

REPUBLIC OF NAMIBIA
OFFICE OF THE AUDITOR-GENERAL

PERFORMANCE AUDIT REPORT

ON THE

MINISTRY OF FINANCE:

**DIRECTORATE CUSTOMS
& EXCISE**

for the period 1998 to 2001



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EXECUTIVE SUMMARY

The Auditor-General is entitled 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.”

This is the first performance audit report on the Directorate Customs and Excise that is presented to the National Assembly, covering the period 1998 to 2001.

The main findings and conclusions that were identified during the audit, are as follows:

In general there is a lack of appropriate standards concerning the areas that were audited. The areas that were concentrated on are as follows:

- a) Staff and equipment
- b) Communication and co-ordination between the Head Office, regional offices, local offices and other Government offices/ministries and agencies
- c) Training
- d) Inspections or physical examinations

The findings on each of these areas are as follows:

- A staff shortage was found at the ports of entry. This made it difficult for the small number of staff to perform all the duties that they were supposed to carry out. However a new staff structure which proposed an increase in staff was in the process of being implemented.
- The equipment the staff needs to carry out their work was not enough to enable all the officers to carry out the duties of checking the declaration form, verifying it and making the particular calculation of payment and to carry out physical examinations as well. However at the time when the report was written, the Directorate of Customs was in a process to acquire necessary additional equipment.
- Concerning the communication and co-ordination between Head Office, regional offices and other Government offices, there was no specific stipulated procedure of communication apart from the regional seminars. However, the auditors could not find any shortcomings with the communication system as it is at present.
- Since there was a backlog of training to be carried out before the inception of the training unit, the training unit first had to attend to the backlog. The auditors concluded that the training was now being done according to the training policy.
- Inspections or physical examinations that were carried out by the customs officers at various ports of entry and regional offices were not always documented. Therefor it was difficult to establish whether they were actually carried out according to the regulations in the Cargo Processing Manual which states that at least 5% of all cargo must be inspected. It was not possible to establish whether these 5% inspections were carried out.

The recommendations are the following:

- (a) The standards for each of the audited areas need to be established in order to be able to enable measurement of the efficiency and effectiveness of the Directorate.
- (b) A duty sheet is required at all ports of entry and/or customs offices to ensure that officials are informed about their duties.

- (c) A list should also be drawn up as to the equipment that is essential at ports of entry or customs offices to ensure the optimal functioning of these stations.
- (d) It should be ensured that the decisions taken for improvements at regional management seminars or any other meeting are monitored and implemented at all times.
- (e) The training policy should be approved, implemented and adhered to. It should also be ensured that information is communicated to all the concerned officials.
- (f) A directive should be developed as to exactly how frequent inspections or physical examinations should be conducted. This very important function should be supported by management at all times.

CHAPTER 1

BACKGROUND

1.1 HISTORICAL BACKGROUND

The Directorate Customs and Excise operated by using the South African Customs Standards and Regulations until the Customs and Excise Act, 1998 (Act 20 of 1998) as revised was published. The Directorate experienced some changes when the WASCOM¹ recommendations were implemented during April 1998. These recommendations mainly concentrated on the internal structures of Customs and Excise and the salaries associated with these.

The Directorate is part of the Ministry of Finance. Namibia is a member of the S.A.C.U.² region and the common customs area countries are Namibia, Botswana, Lesotho, Swaziland and South Africa. Namibia is also a member of the W.C.O.³. In certain situations the customs officers still refer to some of the South African manuals for assistance because they can relate to it.

A revenue pool was established for S.A.C.U. members. The thought behind was to control the import and export of goods within the common area and to apply the same control measures. The revenue collected is then re-distributed among member countries in terms of an approved distribution formula.

1.2 OBJECTIVES AND OPERATIONS

Objectives

The main objectives of the Directorate of Customs and Excise are to contribute to the achievement of Government targets in the field of income re-distribution and to generate revenue for financing public expenditure through effective collection of customs levies and excise duties.

Main operations

The main operations of Customs and Excise are to assess and collect import duties, fees and excise duties and to prevent importation and exportation of restricted and prohibited items.

1.3 SCOPE OF ACTIVITIES

The role of the Namibian Customs and Excise Directorate is a complex one consisting of the following priorities:

- Enforcement of the Customs and Excise law of the Republic of Namibia
- Assessment and collection of duties and taxes due to the Republic of Namibia
- Ensuring that laws and regulations of other agencies e.g the Police and the Ministry of Trade and Industry regarding importation and exportation of goods are enforced
- Detection and interdiction of smuggling activities, including undeclared goods and contrabands as well as dangerous drugs and controlled substances
- Performing these duties professionally, efficiently and effectively in a manner that demonstrates pride in the Nation, their organisation, and their mission.

¹ Wage and Salaries Commission

² Southern African Customs Union

³ World Customs Organisation

As a consequence, the role of a Customs and Excise Officer⁴ is equally complex. While collection of revenue is an integral function and important priority of the Directorate, Customs and Excise Officers are not merely tax collectors. They are also law enforcement officers with significant statutory authority to enforce the Customs and Excise Act and legislation controlling the introduction of goods into and the removal of goods from the country.

1.4 BUDGET

An amount of N\$ 32 122 794.07 and N\$ 42 699 842.90 was spent by the Customs and Excise Department for the 1999/2000 and 2000/2001 financial year respectively.

An amount of N\$ 2 240 743 000 and N\$ 2 877 323 000 was collected as revenue by the Customs and Excise Department for the 1999/2000 and 2000/2001 financial years respectively. This consists of Namibia's portion of the Revenue pool and does not include other taxes.

1.5 STAFFING

According to the information collected, the old staff establishment makes provision for 437 posts of which only 382 posts were filled in 2001. This means that, at the time of the audit there were 55 (8.7%) vacant posts.

⁴ From here on will be referred to as Customs Officer only.

CHAPTER 2

INTRODUCTION

2.1 THE PRE-STUDY

Due to allegations of fraud and corruption within the Directorate, made in the media, the Office decided to conduct a pre-study pertaining to such allegations.

Some of the complaints mentioned in the media (newspapers and on the NBC⁵-TV) were as follows:

- ❑ Smuggling and bribery allegedly occurring in the Customs and Excise Directorate.
- ❑ The Government is failing to recover millions of dollars through duty evasions and loopholes in the granting of DCC's⁶ to importing companies.
- ❑ The DCC enables a company to clear all imported goods under full rebate of customs duty for re-export outside SACU.
- ❑ Items imported duty free were both sold locally or in South Africa and not outside SACU as stipulated by the regional agreement.
- ❑ Some companies granted full rebates on imports have manipulated the value of goods in order to bring in more goods valued at up to double the duty free value granted on the DCC's.
- ❑ The duty exemptions on goods to non-exporting companies are valued as high as N\$ 10 million.
- ❑ There are inadequate checks to ensure that items imported duty free are in actual fact re-exported.
- ❑ Imported goods have been re-exported through simply obtaining border stamped invoices.
- ❑ Some South African companies formed partnerships with Namibian companies to import via Walvisbay. E.g. Duty free goods were repacked and transported to SA where they were resold contrary to SACU regulations.

The places visited during the pre-study were Oshakati Regional Office, Oshikango Regional Office, Tsumeb Office and the Hosea Kutako International Airport.

The pre-study identified the following possible problems in the Directorate of Customs and Excise:

- ❑ poor communication between regional offices;
- ❑ poor communication between government offices;
- ❑ inspections not carried out properly and frequently;
- ❑ shortage of staff;
- ❑ lack of supervision;
- ❑ shortage of equipment;
- ❑ lack of training;
- ❑ goods smuggled;
- ❑ low penalties paid by agents and companies;
- ❑ outdated penalty system;
- ❑ officers commit fraud;
- ❑ moral of officers very low;
- ❑ lack of accommodation for officers;
- ❑ no clear job descriptions;
- ❑ low salaries and new ranking promotions.

The pre-study confirmed that a full Performance Audit of the Directorate should be carried out with the purpose of finding possible solutions which could contribute to the efficient, effective and economical management of the Directorate.

⁵ Namibian Broadcasting Corporation

⁶ Duty Credit Certificate scheme is an incentive program to encourage the manufacturer of clothing and clothing accessories through the issuance of duty credits based on exportations of finished goods.

2.2 LIMITATION OF THE AUDIT AREA

The pre-study identified that “*Inspections are not carried out properly and frequently*” and “*Officers commit fraud*” as possible audit problems. Since it is not possible to audit both problems, the audit was limited by choosing the most serious audit problem. Therefore “*Inspections are not carried out properly and frequently*” was chosen as the audit problem. Inspections are important to the citizens and State since a lot of money and resources are involved in collecting customs and excise duties. There is also a high risk that the goal or objectives of the Directorate Customs and Excise will not be reached or that money may be lost or used wastefully.

Focus was directed on the following issues:

- ❑ Training of customs officers.
- ❑ Availability of officers to conduct inspections.
- ❑ Availability of equipment to conduct inspections.
- ❑ Supervision of junior officers while conducting inspections.
- ❑ The penalty system.
- ❑ Communication between Head Office and Regional Offices.

2.3 METHODOLOGY AND SOURCES OF INFORMATION USED DURING THE MAIN STUDY

2.3.1 Interviews⁷

In total 96 interviews were conducted with staff of all ranks in the Directorate of Customs and Excise in all the regions except for the Kavango and Caprivi region.

2.3.2 Documents

Documents such as the Customs and Excise Act of 1998, Passenger Processing Manual, Cargo Processing Manual and the Duty Credit Certificates (Namibian guidelines) were analysed.

2.3.3 Observations

During the audit observations were made at some of the places visited in order to obtain physical knowledge of how things are done in practice, i.e. how and when are inspections carried out.

⁷ See annexure 1 for list of interviewees

CHAPTER 3

CUSTOMS AND EXCISE: CONTROL PROCEDURES

3.1 CONTROL PROCEDURES

Prescribed forms

Namibia has replaced a significant number of forms with a single administrative document generally known as the NA500 Goods Declaration (also known as the NAMSAD or the Single Administrative Document). The NA500 is used for the declaration of goods, for all types of commercial entries, whether for private consumption, warehousing or transportation in bond.

Entry and/or exporting requirements

The person entering imported goods is required to deliver to Customs an entry document stating the particulars and including required attachments accompanied by a completed NA500. The person filing the entry is required to sign a declaration as to the correctness of the particulars/attachments and the purpose shown on the entry. Persons importing goods into or exporting goods from Namibia are required by law to present a true, correct and sufficient commercial invoice from the supplier of the goods with their goods declaration form.

Penalties:

A passenger arriving from a foreign country who makes any false or fraudulent statement or engages in other conduct whereby a Customs and Excise Officer is or may be induced to pass an article free of duty and tax or at less than the proper rates of duties and taxes, or to treat an article in some other manner in order to obtain a benefit or fails to declare any article subject to duties or taxes shall be deemed to have violated section 14(1) and (2) of the Customs and Excise Act of 1998, as revised, and may be acted upon in terms of Section 14(3) of the Act.

3.2 BORDER POSTS

Whenever an importer enters Namibia at any border post, a NA500 form needs to be completed accompanied by supporting documents such as invoices, bills of landing, packing lists, etc. The normal duties of a Custom Officer at a border post, varies from clearing, verifying, assessing, processing, warehousing of imported goods and cashier duties. These duties are rotated. Records are also kept of all goods released, detained and acquitted.

The following activities are carried out at regional offices as well as at ports of entry:

Importers complete a NA500 form and hand it over to a Customs Officer. The Officer checks the information on the invoices and verifies it with the declaration form. If everything is correct it will be passed on to the cashier who will then collect the money. At any occasion an official may check the imported goods by doing a physical examination or inspection to confirm that the declared items are actually correct.

3.3 HOSEA KUTAKO AIRPORT

As soon as the imported goods are to be collected a NA500 form needs to be completed. It should be accompanied by a cargo manifest, an airway bill, and or invoices of the goods. The declaration form is then checked and verified with the invoices. The amount to be paid is then determined using a specific formula that is prescribed in the regulations. The importer also confirms that the declaration is true and fair. If an importer has ordered goods by air freight, the importer will be notified by the consigner of the arrival of the goods. The importer will then have to supply the airway bill number and the same procedure will be followed.

The office of the Department at the airport is divided into three sections:

1. Cargo office
2. Freight office
3. Passenger office

The duties of these officials are to assess and examine the information provided to them.

Records are kept of all goods released, all goods detained and all goods acquitted. The customs officers work in shifts and their main duties are to be cashiers, assessors and data processors. These duties are rotated.

3.4 HARBOURS

The same procedures that are followed at the ports of entry and at the airports are followed at the harbours. Any ship coming in has to declare its goods with the Customs Department within 24 hours. If not, a penalty will be issued. The total number of staff at the harbours varies from 25-37 officers which includes officers from Swakopmund based at the railway station. Inspections are carried out on a regular basis.

3.5 PHYSICAL EXAMINATIONS OR INSPECTIONS

According to the cargo processing manual, which guides the operations of the Directorate of Customs and Excise, most physical examinations should be conducted based on a review of the entry documents received by customs officers. Examinations may also be carried out if the customs officer has any concerns regarding classification, value, quantities or admissibility of any of the goods entered and declared. A physical examination is therefore defined as a physical check and verification of whether the goods that are declared on a NA500 form are actually the goods being imported and also to verify the correctness of the value of goods declared. A customs officer should also check for prohibited goods and the omission to declare goods. It is required that not less than 5% of all cargo shipments will be designated for physical examinations at every port of entry. The purpose of physically examining goods can be summarized as to ascertain that the cargo is described correctly in the completed NA500 form, whether for importation, warehousing, deposit into and/or export out of an Economic Processing Zone (E.P.Z.), removal in bond, exportation or any other purpose.

CHAPTER 4

FINDINGS

4.1 STAFF AND EQUIPMENT

4.1.1 Staff

The staff establishment of the Directorate Customs and Excise, which has been restructured recently, was examined by the auditors. The results of this exercise are as follows:

- The old structure which was abolished during the 2000/2001 financial year made provision for a complete staff establishment of 373 posts with 18 vacancies, which made the actual number of staff employed 355. Out of the 355 staff that was employed, 286 staff included Customs and Excise Officers as well as other staff like cleaners and clerical assistants at various ports of entry and regional offices. The remaining 69 staff was based at Head office.

The new staff establishment which was implemented during the 2001/2002 financial year provided for a general increase in staff. The total number of posts has increased to 437 of which, during the audit, 55 are vacant, which means that the actual number of staff employed was 382.

The difference between the previous and the new staff establishment is that the staff compliment has been increased by 64 staff members. The number of officers working at ports of entry and regional offices has been increased by 19. The restructuring also made provision for a Control Customs and Excise Officer at the Regional offices as the officer in charge. The number of regional offices was also reduced during this process. In the past there were 9 offices (Oshakati, Oshikango, Windhoek, Windhoek International Airport, Katima Mulilo, Walvisbay, Keetmanshoop, Ariamsvlei and Noordoewer) which were reduced to 6 (North Eastern, Northern, Western, Central, Southern and Hosea Kutako Airport).

The major changes are that there were regional offices in Oshikango as well as in Oshakati, but currently there is only one regional office for the Northern Region in Oshakati with Oshikango being a normal customs office in the region. In the South there were regional offices at Keetmanshoop, Ariamsvlei and Noordoewer. Now there is only one regional office in Keetmanshoop with the other two offices resorting under its control.

Another change in the new staff establishment was the abolishment of the post of Assistant Customs Officer.

During interviews that were carried out with the regional customs officers it was revealed that the regional offices were experiencing a lack of customs officers. The situation at each port of entry that was visited is different for practical reasons. Another contributing factor is the number of staff that is employed. Factors to consider were the following:

- when are rotations done;
- how many people are on a shift; and
- the duties that should be carried out.

The Chief Customs Officer who is in charge makes the practical arrangements in order for him/her to run his/her office.

The activities at the ports of entry or regional office are being rotated. The reason for rotating the officers is to combat fraud as well as making it possible for the customs officers to gain practical experience of all the aspects of their work sphere.

The customs officers complained that the tasks in the offices and ports of entry are too many for them to handle. It was difficult to assess whether the number of customs officers at a border post are adequate or

not since the norm/standard was not clear as to how many officers are needed to carry out certain tasks. From the observations made by the auditors it was clear that a customs officer is always at the front desk and their duties are to assist the clients. As a result of the audit it was concluded that the only area where there is a need for more staff is with the physical examinations or inspections.

Internal inspections are also a duty of the Directorate Customs and Excise which is situated within the Administration Division. Their duties are to undertake inspections on both staff and equipment at regional offices and ports of entry as well as day to day operations of such offices and ports of entry. The function of this division is to see to it that the procedures are followed as set out in the manuals. In one report that was provided to the audit staff it was mentioned that more staff is needed at inspection points.

The audit staff was informed that the recommendations of this division were also taken into consideration when the new establishment was developed.

It was not possible for the auditors to obtain a document containing a criteria on how to determine the number of staff that should be allocated to a specific office or port of entry. They have been informed that it depends on the capacity of work flow, the volume of work handled at a particular port of entry, the volume of documentation, the volume of inspections that need to be conducted and other enforcement activities.

The auditors also determined, with documentation provided to them by the officials from the Directorate Customs and Excise working on the ASYCUDA (Automated System for Customs Data) system, that the biggest percentage of revenue that is earned is in the Central and Western Regions. This is the reason why they have proportionally more staff than the other regions.

4.1.2 Equipment

According to interviews carried out at Head Office, it was revealed that there is no list which specifies the type of equipment that is required at a port of entry or at a regional customs office. The only information that the audit staff was provided with, was an inventory list or a stock verification sheet, which specifies the current equipment. However, interviews carried out with staff at different offices and ports of entry revealed that there was a lack of the following:

In the offices:

- Stationery (takes long to arrive when ordered from Windhoek).
- Computers (the existing computers are slow and are not serviced).
- Printers, good quality stamps (some officers remarked that the current stamps are of low quality and therefore break easily), calculators, fax machines and photocopy machines.

For inspections:

- Gloves, ladders, bolt-cutters, torches and protective clothing.
- A building to carry out inspections (some officers remarked that to help with the off-loading you need a building for cover against natural elements like rain and sun), enough light and batteries for the flashlights.
- Forklifts, screening machines and sniffer dogs to protect prohibited substances.

Interviews carried out with the staff revealed that there are definite plans to improve the equipment. However, the staff who conducted the audit could not be provided with the list of required equipment.

4.2 COMMUNICATION AND CO-ORDINATION BETWEEN THE HEAD OFFICE, REGIONAL OFFICES, PORTS OF ENTRIES AND OTHER GOVERNMENT OFFICES

Interviews carried out with staff at the various regional offices and ports of entry revealed that there is no written policy to outline the procedures that should be followed when communicating with Head Office, other regional offices, ports of entry or other Government Ministries/Offices or Agencies.

However, most of the officers that were interviewed indicated that at the Regional Office they usually work through the Chief Customs Officer if there is any matter to be relayed to Head office. It was also revealed that this kind of communication is not always effective. Customs officers complained that when they enquire about customs related issues at Head Office, they are not always assisted. Some remarked that there is no specific person to contact and who will be able to deal with queries from the regional offices. Therefore it sometimes happens that a customs officer might call Head Office for help or clarity and then is being referred back and forth without being assisted.

The audit staff was informed, and evidence was also provided, that the Regional Chief Customs Officers attend Regional Management Conference meetings with the Director of Customs. These meetings take place twice a year. At these meetings all relevant matters are discussed as a way of disseminating information and bringing problems to the attention of the Director of Customs. During these meetings the problems are discussed and rectifying actions are taken where possible.

The audit staff has gathered, through interviews, that apart from the regional seminars there are also two annual conferences. One at the end of the financial year and one during the year to determine if the Directorate of Customs is still on course to achieve its goals and objectives. Furthermore management meetings are held every second week where the Director and his/her three Deputy Directors are in attendance. Divisional meetings are held on a regular basis to convey information to regional offices and ports of entry. This is done by issuing circulars and internal memos which should be acknowledged by staff. A list of the signed memos and circulars is kept as evidence that this information was circulated to all staff members.

The auditors have also learned that in terms of reporting, each division compiles a monthly report which will then be combined into quarterly reports and eventually into an annual report. This report contains all the activities that took place at the regional offices, ports of entry and all divisions within Head Office. It also reports on staff issues such as transfers, deaths, promotions, vacancies and new appointments.

After analysing all the evidence that was collected, the auditors are of the opinion that communication in general is not a problem. If there is a possibility that the Directorate Customs is not achieving its goals, then lack of communication is not one of the contributing factors.

4.3 INFORMATION TECHNOLOGY

The audit also revealed that the functions of the IT section of the Directorate Customs have been re-allocated to the IT section within the Ministry of Finance. The Directorate Customs has been using a specific programme for the processing of customs data known as the ASYCUDA system. Each Customs Officer has a log-on name as well as a password. If any Customs Officer wants to alter data that has been entered, the system will automatically record who the person is that made the alteration, what the time was that the alteration was made and what was altered. However in terms of making any changes to the more sensitive data that is contained within the system, only Head Office officials are enabled to alter this certain data. Regarding other officials, as well as traders, who have accounts with the Directorate Customs, the data contained only allows access for reading.

In November 2002 the Directorate Customs introduced an upgraded version of the current computer program known as ASYCUDA Plus Plus. The new version provides an audit trail and the automatic calculation of duties that did not feature in the old system. A committee was established, from officials within the Directorate Customs, who oversees the implementation of the new system. A training room where training for all new incumbents will be conducted by trainers who are fully equipped with knowledge of the system will be made available. This was not the case with the old system and most of the training

was done on-the-job. The new system also has operating manuals. According to these manuals there are basic declarations and advanced declarations that assist the user to control their declarations. There is also a manual on how to supervise the workflow and on how to do quality assurance.

4.4 STANDARD TRAINING PROGRAM

There was a training plan prepared for the financial years 2000/2001 and 2001/2002. The plans indicated the type of training that should have been provided in the specific year, the date and the duration. However it does not state who qualifies for these programmes. According to interviews with the training officer there was no training policy at the time of the audit. The Ministry was still in the process of formulating a policy. The audit staff was informed that it was almost completed. Topics such as rules of origin and client care were identified which still needed to be included in the policy. It was therefore difficult to determine the required level of training that customs officers should receive to conduct their duties effectively.

The auditors were informed that the three core courses, namely basic, intermediate and advance courses are compulsory. According to the Department this should be the minimum requirement as far as training for customs officers are concerned. It is the responsibility of the Regional Chief Officers to select people to attend these training courses.

According to the fifty-two (52) customs officers that were interviewed, thirty-six (36) received only the basic customs course which is the first leg of the three core courses, ten (10) received a combination of two courses which covered the basic course and either the intermediate course or advanced course. There were only four (4) customs officers who attended all three core courses. There were also two customs officers who did not receive any training, but the reason given was that at the time of the audit they were newly appointed. The audit staff was informed that the intermediate and the advance courses are follow-up courses or more detailed courses than the basic course. The officers further remarked that the training helped them to conduct their daily tasks and duties. Out of the fifty (50) interviewees who attended parts of the training programme, forty-eight (48) remarked that the courses were good and only two (2) said that it was too theoretical.

The auditors were informed that since the inception of the training unit there was a massive backlog as far as the training of the customs officers was concerned. Furthermore the first phase of the training programme was to upgrade the training for the Regional Controllers and Chiefs by conducting the intermediate and advance courses. Moreover, it was noticed that even the Controllers and Chief Customs Officers lacked understanding on the knowledge to be acquired at the basic course. The training unit started concentrating on providing the basic course to all the customs officers who had not attended the basic course and only after the backlog has been erased, the Directorate continued to conduct the other courses. The auditors were informed that the backlog was only caught up with during 2002, but no evidence to this effect could be provided.

The Directorate was not able to provide the actual number of officers that were trained by the training unit since its inception. The auditors were informed that, due to the Y2K bug, most of the information got lost. The customs officers informed the auditors that they are trying to establish and build up a new database containing this information. The information that was provided was only from the 1998/1999 to the 2000/2001 financial years. It indicated that for the afore-mentioned three years, seven (7) basic courses were conducted and one hundred and twenty six (126) officers were trained. Furthermore three (3) intermediate courses were conducted which were attended by thirty-three (33) officers. The audit revealed that during the same period only one (1) advance course was held and twelve (12) officials attended. During the same period twenty-four (24) other courses were also conducted such as risk assessment and customer care courses whereby three hundred and eighty-eight (388) officers were trained.

As far as the evaluation of this training is concerned, the auditors were informed that a training needs analysis (TNA) is done on an ad hoc basis and at every training session the material was evaluated. The auditors were provided with a TNA report. It basically incorporates information that was obtained from interviews conducted with customs officers in regions. It also provides information as to what courses should be held when the training program is drawn up. The training unit has an evaluation sheet and a

recap sheet that was completed by the trainees to assist in the evaluation process. The training unit then compiles a report on the course that has been attended with the details regarding topics that were covered and the purpose and the findings of the report with recommendations. Such report also includes the comments from the evaluation and recap sheets. The auditors concluded that the courses were well organised and there was a good response from the recipients.

4.5 PHYSICAL EXAMINATIONS OR INSPECTIONS

According to Chapter 3 of the cargo processing manual “controllers (Chief Customs Officers) and other officers in charge shall also establish a procedure for designating that at least 1% of all entries, at random, should be exposed to physical examination”. The cargo processing manual also states the following:

- The decision to carry out inspections is purely dependent on the initiative of the Customs Officer when examining documents.
- The labour and cost involved for doing an inspection like off-loading and opening packages are the responsibility of the importer.
- An inspection can be carried out anywhere. Even at the importers’ premises if the importer preferred it.
- The checking officer must write a report of the subsequent inspection.

According to all the interviews that were conducted by the auditors, there is no specific document with guidelines of procedures to be followed when inspections are being carried out. The auditors were informed that the customs officers use a multitude of documents such as the Customs and Excise Act, the cargo processing manual as well as knowledge obtained from courses attended to guide them when doing inspections.

The auditors were informed that the following procedures were followed when carrying out an inspection:

- When an importer wishes to declare his/her goods the Customs Officer must inspect the invoices of the goods that are brought into Namibia and verify these with the information on a NA500 form.
- A Customs Officer may then physically check whether everything has been declared and whether the goods that were declared are indeed those being transported.
- If any deliberate discrepancies are discovered, the importer will be issued with a penalty.

The auditors were also informed that, during the training courses, the customs officers are taught how to do profiling and risk assessment. This means that they should be aware of which cargo or importer may try to avoid the paying of required duties. This technique is then used to select cargos for inspections.

The auditors also recognized that the customs officers work in shifts and each shift has a shift leader. It is mainly up to the shift leader to decide whether an inspection should be carried out or not. If any Customs Officer is suspicious about certain cargos or a certain importer, such an Officer may also act on his/her suspicion by carrying out an inspection.

When the auditors visited the ports of entry and offices, they found that at certain offices and ports of entry no inspections were carried out at all. Where inspections were carried out, it largely depended on the number of staff available at the time and how the office is controlled by the Chief Customs Officer and the shift leaders.

At the Trans-Kalahari border post the Chief Customs Officer introduced a cargo examination sheet on own initiative, which is completed after every inspection. On this sheet the Customs Officer is identified as well as what was found with general comments. This form is not generally in use.

As mentioned in paragraph 4.1.2 of this report, equipment is lacking to enable the carrying out of physical examinations or inspections. The main operations of Customs and Excise are to assess and collect the import duties and fees, excise duties and to prevent importation and exportation of restricted and prohibited items. The auditors were informed that cargo can not be opened due to a lack of bolt-cutters to open big padlocks and a lack of ladders to get on top of big trucks. This was confirmed during observations carried

out by the auditors. The non-availability of such bolt cutters resulted therein that cargo could not be inspected and therefore the Customs Officer had to accept the declaration on face value.

It was also mentioned by officials from the Directorate Customs during interviews that it is not possible for the Customs Chiefs at Head Office to check if and how many physical examinations were carried out.

Interviews carried out also revealed that a unit “audit of enterprises”, does exist. The duties of this unit are to audit the import and export activities of companies. These are also referred to as inspections.

As far as the detention of goods is concerned, the auditors have learned from interviews conducted and documents analysed, that in order to detain goods these have to be either non-declared, under-declared or prohibited goods. Even if the goods have not been declared, the Customs Officer must give the trader reasonable time to include articles that has not been declared. If there is then a non-declaration or under-declaration then the Customs Officer has to establish whether this was intentionally done in order to avoid paying duties on the goods or not. If, according to his/her opinion, it was intentional, the trader must be issued with a penalty as well as an order to pay the full declaration amount. Until payment is received, the goods will be detained in the nearest State warehouse. At the State warehouse there is a manager who records all goods that enter and leave the warehouse.

The auditors have also determined that in cases where money is not fully paid, the exporter can arrange with the Department when he/she will be able to pay. The importer will then also have to pay warehouse rent depending on how long the goods are kept in the warehouse. If the importer does not collect the goods within a set time limit, the money already paid as well as the goods are forfeited to the State. If an importer has paid for goods and prohibited substances are found among those goods, the goods as well as the prohibited substances will be detained and the relevant authorities will be contacted. If it is a contravention of any law of the Republic of Namibia a case will be made against the perpetrator/s. If the goods at the warehouse are cleared, these may stay in the warehouse for up to six months after which the State warehouse officials have to apply to Treasury for authority to auction and sell them. If there are goods among the detained goods that might be deemed useful to the Government, approval has to be acquired from Treasury to forfeit such goods.

CHAPTER 5

CONCLUSIONS

5.1 GENERAL CONCLUSION

Because of a lack of general standards it was difficult to arrive at conclusions on some of the findings.

5.2 STAFF AND EQUIPMENT:

5.2.1 Staff

- Although there are job descriptions for customs officers, there are no details or standards as to the required duties that an officer needs to perform nor as to the duties that may be performed by a specific officer.
- According to the findings there are indications of a staff shortage. However the new staff establishment will provide a general increase in staff.

5.2.2 Equipment

- According to the findings there is a definite shortage of equipment and, because of this, officers can not effectively perform their duties.
- The lack of equipment seems to hamper the physical inspections of cargo at ports of entry.
- The lack of the standards concerning the basic equipment that is needed at a ports of entry, limited the auditors from being able to accurately assess the exact need of equipment.

5.3 COMMUNICATION AND CO-ORDINATION BETWEEN THE HEAD OFFICE, REGIONAL OFFICES AND OTHER GOVERNMENT OFFICES

- There is no basic standard of what the communication among Customs Offices and other Government Offices/Departments and Agencies should be.
- It was therefore difficult to measure whether the standard of communication, as it is at present, is sufficient.
- This may have an influence on the successful operations of the Department.
- The Regional Management Seminars which are held twice a year are currently addressing internal communication.

5.4 STANDARD TRAINING PROGRAM

- A basic standard of training required for a Customs Officer to perform his/her duties effectively, is lacking because the training policy had not yet been completed at the time of the audit.
- It is evident from the findings that the training unit has endeavored and succeeded in addressing the lack of training.
- Although there is still room for improvement, positive indicators are there that the training needs within the Directorate are being addressed.

5.5 PHYSICAL EXAMINATIONS OR INSPECTIONS

- From the findings it seems as if inspections and/or observations are seen as a secondary and a less important function of the Directorate. Therefore less attention is given to the physical examinations. A contributing factor may be the lack of staff and equipment.

Since the carrying out of physical examinations are not emphasized nor monitored, an important function of the Directorate Customs, which is to assess and collect the import duties, fees and excise duties and to prevent importation and exportation of restricted and prohibited items, is not fully achieved as required by the Act and policies.

CHAPTER 6

RECOMMENDATIONS

6.1 GENERAL

Policies regarding the areas that were covered by the audit need to be established or, where in place, should be strengthened.

6.2 STAFF AND EQUIPMENT

6.2.1 Staff

- The required duties of officers working at any port of entry should be defined and put in writing. A feasibility study should be conducted on how many officers are needed at a specific location.
- The employment statistics of the current staff establishment should be accurate at all times. This will enable the Directorate to determine the number of officers that are employed, their distribution and locations with shortages.
- Since the introduction of the new staff establishment it is important to fill all the vacancies to ensure the smooth running of the Directorate. The unfreezing and filling of posts will enhance inspections which might lead to the collection of more revenue.

6.2.2 Equipment

- A list of equipment necessities should be compiled by the Head Office in consultation with the the ports of entry and customs offices to determine the most essential equipment that is needed to enable customs officers to be efficient.
- This list can be drawn up by using the current stock verification sheets to determine the current status and to identify shortcomings. The acquisition of the newly identified equipment should be done as soon as possible

6.3 COMMUNICATION AND CO-ORDINATION BETWEEN THE HEAD OFFICE, REGIONAL OFFICES AND OTHER GOVERNMENT OFFICES

- The Regional management seminars currently provide a platform for communication and problem solving. It is necessary that the decisions taken at these meetings be followed up at all times to ensure that all the goals and objectives of the Directorate Customs are achieved.

6.4 STANDARD TRAINING PROGRAM

- The training policy should be completed, approved and implemented as soon as possible.
- The database of all staff members who received training should be established in order to determine who has not received training. Taking afore-mentioned into consideration a training program should be compiled.
- This program should then be communicated to all staff involved to ensure that the identified officers receive the necessary training.

6.5 PHYSICAL EXAMINATIONS OR INSPECTIONS

- A clear standard for the frequency of inspections or physical examinations should be established.
- A document should be developed to record how many cargos and passengers passed a specific point of entry and how many were examined. This will enable the Directorate to establish whether the set standard is achieved and whether the information obtained from the physical examination is in agreement with the declaration on a NA500 form.
- The physical examinations of goods are an integral function of the Directorate and should therefore be facilitated and supported to enable the officers to carry this very important duty efficiently and effectively. These inspections will enable the Directorate to achieve its goals more effectively.

LIST OF INTERVIEWEES

Windhoek:

1. Mr. G.L.Kabozu - Director
2. Mr. R. van den Hoeven - Deputy Director – Administration and Resource Development (Acting)
3. Mr. Petrus Gawanab - Customs and Excise Officer (Regional Office)
4. Ms. Jacky Tsjiseseta - Chief Customs and Excise (Technical Service)
5. Mr. Steve McClune - Customs and Excise Officer (Warehouse Section)
6. Mr. Bevan Simata – Chief Customs and Excise (Training)
7. Ms. J. Kuhanga – Chief Customs Officer (Internal Inspections)
8. Ms. J. Kyegombe – System Software Analyst
9. Mr. F. van der Merwe – Deputy Director (Legal and Technical Service)
10. Ms. Martha Amukoto – Customs Officer (Training)
11. Mr. Rudifo – Customs Officer (Asycuda)
12. Ms. Nujoma – Chief Customs Officer (Personnel)
13. Mr. D. Assegaai – Principal Clerical Assistant (Equipment)
14. Mr. W. Innes – Chief Customs Officer (Audit of Enterprises)
15. Mr. H. Garoeb – Deputy Director (Operations)
16. Mr. Murangi – Chief Customs Officer (Asycuda)

Hosea Kutako Airport:

17. Mr. Kenneth Uirab - Chief Customs and Excise Officer
18. Mr. G. J. van Wyk - Assistant Customs and Excise Officer
19. Ms. J Gawanas - Assistant Customs and Excise Officer
20. Mr. M. Mwetako - Customs and Excise Officer
21. Ms. L Piccanen - Assistant Customs and Excise Officer

Oshakati:

22. Mr. Abner David - Chief Customs and Excise Officer
23. Mr. M. Lawrence - Principle Customs and Excise Officer
24. Mr. N S Ekandjo - Customs and Excise Officer
25. Mr. Abner David – Chief Customs Officer
26. Mr. Lawrence – Senior Customs Officer
27. Mr. J. C. Haimbodi – Senior Customs Officer
28. Ms. H. Shiweda – Customs Officer
29. Ms. R. Shikesho – Assistant Customs Officer
30. Mr. Kapenda – Assistant Customs Officer
31. Mr. E. Valuva – Assistant Customs Officer
32. Ms. Nghikoya – Assistant Customs Officer
33. Mr. Ekandjo – Assistant Customs Officer

Oshikango:

34. Mr. A. Katondoka - Principal Customs and Excise Officer
35. Cathberth Mbango - Assistant Customs and Excise Officer
36. Ms. Rosalia Katusi - Assistant Customs and Excise Officer
37. Mr. E. Amuaalua – Chief Customs Officer
38. Mr. Mwinga – Senior Customs Officer
39. Ms. Namutewa – Senior Customs Officer
40. Mr. Haeb – Senior Customs Officer
41. Mr. A. Uuyuni – Customs Officer
42. Mr. Mbango – Customs Officer
43. Mr. Elago – Customs Officer
44. Ms. Angombe – Assistant Customs Officer
45. Mr. G. Mariene – Assistant Customs Officer
46. Mr. Markowitz – Assistant Customs Officer
47. Mr. Diaz – Assistant Customs Officer

Tsumeb

48. Mr. S.Shapumba - Customs and Excise Officer in charge
49. Mr. Festus Shidute - Assistant Customs and Excise Officer

Ariamsvlei

50. Mr. Alfred Minyoi - Chief Customs and Excise Officer
51. Ms Emilia Witbooi - Senior Customs and Excise Officer
52. Mr. George Vries - Customs and Excise Officer-Ariamsvlei
53. Mr. Ismael Erastus - Assistant Customs and Excise Officer

Keetmanshoop

54. Mr Josef B. April - Assistant Customs and Excise Officer
55. Mr Franciskus J. Apollus - Senior Customs and Excise Officer (acting chief)
56. Ms Elmarine Strauss - Assistant Customs and Excise Officer
57. Mr. Simataa – Chief Customs Officer
58. Mr. Appollus – Senior Customs Officer
59. Ms. L. Endjala – Assistant Customs Officer
60. Ms. Nulimba – Assistant Customs Officer
61. Ms. Isaacks – Assistant Customs Officer
62. Mr. Joseph April – Assistant Customs Officer
63. Ms. Strauss - Assistant Customs Officer

Walvis Bay

64. Mr. R. Strong - Chief Customs and Excise Officer (Outside)
65. Mr. Nakandjemba - Chief Customs and Excise Officer (Admin)
66. Mr. Dumeni - Chief Customs and Excise Officer (Controller)
67. Mr. Shikongo - Customs Officer (Outside: Gate Duty)
68. Mr. T.E. Mushindi - Customs Officer - (Outside Section)
69. Ms. Bianca Tauros - Customs Officer
70. Mr. Titus - Senior Customs Officer

- 71. Mr. Hashipala - Assistant Customs and Excise Officer
- 72. Annemarie – Customs Officer

Noordoewer

- 73. Mr. Owoseb – Chief Customs Officer (Acting)
- 74. Mr. Titus – Senior Customs Officer
- 75. Mr. F. Shidute – Senior Customs Officer
- 76. Mr. Paulus Leo – Customs Officer
- 77. Mr. P. C. Dealie – Customs Officer
- 78. Mr. D. Sananbwa – Customs Officer
- 79. Ms. B. Mbala – Assistant Customs Officer
- 80. Ms. A. Shiikwa – Assistant Customs Officer
- 81. Mr. E. Shipuleni – Assistant Customs Officer

Luderitz

- 82. Mr. C. Mulijani – Senior Customs Officer
- 83. Mr. J. Christiaans – Customs Officer
- 84. Mr. L. Namutewa – Customs Officer
- 85. Ms. M. Situbeko – Customs Officer

Trans-Kalahari

- 86. Mr. Maendo – Chief Customs Officer
- 87. Mr. Kotjinyo – Customs Officer
- 88. Mr. Kaeka – Customs Officer
- 89. Ms. Nambala – Assistant Customs Officer
- 90. Ms. Maendo – Assistant Customs Officer
- 91. Ms. Hamutenya – Assistant Customs Officer
- 92. Ms. Kapofi – Assistant Customs Officer

Ruacana

- 93. Mr. Taapopi – Assistant Customs Officer
- 94. Mr. Mutewa – Assistant Customs Officer
- 95. Ms. L. Matthews – Assistant Customs Officer

Omahenene

- 96. Mr. Kambonde – Customs Officer
- 97. Mr. Ashikoto – Assistant Customs Officer