs the operation of trophy hunting in Namibia.

The following methods were used for the collection of information:

- Interviews; and
- Documentary review

All information collected was used to determine whether the recommendations have been implemented or not, and if not what were the reasons for non-implementation.

Interviews with the following staff were conducted:

- Acting Deputy Director: Wildlife Utilization (MET);
- Senior Conservation Scientist: Wildlife Trade & Permit Control (MET);
- Chief Warden: Wildlife Trade & Permit Control (MET);
- Control Warden: Wildlife and National Parks (MET); and the
- Control Taxation Officer: Assessment Division (IRD).

Documentation listed below were collected for the purpose of analysis:

- Nature Conservation Ordinance No 4 of 1975 governing trophy hunting in Namibia;
- A list of permit holders for the period under review;
- Trophy hunting files and trophy hunting documentation of hunting farms, trophy hunters, butcheries, trophy manufacturers and trophy dealers;
- Trophy hunting price list;
- Annual returns on the actual utilization of game per trophy hunter;
- Trophy hunting statistics report (2010-2014);
- Annual inspection program or plan; and
- Tax files, tax returns and assessments of hunting farms.

Document analysis and interviews were conducted to:

- Establish whether the Parks and Wildlife Management Bill have been finalised and enacted. Also to establish if penalties for transgressions/offences and trophy hunting permits have been reviewed and adjusted;
- Establish how frequently and, to what extent are inspections being conducted at hunting farms, butcheries and trophy manufacturers;
- Establish the flow of information between the MET and MOF on trophy hunting documentation;
- Establish if there are differences between the hunting income declared to MET and to MOF;
- Determine how many hunting farms (as per MET records) are not registered with MOF for tax purposes; and
- Establish whether hunting income (accommodation, transport and trophy hunting) is separately disclosed in financial statements through notes.

CHAPTER 2 – FINDINGS

2.1 The co-ordination and communication between the Ministry of Finance and the Ministry of Environment and Tourism

a) Trophy hunting documents

The Auditor-General's (AG's) report recommended that there should be a formal platform of communication regarding trophy hunting information between the two Ministries at least twice a year. Although both Ministries have their own job description/duties in terms of carrying out their duties, there is a common interest of ensuring that all relevant information is in accordance with the regulations.

The Auditor-General further recommended that the IRD and MET should separately obtain a copy of the price list from the different hunting farms for the particular hunting season in order to assist in determining the income generated from sale of animals. The list of all registered hunting farms at MET, trophy hunting report, trophy manufacturers register for the processing of trophies, must be sent to MOF to assist in verification of tax assessments.

The auditors found that there is no formal platform of communication between MOF and MET regarding hunting information. The lack of communication between the two ministries may result in lack of coordination which could lead to tax avoidance.

Comments received from the Ministry of Finance.

“The Ministry of Finance through the Inland Revenue Department (IRD) recognizes the need for the collaboration with the Ministry of Environment and Tourism (MET) in carrying out its mandate of maximizing tax revenue. The Ministry of Finance welcomes the flow of regulatory data from the Ministry of Environment and Tourism that will augment the assessment of tax income derived from trophy hunting.”

b) Permits

The Auditor-General's report recommended that a copy of permits issued at MET about trophy hunting should be sent to the IRD. Books should be printed to provide for an additional copy to be sent to MOF. MET should review the fee for trophy hunting permits as well as penalties for offences.

The audit found that the copies of permits issued at MET are not sent to the IRD for tax verification purposes. The MET intended to compile annual reports indicating the actual utilization and avail these reports to IRD. However, at the time of the audit, the audit found that the aforementioned reports were not sent to the IRD. As a result, tax verification not being done could lead to tax avoidance. Furthermore, the audit also found that the penalties for offenses were not reviewed.

Comments received from the Ministry of Finance.

“Through the Office of the Auditor-General, IRD will ascertain the nature and extent of information that can be made available to MET.”

Comments received from the Ministry of Environment and Tourism

“...right after the initial audit in 2006, officials from the MoF visited the MET Permit Office to collect information specifically on trophy hunting, but that practice has been seized some years back. The Ministry would like to advise that MoF officials revive their visits to the Permit Office to collect data instead of making extra copies of all trophy hunting permits and reports for MoF. Regular interactive visits will lead to better co-ordination and communication between the two Ministries on this issue. The Ministry has proposed amendments to the Nature Conservation Ordinance 4 of 1975 to cater for amongst others increase in penalties for offences. The Amendment Bill has been approved by Cabinet, in principle. The Cabinet Committee on Legislation has cleared the Bill as well.”

2.2 Financial statements for VAT and Income tax assessments

The Auditor-General’s (AG’s) report recommended that the hunting farms must split the amount of income generated through trophy hunting in the notes to the financial statements by indicating the exact amount generated for accommodation, transport and trophy hunting. Furthermore, the AG’s report recommended that all financial statements must be accompanied by notes that are explaining the total amount of trophy hunting income generated from different items to enable IRD to determine the exact amount generated on all hunting activities.

Document analysis confirmed that income generated through trophy hunting was not split or explained in the notes to the financial statements as was recommended.

Document analysis on the Trophy Hunting Statistics report (2010-2014) and a price list provided by the MET reflects estimated trophy hunting income amounting to N\$ 425 265 039, N\$ 498 218 966 and N\$ 493 158 813 for the 2012 – 2014 financial years respectively. Income received in respect for the 2014/15 financial year, was not provided at the time of the audit. The auditors could not confirm the correctness of the income provided by MET as the IRD could not provide the auditors with relevant and sufficient information.

The audit also found that the annual return to compel hunters to insert prices per animal hunted is not enforced as the trophy hunters and hunting guides’ only provide a summary of the trophy animals utilized without any price (cost) per animal.

Failure to split and explain the income generated through trophy hunting in the notes to the financial statements inhibits the IRD to determine the exact amount generated on all hunting activities. This could further result in a loss of revenue to the Government due to the possible understatement of income generated by hunting farms.

Comments received from the Ministry of Finance.

“IRD will request farmers to provide a breakdown of the figures relating to the hunting activities of farming and where applicable request for a detailed disclosure in the notes to the financial statements.”

2.3 Inspections

The Auditor-General's report recommended that there should be regular inspections carried out at butcheries, trophy manufacturers and hunting farms to ensure that all regulations of MET are met and all irregularities are detected. Furthermore, it also recommended that the penalties issued for transgressions of the Ordinance must be revised and adjusted.

The audit found that inspections are not carried out on a regular basis nor is there any inspection policy or plan/schedule in place to guide inspections, although, document analysed revealed that there is a standard hunting farm inspection form used for hunting farm inspections.

Document analysis reflected the following initial and follow-up inspections that were carried on a 5% sampled number of hunting farms, butcheries and trophy manufacturers:

Table 1: Inspections

Sample type and size	Initial Inspection	Follow-up Inspection
16 Hunting farms	5 (30%)	0 (0%)
5 Butcheries	3 (60%)	1 (20%)
10 Trophy manufacturers & dealers	5 (50%)	0 (0%)

Source: Trophy hunting files

The table above shows that inspections are mainly done when hunting farms, butcheries and trophy manufacturers are registered for the first time. However, follow-up inspections are seldomly done.

Fees for issue and renewal of registration as a hunting farm, hunting guide and professional hunter have been revised in 2009. However, interviews and documentary reviews informed the auditors that penalties for transgressions as per the Ordinance have not been revised and adjusted.

Failure to carry-out regular inspections may result in all regulations of MET not being met and that possible irregularities are not being detected. Furthermore, penalties for transgressions not being revised and adjusted could result in loss of income for the government.

Comments received from the Ministry of Finance.

"The IRD will continue with its routine desk and field audits on the farming trade and compile internal audit reports that would be made available to the Office of the Auditor-General upon request."

Comments received from the Ministry of Environment and Tourism

The Ministry has provided new information on this section to the Performance Audit Division (Office of the Auditor-General) as discussed and agreed during the debriefing meeting which took place on 28 October 2016. Also as indicated during the same meeting, we recommended that Butcheries should be excluded from the performance audit on trophy hunting, as there is no direct link between the two and rather include trophy dealers.

The Auditors went back to verify the new information but came to the same conclusion as stated above. See table 2 for a follow up analysis on inspections.

Follow up analysis on inspections based on comments from MET

Table 2: Inspections on hunting farms

Number of hunting farms	Financial period under review			
	2012/13	2013/14	2014/15	2015/16
24 Hunting farms	1 (4%)	2 (8%)	0 (0%)	4 (16.7%)

2.4 Park and Wildlife Management Bill

The Auditor-General’s report dated June 2006 recommended that the Parks and Wildlife Management Bill should be finalised and enacted without delay.

However, at the time of the audit the Park and Wildlife Management bill has not been finalized and enacted. The delay to finalize and enact the Parks and Wildlife Management bill inhibits the MET’s ability to manage trophy hunting in Namibia properly.

Comments received from the Ministry of Environment and Tourism

“..the Ministry has submitted the Nature Conservation Amendment Bill for tabling in Parliament. The Ministry however disputes the finding and also the notion contained in the recommendations that in the absence of the Park and Wildlife Management Bill, the Ministry cannot effectively manage all trophy hunting activities in Namibia. The Ministry finds this statement to be very strong and not accurate, as trophy hunting activities are currently regulated under the Nature Conservation Ordinance 4 of 1975 (as amended). Under the Ordinance, there are even some new regulations which were passed in 2010 focusing on trophy hunting of all large carnivores.”

CHAPTER 3 – CONCLUSIONS

General Conclusion

Based on the audit findings, the majority of the recommendations were not implemented. Therefore, not much have changed since the Auditor-General's initial audit report dated June 2006.

3.1 The co-ordination and communication between the Ministry of Finance and the Ministry of Environment and Tourism

The absence of a communication platform and flow of information between the IRD and MET regarding hunting information inhibits the IRD to confirm income generated from trophy hunting activities.

The lack of shared information such as hunting permits and annual reports between the IRD and MET also make it difficult to trace irregularities.

The MET has not revised the penalty fees for offences.

3.2 Financial statements for VAT and Income tax assessments

Failure to split and explain the income generated through trophy hunting in the notes to the financial statements by the hunting farms and the non-submission of annual reports on the actual utilization of game by the MET to IRD inhibits the IRD's ability to determine the correct amount generated on all hunting activities. This could lead to a loss of revenue to the Government due to the understatement of income generated by hunting farms.

3.3 Inspections

The audit concluded that regular inspections are not carried out at trophy manufacturers, trophy dealers and hunting farms to ensure that all regulations of MET are met and all irregularities are detected.

3.4 Park and Wildlife Management Bill

The audit concluded that the delay in finalizing and enacting the Parks and Wildlife Management Bill inhibits the MET to effectively manage trophy hunting in Namibia.

CHAPTER 4 – RECOMMENDATIONS

4.1 The co-ordination and communication between the Ministry of Finance and the Ministry of Environment and Tourism

There should be a formal platform of communication regarding trophy hunting information between the two Ministries in order to ensure that there is a regular flow of necessary trophy hunting information.

4.2 Financial statements for VAT and Income tax assessments

The IRD should request hunting farms to split the amount of income generated through trophy hunting in the notes to the financial statements by indicating the exact amount for accommodation, transport and trophy hunting. Furthermore, the MET should enforce the annual return to compel hunting farms and trophy hunters to include prices per animal hunted. The MET should then compile annual reports indicating the actual utilisation as well as the prices per animal and avail such reports to IRD to assist the IRD to determine the correct amount generated on all trophy hunting activities.

4.3 Inspections

It is pertinent that regular inspections should be carried out at butcheries, trophy manufacturers and hunting farms to ensure that all MET regulations are met and that all possible irregularities are detected.

4.4 Park and Wildlife Management Bill

The Bill should be finalised and enacted without further delay in-order to guide the MET to effectively manage all trophy hunting activities in Namibia including matters related to inspections, revising and adjusting penalties issued for possible transgressions.

Annexure I

Species	2012	2013		2014		Total Amount	Unit Price	Total Amount	Unit Price	Total Amount
		Unit Price	Total Amount	Unit Price	Total Amount					
		US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Elephant	7	26000	182 000	78	26000	2 028 000	85	26000	2 210 000	
Black Rhino	1	40000	40 000	2	40000	80 000	0	40000	0	
White Rhino	1	40000	40 000	2	40000	80 000	6	40000	240 000	
Buffalo	70	2000	140 000	72	2000	144 000	79	2000	158 000	
Crocodile	16	7000	112 000	17	7000	119 000	14	7000	98 000	
Lion	12	2500	30 000	6	2500	15 000	5	2500	12 500	
Leopard	120	20000	2 400 000	102	20000	2 040 000	120	20000	2 400 000	
Cheetah	89	1500	133 500	69	1500	103 500	72	1500	108 000	
Oryx	5013	4500	22 558 500	4450	4500	20 025 000	4062	4500	18 279 000	
Warthog	3801	300	1 140 300	3675	300	1 102 500	2945	300	883 500	
Sprinqbok	2807	600	1 684 200	2422	600	1 453 200	2432	600	1 459 200	
Kudu	2682	4500	12 069 000	2372	4500	10 674 000	1631	4500	7 339 500	
Red Hartebeest	2280	700	1 596 000	1193	700	835 100	1716	700	1 201 200	
Blue Wildebeest	1614	1000	1 614 000	1462	1000	1 462 000	1481	1000	1 481 000	
Mountain Zebra	1335	1000	1 335 000	1525	1000	1 525 000	1368	1000	1 368 000	
Black Wildebeest	964	1200	1 156 800	947	1200	1 136 400	1001	1200	1 201 200	
Eland	938	1400	1 313 200	1003	1400	1 404 200	782	1400	1 094 800	
Steenbok	927	200	185 400	865	200	173 000	734	200	146 800	
Blesbok	895	700	626 500	728	700	509 600	704	700	492 800	
Common Impala	190	500	95 000	1190	500	595 000	1157	500	578 500	
Plain Zebra	437	1000	437 000	741	1000	741 000	658	1000	658 000	
Black backed jackal	527	500	263 500	399	500	199 500	452	500	226 000	
Chacma baboon	457	100	45 700	526	100	52 600	384	100	38 400	
Waterbuck	467	2000	934 000	438	2000	876 000	432	2000	864 000	
Duiker	324	400	129 600	391	400	156 400	235	400	94 000	
Others: not specified	1462	0	0	1462	0	0	1427	0	0	
Total trophy hunting income 2012			50 261 200	9	2013	47 530 000	2014	42 632 400		
In Namibian dollars (N\$) @		8,4611	425 265 039		10,4822	498 218 966		11,5677	493 158 813	

