



**CPBN**

CENTRAL  
PROCUREMENT  
BOARD OF NAMIBIA

*Procuring with Integrity*

# ANNUAL REPORT

## 2018/2019



# MISSION | VISION | VALUES

Central Procurement Board of Namibia



## MISSION

To implement a procurement system in a competitive and transparent manner that realises value for money in the best interest of all Namibians.

## VISION

To be a vibrant and excellent procurement and asset disposal body that contributes towards the attainment of Namibia's development agenda.

## VALUES

Core Value	Description
<b>Value for money</b>	We shall consider costs, quality and sustainability in all our actions and decisions
<b>Integrity</b>	We shall conduct ourselves in a trustworthy, fair, confidential, honest manner and in line with good governance principles
<b>Transparency</b>	We shall ensure that the entire procurement and disposal process is open and clear
<b>Accountability</b>	We shall be answerable for our actions and decisions
<b>Responsiveness</b>	We shall ensure timeous service delivery in relation to set standards

# General Information

### Country of Incorporation and Domicile

Namibia

### Nature of Business and Principal

The Central Procurement Board of Namibia enters into procurement contracts on behalf of Public Entities

### Board of Directors

Mr. P.P. Swartz (Chairperson and Administrative Head)  
Ms. L. Ramakhutla (Deputy Chairperson and Deputy Administrative Head)  
Mr. J.L. Muadinohamba  
Ms. M. Nakale  
Ms. H. Herman  
Mr. E.P. Shilongo  
Ms. M. Iyambo  
Mr. H.C. Loftie-Eaton  
Mr. T. Ndove

### Registered Office

Central Procurement Board of Namibia  
1 Teinert Street  
Windhoek, West Windhoek

### Postal Address

P.O. Box 23650  
Windhoek  
Namibia

### Bankers

Bank Windhoek  
3rd Floor, Capricorn House  
119 Independence Avenue  
P.O. Box 15, Windhoek, Namibia  
Tel: +264 61 299 1480

### Auditors

PKF-FCS Auditors  
3 Kerby Street  
P.O. Box 9779, Windhoek, Namibia  
Tel: +264 387800  
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### Secretary

Financial Consulting Services (Pty) Ltd



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# ACRONYMS

BEC	Bid Evaluation Committee
CPBN	Central Procurement Board of Namibia
IPP	Individual Procurement Plan
MoF	Ministry of Finance
PE	Public entity
PMU	Procurement Management Unit
PPA	Public Procurement Act, 2015 (Act No. 15 of 2015)
PPU	Public Procurement Unit
SBD	Standard Bidding Document







# 1. CHAIRPERSON'S REPORT 2018/19

## Dear Stakeholders,

It gives me great pleasure to present the annual report of the Central Procurement Board of Namibia (CPBN) for the financial year 1 April 2018 to 31 March 2019. The report was prepared in accordance with Section 24 of the Public Procurement Act, 2015 (Act No. 15 of 2015) (hereafter referred to as the PPA).



## Governance

During the 2018/19 financial year, the Board reiterated its commitment to governing the organisation based on good governance principles. As part of the Board's oversight function and in terms of Section 16 of the PPA, the Board deemed it necessary to establish a Technical Committee. The focus of the committee is to review and advise the Board on strategic procurement projects, such as the construction of the Neckartal Dam, to enable the Board to complete projects within the stipulated time and budget.

Furthermore, the Board finalised the strategic plan of the organisation. The plan focuses on four (4) pillars, namely:

- Governance
- Institutional Capacity
- Stakeholder Relations Management
- Sustainable Procurement

Following the completion of the strategic plan, the Board reviewed its organisational structure to ensure that the CPBN will be in the best position to implement the plan to achieve its strategic goals. As a result of the review, additional vacancies were identified and existing job functions were aligned to the new strategic direction.

## Performance of the Organisation

The prolonged recruitment process affected the Board's ability to implement plans to build internal capacity. The Board identified this risk as potentially disrupting business continuity and adopted a business continuity plan that allowed the organisation to proceed with some disruptions, thereby minimising the impact that prolonged recruitment and the expiration of short-term contracts could have had on service delivery. Part of the plan was to introduce a graduate internship programme to create a talent pool for future staffing requirements. Three (3) candidates were selected as the first beneficiaries.

The CPBN executed internal procurement projects to the value of N\$1.7 million and awarded fifty-four (54) low-value procurement contracts to Namibian Small and Medium Enterprises (SMEs). This is an initiative that the CPBN will monitor as part of its goals to award more procurement contracts to Namibian-owned enterprises.

The CPBN received a Government subsidy of N\$20 million for the 2018/19 financial year (2017/18: N\$38,654,806). As the CPBN is dependent on Government funding, the subsidy was indeed welcome, and enabled the adoption of the budget for the financial year and realignment of plans to ensure that we deliver on the mandate of the organisation. Costs increased from N\$6,912,366 in the 2017/18 financial year to N\$19,506,080 in the 2018/19 financial year due to an increase in the number of employees contracted on a short-term basis.

The Board is satisfied with its financial stewardship as the organisation received another unqualified audit report from the external auditors. In future, the dependency on Government funds could affect the operations of the organisation and, therefore, it is vital to focus on retaining a lean organisational structure, augmenting skilled employees with adequate tools to execute their duties and deliver services.

## Public Procurement

The CPBN is mandated to conduct procurement on behalf of public entities for procurement contracts that exceed their procurement thresholds. During the 2018/19 financial year, the Board approved thirty-four (34) Individual Procurement Plans valued at N\$8.77 billion (2017/18: N\$2.48 billion). Furthermore, the Board awarded the following procurement contracts for the financial year, compared to contracts approved in the previous financial year.

Procurement Contracts Awarded 2018/19 and 2017/18			
Procurement method	% Change	2018/19 N\$	2017/18 N\$
Competitive bidding	184.65%	317,034,271	111,377,518
- Open advertised bidding	68.17%	187,307,348	111,377,518
- Restricted bidding	100.00%	129,726,923	-
Direct procurement and entity to entity	123.78%	1,032,114,786	461,208,896
<b>Total</b>	<b>135.62%</b>	<b>1,349,149,057</b>	<b>572,586,414</b>

Procurement Matters Approved 2018/19 and 2017/18			
Procurement matter	% Change	2018/19 N\$	2017/18 N\$
Variation orders	(0.19%)	23,913,210	23,867,158
Price increases	82.57%	40,870,242	22,385,469
Contract extensions	0.50%	1,521,826,132	1,514,404,182
<b>Total</b>	<b>1.67%</b>	<b>1,586,609,584</b>	<b>1,560,656,809</b>



## Stakeholders

CPBN values its stakeholders and engaged with various stakeholder groups during the period under review. The engagements were robust, and it became evident that the implementation of the PPA had a much deeper impact on the modus operandi of public entities than previously anticipated. However, the CPBN drew on feedback from different stakeholder groups to adjust internal processes to improve our service delivery. The improvement of service delivery remains a work in progress, with the prolonged time it takes the CPBN to complete procurement projects requiring urgent attention.

## Outlook

The Namibian economy remains under pressure, which will put public procurement at the centre of Government's economic recovery plan. Therefore, the CPBN should continue to strengthen internal capacity, which will enable the organisation to provide better service delivery and to improve information sharing. The organisation should focus on reducing the time it takes to accept and complete procurement projects, which will require closer working relations with stakeholders. In particular, it will entail close collaboration with business representative organisations in order to build bidders' capacity to submit more competitive bids.

## Conclusion

I extend my sincere appreciation to our staff for their dedication, innovation and adaptability in delivering services amidst the multiple challenges faced by the organisation. Building an organisation from the ground requires hard work, dedication and a steadfast belief that we will achieve audacious goals despite untold obstacles. Furthermore, I acknowledge the important role that my fellow Board members played during the financial year to provide focus and strategic guidance in our pursuit of delivering on our mandate.

I would also like to thank our stakeholders for continually engaging us in seeking solutions to finalise procurement projects timeously, and for their constructive criticism, which has helped shape our service delivery and organisational culture. My heartfelt appreciation goes to the Minister of Finance, Honourable Calle Schlettwein, for his support and guidance, and for holding the CPBN accountable for quality service delivery.

I would be remiss if I do not express my gratitude for the opportunity to brief the President of the Republic of Namibia, His Excellency Dr. Hage Geingob, on the activities and plans of the CPBN. I highly appreciate the questions posed and advice given during this meeting. Lastly, I would like to thank the Executive Director of Finance, Ms. Ericah Shafudah, for her support during this financial year.

**Patrick Swartz**  
Chairperson







## 2. CORPORATE GOVERNANCE



**Mr. Patrick P. Swartz**  
*Chairperson & Administrative Head*



**Mr. Jeremia L. Muadinohamba**  
*Independent Member*



**Mr. Epafra P. Shilongo**  
*Independent Member*



**Mr. Hendrik Cronje Loftie-Eaton**  
*Independent Member*



**Ms. Maria Nakale**  
*Independent Member*



**Ms. Lischen Ramakhutla**  
*Deputy Chairperson & Deputy Administrative Head*



**Ms. Maria Iyambo**  
*Independent Member*



**Mr. Titus Ndove**  
*Independent Member*



**Ms. Hilya Herman**  
*Independent Member*



**Corporate governance** embodies the processes and systems by which the Central Procurement Board of Namibia (CPBN) is directed, controlled and held accountable. The CPBN subscribes to principles of good governance in addition to Namibian legislative requirements applicable to the CPBN.

The corporate governance structure employed by the CPBN, as depicted below, is derived from the Public Procurement Act, 2015 (Act No. 15 of 2015) (PPA).



*NED: Non-executive Directors*

### 2.1 Mandate of the Central Procurement Board of Namibia (CPBN)

The CPBN was established as a juristic person under Section 8 of the Public Procurement Act, 2015 (Act No. 15 of 2015) with the principal objects:

- a) to conduct the bidding process on behalf of public entities for the award of contracts for procurement or disposal of assets that exceed the threshold prescribed for public entities;
- b) to enter into contracts for procurement or disposal of assets on its own behalf or on behalf of public entities awarded by the Board as contemplated in paragraph (a); and
- c) to direct and supervise accounting officers in managing the implementation of procurement contracts awarded by the Board.

This mandate was extended by the Minister of Finance in that the Minister directed the CPBN to handle transitional procurement matters originating from the repealed Tender Board Act, 1996 (Act No. 16 of 1996). The Board is further empowered under Section 9(1)(e) of the PPA to operationalise the CPBN.

### 2.2 Board of CPBN

#### 2.2.1 Board composition

In terms of Board composition, there was no change to the governing structure in the 2018/19 financial year. The Board members appointed in 2017 under Section 11 of the PPA continued to serve on a part-time basis. The members' current three (3) year terms will expire on 31 March 2020. The Chairperson and Deputy Chairperson are appointed on a five (5) year full-time basis. Their contracts will expire on 31 March 2022. The table hereunder lists the Board members who served during the period under review and as of 1 April 2017.

An independent member is a member of the Board, who is appointed on a part-time basis in terms of Section 12 of the PPA and who is not involved in the day-to-day management of the CPBN.

#### 2.2.2 Board responsibility

The Board is empowered under Section 16 of the PPA to appoint any committee as the Board deems necessary for exercising such powers and performing such functions as the Board may delegate or assign. As per Section 17 of the PPA, the Board is not divested or relieved of a power or a function delegated or assigned to a Board committee.

The Board and its committees are guided by the PPA, as well as charters that define the roles and responsibilities of the Board and its committees, meeting protocols, and other related matters.

Name	Position	Term
Mr. P.P. Swartz	Chairperson & Administrative Head	5 years
Ms. L. Ramakhutla	Deputy Chairperson & Deputy Administrative Head	5 years
Mr. J.L. Muadinohamba	Independent Member	3 years
Ms. M. Nakale	Independent Member	3 years
Ms. H. Herman	Independent Member	3 years
Mr. E.P. Shilongo	Independent Member	3 years
Ms. M. Iyambo	Independent Member	3 years
Mr. H.C. Loftie-Eaton	Independent Member	3 years
Mr. T. Ndove	Independent Member	2 years





### 2.2.3 Adjudication meetings

The core function of the Board is to consider procurement matters submitted by public entities, conduct bidding processes on behalf of public entities, oversee the evaluation of bids, approve procurement methods, and consider for approval the recommendations from the Bid Evaluation Committee (BEC) for the award of procurement or disposal contracts.

As per Section 15 of the PPA, the Board meets as often as is necessary. During the period under review, the Board scheduled forty-five (45) meetings to consider procurement matters submitted by public entities. In comparison, the Board only held thirty-one (31) meetings in the previous financial year. The increase in the number of adjudication meetings can be attributed to the increase in the number of procurement matters that were brought before the Board by public entities. The table below depicts the attendance of Board members at meetings during the period under review.

Adjudication Meeting Attendance 2018/19	
Name	Number of meetings attended
Mr. P.P. Swartz – Chairperson & Administrative Head	43/45
Ms. L. Ramakhutla – Deputy Chairperson & Deputy Administrative Head	36/45
Mr. J.L. Muadinohamba – Independent Member	40/45
Ms. M. Nakale – Independent Member	36/45
Ms. H. Herman – Independent Member	36/45
Mr. E.P. Shilongo – Independent Member	43/45
Ms. M. Iyambo – Independent Member	44/45
Mr. H.C. Loftie-Eaton – Independent Member	42/45
Mr. T. Ndove – Independent Member	42/45

The output of the Board adjudication process is presented under section 4. *Public Procurement* of this report.

### 2.2.4 Governance meetings

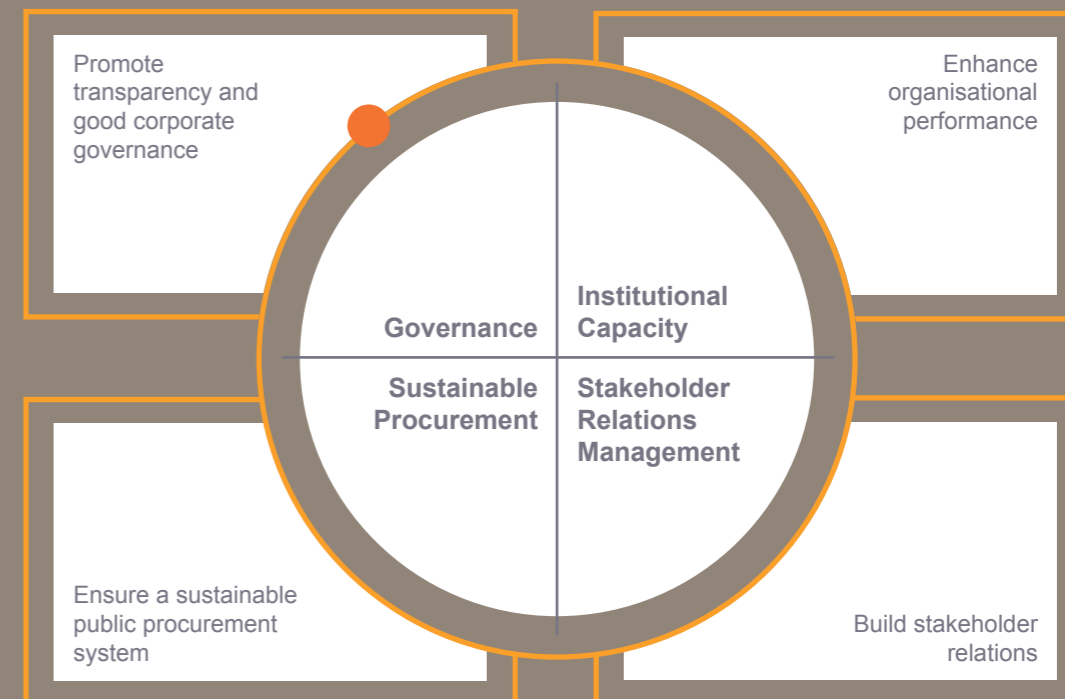
The Board met twice (2) during the 2018/19 financial year to discuss pertinent matters and recommendations made by the Board committees on the approval of the 2019/20 budget, operational efficiency, revision of committee charters, and approval of policies. In particular, the Board considered the increase in workflow and the prolonged recruitment process, which elevated to a major risk for the continuity of the organisation.

The recruitment process was negatively affected by the prolonged security approval process. In addition, the short-term contracts through which the Board employs staff proved unsustainable as it affected staff morale

and productivity. Consequently, the Board approved a business continuity strategy that was promptly implemented to steer the organisation through these challenges.

The development of the strategic plan, which began in February 2018, was finalised by the Board. Based on stakeholder, SWOT and PESTLE analyses, the CPBN identified strategic issues deemed critical for the successful execution of the CPBN mandate over the next five (5) years. The identified strategic issues led to the formulation and adoption of four (4) strategic pillars or themes, as presented in the middle of the matrix on the following page. With the themes set, the Board then adopted the strategic objectives, as presented in the outer part of the matrix, to align the strategic pursuit of the organisation to achieve its Vision and Mission.

### CPBN Strategic Pillars and Objectives



Board member attendance at governance meetings for the year under review is presented hereunder.

Governance Meeting Attendance 2018/19	
Name	Number of meetings attended
Mr. P.P. Swartz – Chairperson & Administrative Head	2/2
Ms. L. Ramakhutla – Deputy Chairperson & Deputy Administrative Head	1/2
Mr. J.L. Muadinohamba – Independent Member	1/2
Ms. M. Nakale – Independent Member	2/2
Ms. H. Herman – Independent Member	2/2
Mr. E.P. Shilongo – Independent Member	2/2
Ms. M. Iyambo – Independent Member	2/2
Mr. H.C. Loftie-Eaton – Independent Member	2/2
Mr. T. Ndove – Independent Member	2/2

#### 2.2.4.1 Human Resource Committee (HRC)

The HRC comprises of four (4) Board members who are tasked to advise the Board on its human resource strategy, processes and practices, and to ensure that the organisational structure and human resource skills are adequate and appropriate to execute the strategic plan and mandate of the CPBN.

Given the challenges that the organisation faced in finalising its recruitment process, the HRC spent a considerable amount of time on aspects of business continuity relating to attracting and deploying adequately-skilled human resources to assist the Board in performing its duties.

The HRC held five (5) meetings during the period under review, as outlined on the following page.



**HRC Meeting Attendance 2018/19**

Name	Number of meetings attended
Ms. H. Herman – Chairperson	4/5
Mr. J.L. Muadinohamba	5/5
Mr. E.P. Shilongo	5/5
Mr. H.C. Loftie-Eaton	5/5
<b>Ex officio</b>	
Mr. P.P. Swartz – Administrative Head	N/A
Ms. L. Ramakhutla – Deputy Administrative Head	N/A

**2.2.4.2 Audit and Risk Committee (ARC)**

The ARC consists of three (3) Board members, who are tasked with matters of good corporate governance arising from the CPBN’s business, covering areas such as corporate finances and budgets, internal controls, statutory reporting, compliance with laws and regulatory requirements, external audit and risk management. During the period under review, the ARC reviewed and

recommended the committee’s charter, 2019/20 budget, and policies to the Board for its consideration and approval. Given the organisation’s recruitment challenges, the committee also recommended to the Board that the internal audit function should be outsourced.

The ARC met twice (2) during the financial year. Attendance is indicated hereunder.

**ARC Meeting Attendance 2018/19**

Name	Number of meetings attended
Ms. M. Nakale – Chairperson	2/2
Ms. M. Iyambo	2/2
Mr. T. Ndove	2/2
<b>Ex officio</b>	
Mr. P.P. Swartz – Administrative Head	N/A
Ms. L. Ramakhutla – Deputy Administrative Head	N/A

**2.2.4.3 Technical Committee (TC)**

The Board deemed it appropriate to establish a Board Technical Committee (TC), comprising of three (3) Board members and an alternate Board member to specifically advise the Board on strategic objects such as the Neckertal Dam project. In particular, the Board directed the TC to monitor the progress of this project, as well as the oil storage facility at the port of Walvis Bay, until the completion of these projects.

During the financial year, the TC met once (1) with officials from the Ministry of Agriculture, Water and Forestry to discuss an application for the extension of time and variation orders for the Neckartal Dam project. Attendance of Board members at the meeting is indicated on the following page.

**TC Meeting Attendance 2018/19**

Name	Number of meetings attended
Ms. M. Iyambo – Chairperson	1/1
Ms. M. Nakale	0/1
Mr. E.P. Shilongo	1/1
Mr. H.C. Loftie-Eaton	1/1

**2.3 Board Remuneration**

For this financial year, an amount of N\$4,538,547 was paid in allowances to Board members (including the salaries of the Chairperson and Deputy Chairperson). Non-executive members of the Board and committees,

who are not employed by the Government, received an allowance for their contributions to the Board and committees that they served. Allowances are determined by the Minister of Finance, as required under Section 18 of the PPA.

**Board Remuneration 2018/19**

Name of Director	Director’s fee (N\$)	Salary (N\$)
Mr. P.P. Swartz – Chairperson & Administrative Head	N/A	1,500,000
Ms. L. Ramakhutla – Deputy Chairperson & Deputy Administrative Head	N/A	1,300,000
Ms. M. Nakale – ARC Chairperson	240,514	N/A
Mr. J.L. Muadinohamba	238,987	N/A
Ms. H. Herman – HRC Chairperson	221,483	N/A
Mr. E.P. Shilongo	264,956	N/A
Ms. M. Iyambo – TC Chairperson	271,578	N/A
Mr. H.C. Loftie-Eaton	259,907	N/A
Mr. T. Ndove	241,122	N/A
<b>Total</b>	<b>4,538,547</b>	<b>2,800,000</b>



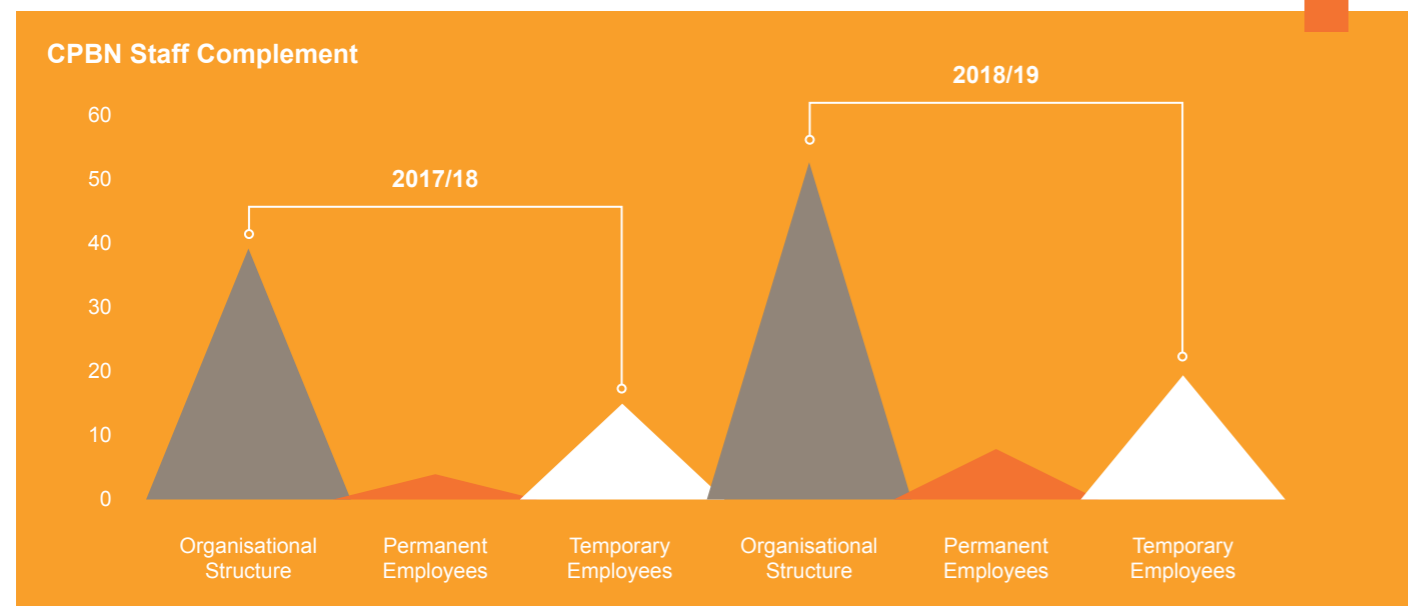


# 3. CPBN OPERATIONS

## 3.1 Human Capital

Human capital is the backbone of every organisation and thus greatly determines the success of an organisation. During the year under review, the Board revised the organisational structure to ensure that it is functional and appropriate to execute the strategic plan and mandate of the organisation. Through these changes, the number of positions increased from forty-one (41) to fifty-one (51).

A lack of human resources continued to hinder the operations of the CPBN as the staff complement only grew from two (2) permanent employees to seven (7) permanent employees during the financial year under review. The majority of staff members are temporary employees, whose number increased from thirteen (13) in the previous financial year to twenty (20) in the year under review. The contracts of most of the temporary staff expired on 31 March 2019. The Board approved a strategy to enable the organisation to continue serving its stakeholders, albeit with some disruptions.



## 3.1.1 Graduate internship programme

During the year under review, the CPBN introduced a graduate internship programme as part of its Corporate Social Responsibility. The programme aims to create a talent pool for future staffing requirements of the CPBN. Furthermore, the programme aims to support the

Namibian Government in its effort towards creating a pool of skilled Namibians, particularly among the youth. Three (3) graduates from the Namibia University of Science and Technology (NUST) were beneficiaries for the year under review, as indicated in the table below.

Graduate	Gender	Business Unit	Period of engagement	Academic institution
Twenty-one March Kangonga	Female	External Procurement	07/01/2019 – 21/12/2019	NUST
Ulla Gabriel	Female	Internal Procurement	07/01/2019 – 31/12/2019	NUST
Aili Nghifikepunye	Female	HR Payroll	20/01/2019 – 31/12/2019	NUST

## 3.2 Procurement Management Unit (Internal)

The Procurement Management Unit (PMU) is an internal unit that was set up in compliance with Section 25 of the PPA and is responsible for the facilitation and execution of the procurement of the CPBN as an entity. The unit's performance is reported hereunder.

### 3.2.1 Internal procurement awards

In 2018/19, the CPBN awarded one hundred and twenty-eight (128) bids to the value of N\$1,705,010.73. It is worth noting that fifty-four (54) of these bids were awarded to SMEs, which translates to 42% of the total bids awarded. The table below indicates the types of procurement carried out.

Procurement method	Amount (N\$)
Small value procurement	681,837.92
Request for sealed quotations	415,130.55
Execution by public entities	352,784.74
Direct procurement	255,257.52
<b>Total</b>	<b>1,705,010.73</b>

### 3.2.2 Cancelled bids

A total of fifty-two (52) bids were cancelled as a result of non-compliance to mandatory requirements and offers exceeding the cost estimate of the procurement matter put on offer.

## 3.3 Financial Management

As per Section 20 of the PPA, the Board may incur expenses in accordance with a budget approved by the Minister of Finance. The 2018/19 budget was approved by the Minister.

### 3.3.1 Income

The main source of income for the CPBN remains the annual grant received from Government, as indicated in the table on the following page.



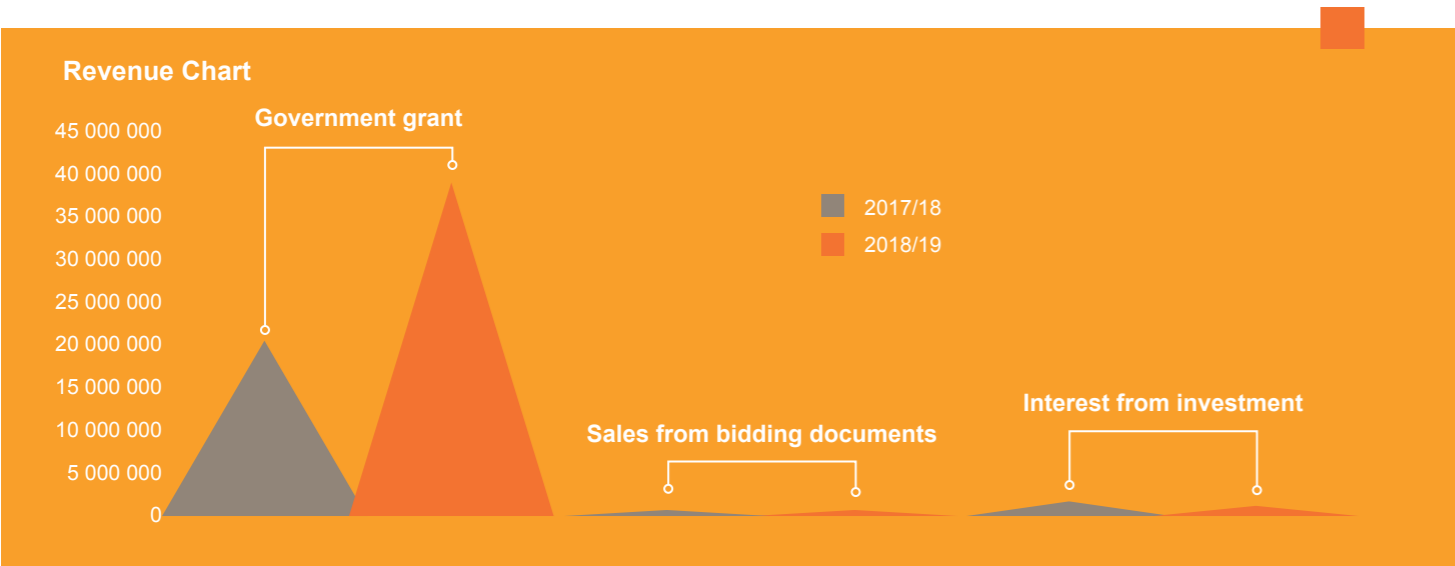


Income 2018/19 and 2017/18		
Source of income	2018/19 Amount (N\$)	2017/18 Amount (N\$)
Government subsidy	20,000,000	38,654,806
Sales from bidding documents	343,567	50,000
Interest from investments	1,719,123	973,556
<b>Total</b>	<b>22,062,690</b>	<b>39,678,372</b>

As shown in the table, the Government grant decreased from N\$38,654,816 in the 2017/18 financial year to N\$20 million in the financial year under review. However, the sales of bidding documents increased from N\$50,000 in

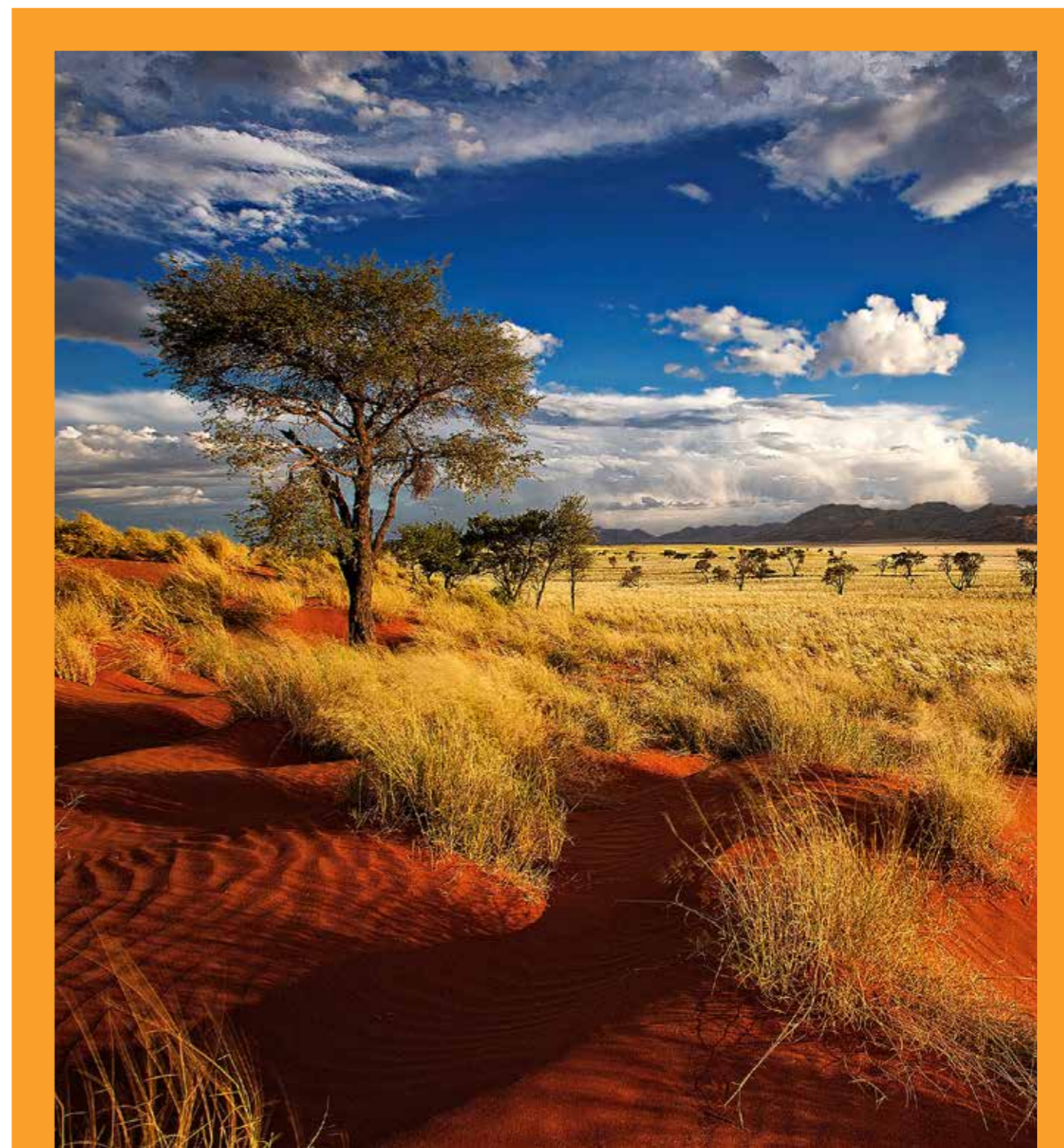
the 2017/18 financial year to N\$343,567 in the 2018/19 financial year. This is indeed a significant increase, which in turn significantly contributed to the financial position of the organisation.

Expenditure 2018/19 and 2017/18					
Expenditure	2017/18 (N\$)	Percentage of total costs (%)	2018/19 (N\$)	Percentage of total costs (%)	Change expenses 2017/18 to 2018/19 (%)
Employee costs (including Executive directors)	4,115,357	59.50	13,824,464	70.90	235.92
Board fees (Non-executive directors)	1,838,073	26.60	1,738,547	20.20	(5.41)
Operational costs	958,936	13.90	3,943,039	8.90	311.19
<b>Total expenses</b>	<b>6,912,366</b>	<b>100</b>	<b>19,506,080</b>	<b>100</b>	



### 3.3.2 Expenditure

The major cost driver of our budget continues to be employee costs, consuming 70.9% of the total funds expended in the current financial year, compared to 59.50% in the previous financial year. The increased expenditure is attributed to the increase in the number of staff employed on short-term contracts. This trend was expected as the PPA requires the segregation of duties. Board fees were reduced from 26.60% to 20.20% of the funds expended. A reduction of costs was also evident in the Board fees paid to non-executive Directors. As the number of staff increased, it was expected that the cost of operations would increase from the previous to the current financial year.



# 4. PUBLIC PROCUREMENT

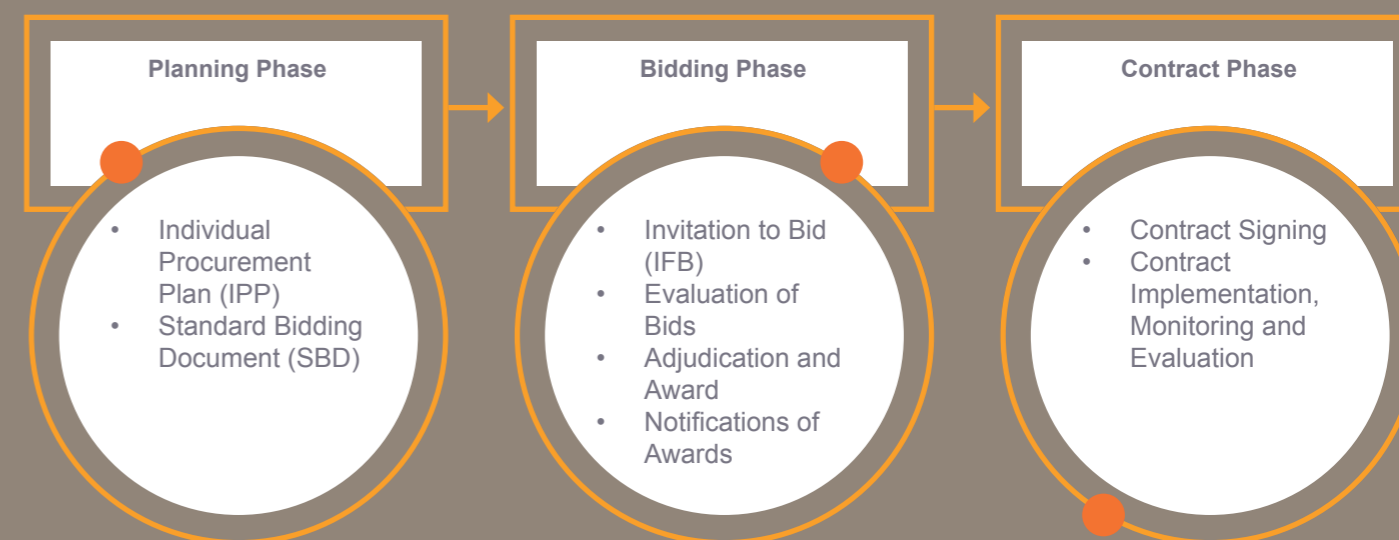
Public procurement is the core mandate of the CPBN. The Board procures goods, services and works on behalf of public entities (PEs) that exceed their procurement thresholds, as per Regulation 2 of the PPA. The PEs are categorised into three (3) categories under Regulation 2(3) of the PPA, with different thresholds assigned to each category, per procurement category.

The following table depicts the thresholds for each category of PE.

Procurement Thresholds per PE Category				
Public Entity	Goods	Works	Consultancy	Non-consultancy
Category 1	≤ N\$25 million	≤ N\$35 million	≤ N\$20 million	≤ N\$15 million
<b>CPBN</b>	<b>&gt; N\$25 million</b>	<b>&gt; N\$35 million</b>	<b>&gt; N\$20 million</b>	<b>&gt; N\$15 million</b>
Category 2	≤ N\$20 million	≤ N\$30 million	≤ N\$15 million	≤ N\$10 million
<b>CPBN</b>	<b>&gt; N\$20 million</b>	<b>&gt; N\$30 million</b>	<b>&gt; N\$15 million</b>	<b>&gt; N\$10 million</b>
Category 3	≤ N\$15 million	≤ N\$20 million	≤ N\$10 million	≤ N\$5 million
<b>CPBN</b>	<b>&gt; N\$15 million</b>	<b>&gt; N\$20 million</b>	<b>&gt; N\$10 million</b>	<b>&gt; N\$5 million</b>

## 4.1 Procurement Process

The public procurement process consists of several stages that are categorised into three (3) distinct phases, as depicted hereunder.



The PE initiates the procurement process as the holder of the budget, through an Individual Procurement Plan (IPP) (PPA Regulation 8(3)), and a suitable Standard Bidding Document (SBD), aligned to the PPA according to the chosen procurement method. The Board considers the IPP, in particular the chosen procurement methods, then reviews the SBD to determine whether the SBD will provide fair competition among prospective bidders. The major challenges experienced by the Board during the review of the SBDs were:

- Alterations made to instructions to bidders which are not permitted or could not be explained;
- Requirements inserted in the SBD that do not support empowerment and industrialisation policies of the Government;
- Evaluation criteria restrictive and not aligned to the instruction to bidders or the employers' requirements; and
- Conflicting requirements within the bidding document.

The bidding phase is conducted by the CPBN on behalf of the PE. As per Section 26 of the PPA, the Board appoints independent evaluators, as well as representatives nominated by the relevant PEs as per Section 9(1)(i), to evaluate the bids and to make recommendations to the Board. The Board reviews the recommendations made by the Bid Evaluation Committee (BEC) and then either rejects the recommendations, awards a procurement contract, or requests the BEC to make new or further evaluations on specified grounds (Section 9(1)(l)). After the Board has adjudicated and made a decision, the decision is communicated to the bidders.

In an attempt to improve service delivery and to reduce the time spent on planning procurement, the Board directed administrative staff specialising in procurement to engage with the PEs before submission of their documents to the Board in order to guide the submission process. The progress and momentum achieved in addressing shortcomings in planning documents were negatively affected by the expiry of short-term employment contracts.

Notwithstanding these challenges, the CPBN managed to approve more IPPs than in the previous financial year and concluded eight (8) procurement projects for the year under review.





#### 4.2 Individual Procurement Plans (IPPs)

During the period under review, there was a significant increase in the number of IPPs approved by the Board. In total, the Board approved thirty-four (34) IPPs to the value of N\$8,774,271,717.75, as indicated in the table hereunder. In comparison, the Board only approved seventeen (17) IPPs valued at N\$2,480,829,199.80 in the previous financial year.

##### Individual Procurement Plans 2018/19

	Public entity	Procurement matter	Date	Estimated value (N\$)
1	NamPower	Design, manufacture, testing, delivery, installation and commissioning of power transformers	Apr 2018	41,000,000.00
2	NamPower	Design, manufacture, testing, delivery, installation and commissioning of power transformers	Apr 2018	130,000,000.00
3	NamPower	Design, manufacture, testing, delivery, installation and commissioning of power transformers	Apr 2018	36,800,000.00
4	NamPower	Design, manufacture, testing, delivery, installation and commissioning of 315 MVA power transformers	Apr 2018	311,000,000.00
5	Ministry of Works and Transport	Manufacture and supply of P2 concrete sleepers	Apr 2018	150,000,000.00
6	Ministry of Works and Transport	Northern railway extension for Phase 3 Ondangwa to Oshakati for construction of station buildings, platforms and civil works	Apr 2018	65,000,000.00
7	NamPower	Construction of 132 kV Khurub-Aussenkehr transmission line	Apr 2018	45,000,000.00
8	Ministry of Education, Arts and Culture	Catering for hostels	Apr 2018	4,650,000,000.00
9	City of Windhoek	Provision of open space and cleaning services (Windhoek formal areas)	May 2018	157,897,523.55
10	City of Windhoek	Provision of open space and cleaning services (Windhoek informal areas)	May 2018	79,610,110.00
11	New Era	Revised submission for the printing of New Era and Kundana newspapers	Jul 2018	4,600,000.00
12	NamPower	Supply and delivery of 30,000 tons of coal to Van Eck Power Station, Windhoek	Jul 2018	60,000,000.00
13	Ministry of Works and Transport	Construction of earthworks embankment between Sandverhaar and Buholzbrunn	Jul 2018	110,000,000.00
14	Roads Authority	Nominated SME sub-contractor for the blading of gravel roads in Oshakati	Jul 2018	105,035,913.00
15	Roads Authority	Nominated SME sub-contractor for the blading of gravel roads in Windhoek	Jul 2018	149,545,010.00
16	Roads Authority	Nominated SME sub-contractor for the blading of gravel roads in Keetmanshoop	Jul 2018	155,822,161.00
17	Roads Authority	Nominated SME sub-contractor for the blading of gravel roads in Otjiwarongo	Jul 2018	191,437,680.38
18	National Petroleum Corporation of Namibia	Transportation and distribution of petroleum products	Jul 2018	57,000,000.00
19	Namibia University of Science and Technology	Provision of security services	Jul 2018	31,776,000.00
20	Namibia University of Science and Technology	Provision of cleaning services	Jul 2018	12,710,400.00
21	NAMFISA	Procurement of office rental space	Sep 2018	108,486,086.00
22	Ministry of Health and Social Services	Supply and delivery of meals in accordance with dietary needs of patients	Sep 2018	596,448,000.00

##### Individual Procurement Plans 2018/19 (continued)

	Public entity	Procurement matter	Date	Estimated value (N\$)
23	Ministry of Health and Social Services	Rendering of security services	Sep 2018	283,311,000.00
24	Ministry of Education, Arts and Culture	Textbooks for Junior Primary, Senior Primary and Senior Secondary Education in fourteen (14) regions	Sep 2018	234,353,600.00
25	Ministry of Finance	Provision of security services for the Ministry of Finance	Oct 2018	(11,566,139.00)
26	Ministry of Works and Transport	Supply, installation and management of automated fuel management system for Government vehicle fleet	Oct 2018	332,609,945.00
27	Ministry of Health and Social Services	Supply and delivery of medical gasses (bulk), liquid petroleum gas (household gas) and compressed medical gasses	Oct 2018	171,281,250.00
28	Ministry of Education, Arts and Culture	Upgrade, emergency renovations and repair works to Tubuses Primary School and hostel	Nov 2018	76,530,883.01
29	Social Security Commission	Supply, configuration and implementation of fund administration system	Nov 2018	65,000,000.00
30	Ministry of Home Affairs and Immigration	Provision of maintenance services for the electronic border management system	Nov 2018	43,500,000.00
31	Ministry of Education, Arts and Culture	Construction of hostels nationwide: Pendukeni Iivula Secondary School in Omusati region	Feb 2019	49,943,966.00
32	Ministry of Education, Arts and Culture	Construction of new Otuzemba Primary School in Opuwo, Kunene region	Feb 2019	50,149,041.81
33	Ministry of Education, Arts and Culture	Establishment of hostels at Onkumbula Combined School in Oshikoto region	Feb 2019	74,989,287.00
34	Telecom	Supply, delivery, installation, commissioning and maintenance of business support system (OSS/BSS)	Feb 2019	196,000,000.00
<b>Total value of IPPs (N\$)</b>				<b>8,774,271,717.75</b>

Based on the information presented above, fourteen (14) public entities submitted independent procurement plans (IPPs) comparing with eleven (11) public entities which submitted IPPs during the previous financial year.

#### 4.3 Awards

Section 27 of the PPA allows for a public entity or the CPBN to select from three (3) procurement methods, namely open advertised bidding, restricted bidding and direct procurement. The awards granted under these procurement methods during the current financial year are discussed hereunder.

##### 4.3.1 Open advertised bidding

Under the open advertised bidding (OAB) procurement method, the Board may procure goods, works and services through a national or international competitive bidding process. Namibian-owned entities are allowed to participate in both processes.

Throughout the financial year under review, the CPBN conducted four (4) bidding processes of which three (3) were cancelled due to non-responsiveness, as depicted under section 4.5 *Cancelled Bids*. The remaining bid was successfully concluded and two (2) contracts with a combined value of N\$187,307,348.50 (2017/18: N\$111,377,518) were awarded, as presented in the table on the following page.

The value of procurement successfully concluded under OAB grew by 68.17% from the previous year. One of the contracts, valued at N\$1,462,878.21, was awarded to a Namibian-owned entity, while the other contract was awarded to a foreign-registered and owned entity.



Open Advertised Bidding 2018/19				
	Public entity	Procurement matter	Awarded to	Contract value (N\$)
1	Ministry of Health and Social Services	Supply and delivery of anti-retroviral drugs (ARV)	Dore Pharmaceuticals	1,462,878.21
2	Ministry of Health and Social Services	Supply and delivery of anti-retroviral drugs (ARV)	Mylan Laboratories Ltd	185,844.470.29
<b>Total value of OAB</b>				<b>187,307,348.50</b>

#### 4.3.2 Restricted bidding

The restricted bidding procurement method is used to limit the number of bidders. This is done under the following circumstances:

- Goods and services are only available from a limited number of bidders;
- The time and cost of considering a large number of bids are disproportionate to the value of the procurement; and
- Suppliers are included in pre-approved supplier eligibility lists.

During the financial year, the Board consented to a pre-qualification list drawn up by a public entity, following an advertised invitation for bidders for pre-qualification for civil works projects. The CPBN then placed four (4) bids restricted to bidders on the pre-qualification list and awarded three (3) contracts amounting to N\$129,726,922.67 (2017/18: N\$0), as depicted in the following table.

Restricted Bidding 2018/19				
	Public entity	Procurement matter	Awarded to	Contract value (N\$)
1	Namibia Training Authority	Upgrading of Okakarara VTC Phase 1	Octagon Construction (Pty) Ltd	64,251,259.24
2	Namibia Training Authority	Upgrading of Nakayale VTC	African Civil Engineering CC JV China State Construction Cooperation	37,780,243.33
3	Namibia Training Authority	Upgrading of Valombola VTC	African Civil Engineering CC JV China State Construction Cooperation	27,695,420.10
<b>Total value of restricted bidding</b>				<b>129,726,922.67</b>

One (1) of the contracts, valued at N\$64,251,259.24, was awarded to a Namibian-owned entity, while the other two (2) contracts, valued at N\$65,475,663.43, were awarded to a joint venture between a Chinese-owned entity and a Namibian-owned entity. The fourth (4) procurement bid was cancelled, as indicated under section 4.5 *Cancelled Bids*.

#### 4.3.3 Direct procurement

The direct procurement method allows the Board to procure goods, works and services directly from a sole supplier. The procurement method is also utilised when one public entity procures goods, works and services from another public entity.

Direct Procurement 2018/19				
	Public entity	Procurement matter	Date	Contract value (N\$)
1	Central Procurement Board of Namibia	Rental for the lease of office space for a period of three (3) years to Mandume Park Investments Eleven CC	Apr 2018	8,690,090.00
2	Ministry of Health and Social Services	Student tuition fees, visa costs and allowances in terms of Section 36 of the PPA	Jun 2018	55,880,892.00
3	Ministry of Health and Social Services	Procure directly from Oshikuku Roman Catholic Hospital	Jun 2018	94,475,000.00
4	Ministry of Health and Social Services	Request to acquire services from a sole supplier: St. Mary's Hospital in Rehoboth	Jul 2018	31,573,000.00
5	Ministry of Health and Social Services	Request to procure services from a single service provider: Namibia Blood Transfusion Services	Jul 2018	78,641,907.20
6	Ministry of Health and Social Services	Provision of financial assistance – Academic Training	Sep 2018	263,808,000.00
7	Ministry of Education, Arts and Culture	Textbooks for Junior Primary, Senior Primary and Senior Secondary Education in fourteen (14) regions	Sep 2018	234,353,600.00
8	Ministry of Health and Social Services	Directly acquire services from public entities, City of Windhoek and Telecom Namibia	Oct 2018	62,161,811.62
9	Ministry of Health and Social Services	Authorisation to directly acquire services from public entities, City of Windhoek and Telecom Namibia	Oct 2018	17,124,453.28
10	Ministry of Health and Social Services	Procure services directly from a public entity (Namibia Institute of Pathology (NIP))	Nov 2018	216,979,032.50
<b>Total value of direct procurement</b>				<b>1,032,114,786.00</b>

During the financial year, the CPBN awarded ten (10) procurement contracts valued at N\$1,032,114,786 (2017/18: N\$461,208,896.12) through direct procurement, representing a 123.78% growth in procurement value compared to the previous financial year. The Board is aware that the direct procurement method limits competition and therefore treats each request on its own merits before approving such a method and awarding such a contract.





#### 4.4 Transitional Procurement Matters

As per Section 81 of the PPA, “A tender contract existing at the date of commencement of this Act continues to be administered in terms of and governed by the law repealed by Section 80 as if this Act has never been enacted.” Section 80 refers to the Tender Board of Namibia Act, 1996 (Act No. 16 of 1996). The procurement matters outlined hereunder emanate from this provision.

##### 4.4.1 Variation orders

A variation order is an instruction or order to the contractor by an authorised person which varies the works. During the period under review, the Board approved variation orders to the value of N\$23,913,210.30, as indicated in the following table.

##### Variation Orders 2018/19

	Public entity	Procurement matter	Service provider	Date	Contract value (N\$)	Amount (N\$)	% Increase
1	Ministry of Agriculture, Water and Forestry	Variation order No. 2 for the additional payments for additional work due to the removal of the stumps which are up to a metre (m) below the ground and 1.5-2 m in diameter below the soil surface	MK Capital Investments CC and Okatambo Investments CC	Oct 2018	26,346,155.00	13,372,244.30	50.76
2	Ministry of Agriculture, Water and Forestry	Additional work for the construction of 3,000 m <sup>2</sup> reinforced concrete reservoir, booster pump station, elevated water tanks, main bulk pipelines, feeder pipelines and manifold connections for the water supply scheme to litapa and Okeeholongo, Omusati region – Phase (works) Procurement No: F1/18/2-17/2014	Techno Nam Bridges and Roads Construction (Pty) Ltd	Nov 2018	58,000,000.00	4,984,321.00	8.59
3	Ministry of Agriculture, Water and Forestry	Variation order on the construction of the Neckartal Dam and Phase 1 bulk water supply under Tender No: F1/18/2-1/2012 – Approved rate to N\$1,155.39 per cubic metre	Salini Impregilo S.P.A. (Contractors)	Feb 2019	N/A	N/A	N/A
4	Ministry of Justice	Increase in contract amount: Tender No. F1/10-5/2014 – Construction of Katima Mulilo Magistrate’s Court, Zambezi region	Platform Trading (Pty) Ltd	Oct 2018	52,226,345.26	5,556,645.00	10.64
<b>Total value of variation orders</b>						<b>23,913,210.30</b>	

##### 4.4.2 Price increases

Procurement contracts that are awarded over multiple years allow for prices to increase due to various reasons, such as statutory price increases and annual inflationary adjustments, among others.

The table on the following page depicts the increases in contract prices for the period under review, which totalled N\$40,870,241.70 (2017/18: N\$22,385,469.27). This amount approved for price increases represents a 82,57% increase from price increases granted in the previous financial year.

##### Price Increases 2018/19

	Public entity	Procurement matter	Service provider	Date	Amount (N\$)	NCPI Rate*
1	Ministry of Health and Social Services	Upward minimum adjustment on Tender No. A13-4/2013	Fedics Food Services, Pamo Trading Enterprises, Onyofi Trading Enterprises, OKG Food Services, Kunene Catering Services, Nutrifood (Pty) Ltd, Tulipamwe Catering Services CC, Tyetu Trading Enterprises CC, Independent Catering Services and Seal Caterers	Apr 2018	12,632,748.00	3.7
2	Ministry of Education, Arts and Culture	Price increase for the Tender on Catering Services to Government School Hostels (A9-11/2009) for the period of 01 June 2017 to April 2018	Atlantic Food Services (Pty) Ltd, Atlantic Catering Solutions (Pty) Ltd, Free Namibia Caterers CC, OKG Food Services (Pty) Ltd, Nutrifood (Pty) Ltd, Tsepo Catering (Pty) Ltd, Heritage Caterers (Pty) Ltd and Kunene Catering Services (Pty) Ltd	Oct 2018	28,237,493.70	3.7
<b>Total value of price increases</b>					<b>40,870,241.70</b>	

\* Namibia Consumer Price Index

##### 4.4.3 Contract extensions

A contract may be extended, provided that the contract provides for such extensions and all parties to the contract consent to an extension. Such a contract will then be submitted to the Board for approval on the same terms and conditions. The Board considers each request for an extension on its own merits before making a decision. It is the Board’s goal that procurement contracts awarded

under the Tender Board Act, 1996 (Act No.16 of 1996) be concluded and a new procurement be issued under the PPA. The Board issued this decision to public entities during the financial year under review. The following table depicts the contract extensions approved for the year under review, which totalled N\$1,521,826,132 (2017/18: N\$1,514,404,181.65).

##### Contract Extensions 2018/19

	Public entity	Procurement matter	Service provider	Date	Amount (N\$)
1	Ministry of Agriculture, Water and Forestry	Increase in contract amount for Construction of Neckartal Dam Phase 1 Bulk Water Supply: Tender F1/18/2-1/2012	Salini Impregilo S.P.A. (Contractors)	Oct 2018	1,049,534,633.00
2	Ministry of Agriculture, Water and Forestry	Increase in contract amount for Construction of Neckartal Dam Phase 1 Bulk Water Supply: Tender F1/18/2-1/2012	Salini Impregilo S.P.A. (Contractors)	Oct 2018	356,361,554.00
3	Ministry of Agriculture, Water and Forestry	Increase of contract value for the Engineer to continue with the design and construction of Neckartal Dam Phase 1 Bulk Water Supply Tender	Knight Piesold Consulting (Pty) Ltd	Jan 2019	89,103,383
4	Ministry of Agriculture, Water and Forestry	Increase of contract value for the Engineer for site supervision and site staff control for the construction of Neckartal Dam Phase 1 Bulk Water Supply	Knight Piesold Consulting (Pty) Ltd	Jan 2019	26,826,562
<b>Total value of contract extensions</b>					<b>1,521,826,132.00</b>

Although the number of contract extensions reduced considerably from twenty (20) extensions granted in the 2017/18 financial year to four (4) granted in 2018/19, the value of contract extensions increased by 0.50%,

compared to the previous financial year. The main reason for this increase relates to the resources required to complete the Neckartal Dam project, which is regarded as a strategic asset for the country.



#### 4.5 Cancelled Bids

Under Section 54 of the PPA, a procurement process may be cancelled any time before the acceptance of the bid. The CPBN handled two (2) transitional bids, directed by the High Court, which were cancelled by the CPBN as a result of the offers being substantially higher than the cost estimate for these projects.

Four (4) bids were cancelled by the CPBN, as presented in the following table. One of the bids cancelled in 2018/19 was the supply and delivery of pharmaceutical products due to non-responsiveness and validity of bids. This cancellation was of particular concern as the Ministry of Health and Social Services had requested the CPBN to cancel a similar bid emanating from a bidding process conducted under the Tender Board during the 2017/18 financial year. The reason provided at the time of cancellation was that bids were not valid.

Cancelled Bids 2018/19								
	Public entity	Procurement matter	Date	Decision	Procurement category	Procurement method	Amount (N\$)	Reason for cancellation
1	Telecom	Compilation and supply of print directory, and advertising space for three (3) years	Nov 18	Approved	Goods	OAB	39,729,0328.00	As per Section 54(1) (a) of PPA
2	Ministry of Safety and Security	Supply and delivery of dry and fresh rations	Nov 18	Approved	Goods	OAB	90,594,000.00	As per Section 54(1) (a) of PPA
3	NamPower	Construction of new Kunene and Omatando Substations	Mar 19	Approved	Works	Transitional matter	311.000.000.00	Bid substantially above applicable cost, making it economically unviable to proceed with bid as per Section 54(1)(b) and (f) of PPA
4	NamPower	Construction of new Masivi and Shiyambi Substations	Feb 19	Approved	Works	Transitional matter	146,928,012.36	Bid substantially above applicable cost, making it economically unviable to proceed with bid as per Section 54(1)(b) and (f) of PPA
5	Ministry of Health and Social Services	Supply and delivery of pharmaceutical products	Mar 19	Approved	Goods	OAB	700,000,000.00	Responsiveness and expiration of bid validity period as per Section 54 (1)(a) and (e) of PPA
6	Namibia Training Authority	Upgrading of Omuthiya VTC Phase 1	Mar 19	Approved	Works	Restricted bidding	110,000,000.00	Expiration of bid validity period as per Section 54 (1) (e) of PPA
<b>Total value of cancelled bids</b>							<b>1,398,251,050.30</b>	







# 5. LEGAL MATTERS

## 5.1 Matters before the Review Panel

The review process is an important aspect of the public procurement process that allows an aggrieved bidder or supplier to seek redress using a cost-effective process before a quasi-judicial body, independent from the CPBN or public entity.

In accordance with Section 59(c) of the PPA, "a bidder or supplier may, as prescribed, apply to the Review Panel for review of a decision or an action taken-

- a) By the Board; or
- b) By a public entity,

for the award of a procurement contract."

During the notification stages, the bidder, under Section 55(5) and Regulation 38 of the PPA, may ask the Board to reconsider its decision to award a bid based on specific reasons and evidence provided by the bidder. The bidder can also request the Review Panel to review the decision or action taken by the Board for the award of a procurement contract under Section 59(1) of the PPA. After the notifications and any review process (either a reconsideration by the Board or review by the Review Panel), the Board and the successful bidder enter into an agreement for the procurement contract awarded. The procurement contract is then handed to the accounting officer of the PE for implementation. The CPBN requires that the accounting officer report to the Board on the implementation of the procurement contract.

During the 2018/19 financial year, unsuccessful bidders lodged two (2) applications for review of decisions made by the Board.

## Applications for Review 2018/19

Applicant	Internal reference	Reason for application	Outcome
Lapaka Namibia Directories (Pty) Ltd	NCS/ONB/CPBN-01/2018	The notification of cancellation of bid process letter by CPBN did not provide reasons and was vague as it only stated "All bids are non-responsive"	a) In terms of Section 60(a) of the PPA confirm the decision of the CPBN to cancel the bidding process b) Effective date of order: 24 January 2019
Alstom Grid JV Radial Truss Industries	NPWR/2015/50	Construction of the new 400 kV Kunene substation and Omatando 400/132 kV substation extensions	The applicant contested the outcome of the bidding exercise (cancellations) conducted by CPBN a) In terms of Section 60(a) of the PPA to dismiss application of applicant on the grounds of Section 54(1)(b) and (f) of the PPA b) Recommended that NamPower conducts new market research on cost estimate of projects considering various factors, such as time that has elapsed since 2015, change in technologies, currencies, exchange rate and inflation rates

## 5.2 High Court Case

In November 2017, the Review Panel set aside a decision of the Board for the award of the procurement contract: "The procurement of bureau services for the supply and personalisation of driving licence cards for 60 months on behalf of Roads Authority."

After obtaining legal advice from the Office of the Attorney General, the CPBN appealed to the High Court to set aside the decision of the Review Panel. On 22 March 2018, the matter was heard before Judge Masuku, who postponed judgement to September 2018 due to the technical nature of the application. Unfortunately, the Review Panel did not file a reply on the matter.

On 9 November 2018, Judge Masuku ordered that:

1. The decision by the Review Panel delivered on 8 November 2017 be and is hereby set aside.
2. It is declared that Section 81(2) of the Public Procurement Act, 15 of 2015, is to be interpreted to mean that the provisions of the PPA take effect from the date of commencement of the Act, namely 1 April 2017 and therefore has no retro-active effect.
3. The steps taken by the Roads Authority in the process of the tender: "Bureau services for the supply and personalisation of driving licence cards, 60 months – Driving licence card production tender –AR/SE-2016" as at 1 April 2017 remain valid and enforceable.
4. It is hereby declared that the PPA does not require the applicant (CPBN) to consult with the Policy Unit (established in terms of Section 6 of the PPA) before appointing Bid Evaluation Committees in terms of the provisions of Section 26 of the Act.



## 6. MONITORING AND EVALUATION

During the period under review, the Board reviewed numerous requests for contract extensions and variations relating to the Neckartal Dam project. After due consideration by the Board, two (2) contract extensions to the total value of N\$1,405,895,678 were approved in favour of the contractor, Salini Impregilo S.P.A., for the construction of Neckartal Dam, Phase 1 Bulk Water Supply: Tender F1/18/2-1/2012.

The approval of contract extensions and variations increased the total project costs of the construction of the Neckartal Dam, Phase 1 Bulk Water Supply: Tender F1/18/2-1/2012, to N\$4,779,671,965, as at 31 March 2019. The estimated costs for the final project remain at N\$5.5 billion.

Knight Piesold Consulting (Pty) Ltd was appointed to represent the public entity with the design of the construction of the Neckartal Dam, as well as the site supervision and site staff control on the project. During the financial year, the Board approved contract extensions for both projects as follows:

Neckartal Dam contract extensions and variations	Amount (N\$)
Design fees for construction	89,103,383
Site supervision and staff control	26,826,562



The contract extensions and variations approved by the Board resulted in the total contract value of design fees for the construction of the Neckartal Dam to increase to N\$171,313,853 and the total contract value of site supervision and staff control to increase to N\$109,258,562. The reasons and motivation advanced and proved for the contract extensions and variations were as follows:

- Denial of right to access the site due to the tender contract award dispute in the High Court – settlement awarded by the Dispute Adjudication Board
- Delayed payments of invoices
- Interest charges for delayed payments
- Force Majeure

From engagements with the project stakeholders, the Board could identify that the public entity had limited capacity to deal with the contract implementation. The staff members engaging with the Board had difficulty answering all the questions raised by the Board relating to the project and its progress. From the records and submissions, the Board further observed that the project was not adequately financed and the invoices approved for payment were not paid within the period stipulated in the contract.

The lessons learned during the oversight of this project will enable the Board to ensure that each procurement project proves adequate funding before the commencement of the procurement process, as required by Section 25(4)(b) of the PPA. This decision of the Board proved challenging for PEs wishing to procure over five (5) financial years, as budgets are only approved for one (1) to three (3) years by parliament.





# 7. STAKEHOLDER ENGAGEMENT



The Board is aware of the effect that negative stakeholder perceptions have on the organisation. Thus, during the year under review, the Board directed the Executives to openly and transparently engage with all stakeholders with the aim of strengthening relations. The CPBN understands that different stakeholder groups require different forms of engagement and therefore ensured that each group was met, as far as practical, to engage in meaningful dialogue. Drawing from stakeholder feedback sessions, processes and procedures were reviewed and adjusted where required. Constant improvements are considered to advance service levels.

In August 2018, the Board was invited to meet with the President of the Republic of Namibia, His Excellency, Dr. Hage G. Geingob, and the Prime Minister, Honourable Saara Kuugongelwa-Amadhila, to report on the progress made by the CPBN. During the visit, the Board highlighted challenges and articulated the plans to address

shortcomings and move the organisation forward in compliance with the PPA.

The Board met with Honourable Calle Schlettwein, Minister of Finance, and Honourable Natangwe Ithete, Deputy Minister of Finance, to apprise them of the activities and plans of the CPBN. The CPBN highlighted several challenges experienced during the first year of operations, such as the dual role of the Chairperson who also serves as the accounting officer of the CPBN, which violates good governance principles. The Minister invited the CPBN to make a proposal to address the perceived anomaly.

During the reporting year, the CPBN also consulted with various stakeholder groups, as presented in the following table.

Stakeholder Engagement 2018/19		
Category	Stakeholder	Stakeholder interest
Public entities	Ministry of Works and Transport	Technical assistance and Ministry's role in procurement projects
	AgriBusDev	Procurement projects using Build Operate and Transfer methods
	Attorney-General and Honourable Minister of Mines and Energy	Processes, procedures and timelines under the PPA to appoint a Government Diamond Valuator
	Road Fund Administration (RFA)	RFA-related procurement projects which exceed the RFA's procurement threshold
	Ministry of Home Affairs	Consultation on how to proceed with a transitional procurement matter

Stakeholder Engagement 2018/19 (continued)		
Category	Stakeholder	Stakeholder interest
Public entities (continued)	Ministry of Mines and Energy (MME)	Challenges with electricity generation projects  Progress reporting on MME procurement projects  NamPower procurement projects to be expedited, SBD for large projects
	Ministry of Public Enterprises	Governance related matters, alignment to Tiers, exemptions, and Board fees
	Roads Authority and RFA	Procurement projects and challenges regarding their finalisation
	Ministry of Agriculture, Water and Forestry	Courtesy visit to assess challenges and expedite Neckertal Dam construction
	Ministry of Poverty Eradication and Social Welfare	Consultative meeting on procurement projects and the processes to follow
	NamPower	Consultative meeting on public procurement bottlenecks regarding NamPower bids managed by CPBN
	Namibia University of Science and Technology (NUST)	Consultative meeting on progress made on NUST procurement projects
	Office of the Prime Minister	Feedback and approach to transitional road projects  Meeting with Prime Minister, Minister of Health and Social Services, Minister of Finance, Secretary to Cabinet, Advisor to PM, Executive Directors: Office of the Prime Minister, Ministry of Health and Social Services, Finance, Head of PPU and Chairperson of CPBN – Progress of public procurement and financing of health-related goods
Regulatory entity	Bank of Namibia (BoN)	Consultation on the challenges arising from the dual role of the Chairperson and the practical functionality of BoN using dual roles for the Governor and Deputy Governor  CPBN Board members invited to BoN Board induction on corporate governance
Private entity	Team Namibia	Consultative meeting on cooperation to address the PPA objects in sourcing local products in public procurement
International organisations	International Monetary Fund (IMF)	Implementing procurement processes, and discussions on the improvement of monitoring and evaluation
	World Bank	Discussions on implementing E-procurement, and capacity building of procurement officials using World Bank online courses in public procurement
Representatives	Metal and Allied Namibian Workers Union (MANWU)	Non-compliance in implementation of capital projects by contractors relating to workers' conditions of service and monitoring and evaluation of these projects

In the previous financial years, stakeholder engagements centred mostly around increasing understanding of the PPA, challenges relating to the implementation of transitional matters, and the processes which the CPBN adopted to execute its role.

In the course of the 2018/19 financial year, stakeholders were challenged with the implementation of the PPA, which gave rise to frustrations with CPBN processes and resulted in delays in the execution of procurement plans submitted to the Board.

Engaging in meaningful dialogue and open discussions on the processes, as well as the roles and responsibilities of each role player in the public procurement process, provided some form of assurance, but did not completely alleviate negative perceptions, as the Board had hoped.

The CPBN recognised that open and transparent communication remains a strategic tool and will continue to engage with all stakeholders, while reviewing its processes to expedite procurement within the legal framework applicable in Namibia.



# 8. RISK



The CPBN does not have an approved risk management framework. However, during the period under review, the Board considered several risks that impede or could potentially impede the business operations of the CPBN. A list of risks was compiled from the minutes of Board meetings, as given on the following page.

Risks 2018/19		
Strategic risk	Issues identified	Mitigation controls
<b>Business continuity risk</b>	Effect of prolonged recruitment on human resource strategy and business processes, which leads to unsatisfied customers	Engaged the Ministry of Finance to fast-track security clearances for interviewed candidates  Crafted operating procedures to guide employees to execute work
<b>Human Resource risk</b>	Recruit, retain and employ skilled and experienced workers	Adjusted recruitment strategy  Advertised vacant positions
<b>Legal and compliance risk</b>	Risk emanating from stakeholders interpreting and applying the PPA differently  Risk emanating from non-compliance to the PPA and other regulatory requirements	Seek closer working relations with the PPU to address the interpretation of the PPA  Analyse Review Panel decisions to understand the application of the PPA in public procurement  Review and report on compliance to ARC on a quarterly basis
<b>Procurement risk</b>	Fairness in the evaluation of bids  Effect of excessive timelines in conducting procurement on public entities' programmes and business plans	Advertise an Expression of Interest to attract experienced individuals to evaluate bids  Monitor the evaluation process to ensure compliance to the PPA  Set benchmarks for each procurement stage to measure efficacy  Improve bid evaluation criteria included in bid documents  Draft bid evaluation guidelines  Liaise with the PPU to train bid evaluators
<b>Information Technology (IT) risk</b>	Establish and maintain relevant effective information technology infrastructure	Recruit IT personnel  Seek collaboration with public entities to design an IT infrastructure fit for the operations of the CPBN







# AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

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## BOARD MEMBERS' RESPONSIBILITIES AND APPROVAL

The Board members are required in terms of the Public Procurement Act 15 of 2015 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Board as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Board members acknowledge that they are ultimately responsible for the system of internal financial control established by the Board and place considerable importance on maintaining a strong control

environment. To enable the Board members to meet these responsibilities, the Board members set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Board and all employees are required to maintain the highest ethical standards in ensuring the Board's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Board is on identifying, assessing, managing and monitoring all known forms of risk across the Board. While operating risk cannot be fully eliminated, the Board endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Board members are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on

for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Board members have reviewed the Board's cash flow forecast for the year to 31 March 2020 and, in light of this review and the current financial position, they are satisfied that the Board has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Board's annual financial statements. The annual financial statements have been examined by the Board's external auditors and their report is presented on pages 48 to 50.

The annual financial statements set out on pages 52 to 74, which have been prepared on the going concern basis, were approved by the Board members on 14 September 2020 and were signed on their behalf by:

### Approval of financial statements

P.P. Swartz  
(Chairperson of the Board and Administrative Head of Central Procurement Board of Namibia)

L. Ramakhutla  
(Deputy Chairperson of the Board and Deputy Administrative Head of Central Procurement Board of Namibia)

M. Nakale  
(Chairperson of the Audit and Risk Committee)





## BOARD MEMBERS' REPORT

The directors have pleasure in submitting their report on the annual financial statements of Central Procurement Board of Namibia for the year ended 31 March 2019.

### 1. Incorporation

The Board was incorporated and brought into force with effect on 1 April 2017 by Government Gazette 46/2017 (GG6255).

The Board is domiciled in Namibia where it is incorporated as a state owned enterprise under the Public Procurement Act 15 of 2015. The address of the registered office is set out on page 3.

### 2. Nature of business

Central Procurement Board of Namibia was incorporated in Namibia with interests in the public procurement sector. The Board operates in Namibia.

The principal objectives of the Central Procurement Board:

- to conduct the bidding process on behalf of public entities for the award of contracts for procurement or disposal of assets that exceed the threshold prescribed for public entities;
- to enter into contracts for procurement or disposal of assets on its own behalf or on behalf of public entities awarded by the Board;
- to direct and supervise accounting officers in managing the implementation of procurement contracts awarded by the Board.

There have been no material changes to the nature of the Board's business from the prior year.

### 3. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting

Standards and the requirements of the Public Procurement Act 15 of 2015. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the Board are set out in these annual financial statements.

### 4. Events after the reporting period

The Board members are not aware of any material event which occurred after the reporting date and up to the date of this report.

### 5. Going concern

The Board members believe that the Board has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The Board members have satisfied themselves that the Board is in a sound financial position and able to meet its foreseeable cash requirements. The Board are not aware of any new material changes that may adversely impact the Board. The Board members are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Board.

### 6. Board members' interests in contracts

During the financial year, no contracts were entered into which Board members or officers of the Board had an interest in and which significantly affected the business of the Board.

### 7. Board members

The Board members in office at the date of this report are as follows:

Board members	Nationality
P.P. Swartz (Chairperson of the Board and Administrative Head of Central Procurement Board of Namibia)	Namibian
L. Ramakhutla (Deputy Chairperson of the Board and Deputy Administrative Head of Central Procurement Board of Namibia)	Namibian
M. Nakale (Chairperson of the Audit and Risk Committee)	Namibian
J. Muadinohamba	Namibian
H. Herman (Chairperson of the Human Resources Committee)	Namibian
E.P. Shilongo	Namibian
M. Iyambo (Chairperson of the Technical Committee)	Namibian
H.C. Loftie-Eaton	Namibian
T. Ndove	Namibian
E. Shiponeni (Board secretary)	Namibian

There have been no changes to the directorate for the year under review.

### 8. Litigation statement

The Board becomes involved from time to time in various claims and lawsuits incidental to the ordinary course of business. The Board is not currently involved in any such claims or lawsuits, which individually or in the aggregate, are expected to have a material adverse effect on the business or its assets.

### 9. Statement of disclosure to the Board's auditors

With respect to each person who is a Board member on the day that this report is approved:

- there is, so far as the person is aware, no relevant audit information of which the Board's auditors are unaware; and
- the person has taken all the steps that he/she ought to have taken as a Board member to be aware of any relevant audit information and to establish that the Board's auditors are aware of that information.

### 10. Terms of appointment of the auditors

PKF-FCS Auditors were appointed as the Board's auditors for the 2018 financial year on 22 March 2019 in terms of a letter of acceptance of bind in terms of Public Procurement Act 15 of 2015 (section 55).



# INDEPENDENT AUDITOR'S REPORT

## To the members of Central Procurement Board of Namibia

### Report on the Audit of the Annual Financial Statements

#### Opinion

We have audited the annual financial statements of Central Procurement Board of Namibia (the Board) set out on pages 52 to 74, which comprise the statement of financial position as at 31 March 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Central Procurement Board of Namibia as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Public Procurement Act 15 of 2015.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the annual financial statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (Parts 1 and 3) (IESBA Code) and

other independence requirements applicable to performing audits of annual financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Namibia. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other information

The Board members are responsible for the other information. The other information comprises the information included in the document titled "Central Procurement Board of Namibia annual financial statements for the year ended 31 March 2019", which includes the Board Members' Report as required by the Public Procurement Act 15 of 2015 and the Detailed Income Statement, which we obtained prior to the date of this report. The other information does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Annual Financial Statements

The Board members are responsible for the preparation and fair presentation of the annual financial statements in accordance with International Financial Reporting Standards and the requirements of the Public Procurement Act 15 of 2015, and for such internal control as the Board members determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the Board members are responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board members either intend to liquidate the Board or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud, error or design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board members.
- Conclude on the appropriateness of the Board members' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.





We communicate with the Board members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on other legal and regulatory requirements**

We report that the Board has not complied with the Public Procurement Act 15 of 2015 ensuring that annual financial statements are presented within the guidelines of these Acts.

Audited annual financial statements must not be submitted later than five months after the year end to the Auditor General by the Board in terms of the Public Procurement Act 15 of 2015.



PKF-FCS Auditors  
Registered Accountants and Auditors  
Chartered Accountants (Namibia)  
Per: Uwe Wolff  
Partner  
15 October 2020  
Windhoek



Republic of Namibia



**OFFICE OF THE AUDITOR-GENERAL**

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**AUDIT COMPLIANCE CERTIFICATE**

**ON THE ACCOUNTS**

**OF THE CENTRAL PROCUREMENT BOARD OF NAMIBIA**

**FOR THE YEAR ENDED 31 MARCH 2019**

The documentation as compiled by the firm PKF-FCS Auditors which is registered in terms of the Public Accountant's and Auditor's Act, 1951, who was appointed by the Central Procurement Board of Namibia, has been examined by Officials of the Office of the Auditor-General.

In terms of reference as agreed by Office of the Auditor-General and the Central Procurement Board of Namibia, I certify that the above-mentioned audit of the annual financial statements for the year ended 31 March 2019 has been carried out to my satisfaction.

WINDHOEK, April 2021

**JUNIAS ETUNA KANDJEKE**  
**AUDITOR-GENERAL**





## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Notes	2019 N\$	2018 N\$
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	3	459,655	116,850
<b>Current Assets</b>			
Cash and cash equivalents	4	35,531,175	33,335,017
<b>Total Assets</b>		<b>35,990,830</b>	<b>33,451,867</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Retained income		35,322,617	32,766,006
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	5	668,213	685,861
<b>Total Equity and Liabilities</b>		<b>35,990,830</b>	<b>33,451,867</b>

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2019 N\$	2018 N\$
Revenue	6	343,567	50,000
Other operating income	7	20,000,000	38,654,816
Other operating expenses		(19,506,080)	(6,912,366)
<b>Operating profit</b>	<b>8</b>	<b>837,487</b>	<b>31,792,450</b>
Investment income	10	1,719,124	973,556
<b>Profit for the year</b>		<b>2,556,611</b>	<b>32,766,006</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>2,556,611</b>	<b>32,766,006</b>



## STATEMENT OF CHANGES IN EQUITY

	Retained income N\$	Total equity N\$
Surplus for the year	32,766,006	32,766,006
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>32,766,006</b>	<b>32,766,006</b>
<b>Balance at 1 April 2018</b>	<b>32,766,006</b>	<b>32,766,006</b>
Surplus for the year	2,556,611	2,556,611
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>2,556,611</b>	<b>2,556,611</b>
<b>Balance at 31 March 2019</b>	<b>35,322,617</b>	<b>35,322,617</b>
Note(s)		

## STATEMENT OF CASH FLOWS

	Notes	2019 N\$	2018 N\$
<b>Cash flows from operating activities</b>			
Cash receipts from customers		20,343,567	38,704,816
Cash paid to suppliers and employees		(19,383,935)	(6,214,379)
Cash generated from operations	13	959,632	32,490,437
Interest income		1,719,124	973,556
<b>Net cash from operating activities</b>		<b>2,678,756</b>	<b>33,463,993</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(482,598)	(128,976)
<b>Net cash from investing activities</b>		<b>(482,598)</b>	<b>(128,976)</b>
<b>Total cash movement for the year</b>			
Cash at the beginning of the year		33,335,017	-
<b>Total cash at end of the year</b>	4	<b>35,531,175</b>	<b>33,335,017</b>





# ACCOUNTING POLICIES

## Corporate information

Central Procurement Board of Namibia is a state owned enterprise incorporated and domiciled in Namibia.

## 1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

### 1.1 Basis of preparation

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and the Public Procurement Act 15 of 2015.

The annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Namibia Dollars, which is the Board's functional currency.

These accounting policies are consistent with the previous period.

### 1.2 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting

estimates are recognised in the period in which the estimates are revised and in any future periods affected.

### Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

#### Lease classification

The Board is party to leasing arrangements, both as a lessee and as a lessor. The treatment of leasing transactions in the annual financial statements is mainly determined by whether the lease is considered to be an operating lease or a finance lease. In making this assessment, management considers the substance of the lease, as well as the legal form, and makes a judgement about whether substantially all of the risks and rewards of ownership are transferred.

#### Key sources of estimation uncertainty

##### Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Board uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Board's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

#### Fair value estimation

Several assets and liabilities of the Board are either measured at fair value or disclosure is made of their fair values. A valuation committee was established in order to determine the appropriate valuation techniques and inputs for each valuation. The committee reports to the CFO. Significant valuation issues are reported to the audit committee.

### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### Impairment testing

The Board reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determines the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

#### Useful lives of property, plant and equipment

Management assesses the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of office equipment and IT equipment are determined based on Board replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters. The useful life of manufacturing equipment is assessed annually based on factors including wear and tear, technological obsolescence and usage requirements.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

### 1.3 Property, plant and equipment

Property, plant and equipment are tangible assets which the Board holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Board, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Board and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Board. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	5 years
Office equipment	Straight line	5 years
IT equipment	Straight line	3 years



## ACCOUNTING POLICIES

### 1.3 Property, plant and equipment (continued)

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

### 1.4 Financial instruments

Financial instruments held by the Board are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the Board, as applicable, are as follows:

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through profit or loss.

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or

### 1.4 Financial instruments (continued)

- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Note 14 Financial instruments and risk management presents the financial instruments held by the Board based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Board are presented below:

#### Trade and other payables

##### Classification

Trade and other payables (note 5), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

##### Recognition and measurement

They are recognised when the Board becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction

costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note).

Trade and other payables expose the Board to liquidity risk and possibly to interest rate risk. Refer to note 14 for details of risk exposure and management thereof.

#### Derecognition

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition.

#### Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

#### Derecognition

##### Financial assets

The Board derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Board neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Board recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Board retains substantially all the risks and rewards of ownership of a transferred financial asset, the Board continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### Financial liabilities

The Board derecognises financial liabilities when, and only when, the Board obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.



## ACCOUNTING POLICIES

### 1.4 Financial instruments (continued)

#### Reclassification

##### Financial assets

The Board only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

#### Financial liabilities

Financial liabilities are not reclassified.

### 1.5 Financial instruments: IAS 39 comparatives

#### Classification

The Board classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

#### Initial recognition and measurement

Financial instruments are recognised initially when the Board becomes a party to the contractual provisions of the instruments.

The Board classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at settlement date.

#### Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

#### Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Board has transferred substantially all risks and rewards of ownership.

#### Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Board establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

### 1.5 Financial instruments: IAS 39 comparatives (continued)

#### Impairment of financial assets

At each reporting date the Board assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the Board, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

#### Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

#### Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

### 1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

### 1.7 Impairment of assets

The Board assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Board estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.





## ACCOUNTING POLICIES

### 1.7 Impairment of assets (continued)

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

### 1.8 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that

increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

### 1.9 Government grants

Government grants are recognised when there is reasonable assurance that:

- the Board will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are presented as a credit in the profit or loss (separately).

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

### 1.10 Revenue from contracts with customers

The company recognises revenue from the following major sources:

- Sales of tender documents

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Board recognises revenue when it transfers control of a product or service to a customer.

#### Sales of tender documents

For sales of tender documents, revenue is recognised when control of the goods or service has transferred to the customer.

Revenue is recognised at a point in time for sales of tender documents.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 2. New Standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the Board has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard / Interpretation	Effective date: Years beginning on or after	Expected impact
IFRS 9 Financial Instruments	1 January 2018	The impact of the standard is not material
IFRS 15 Revenue from Contracts with Customers	1 January 2018	The impact of the standard is not material
Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers	1 January 2018	The impact of the standard is not material
Amendments to IAS 28: Annual Improvements to IFRS 2014 - 2016 cycle	1 January 2018	The impact of the standard is not material
Amendments to IFRS 1: Annual Improvements to IFRS 2014 - 2016 cycle	1 January 2018	The impact of the standard is not material

#### 2.2 Standards and interpretations not yet effective

The Board has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Board's accounting periods beginning on or after 1 April 2019 or later periods:

Standard / Interpretation	Effective date: Years beginning on or after	Expected impact
Presentation of Financial Statements: Disclosure initiative	1 January 2020	Unlikely there will be a material impact
Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative	1 January 2020	Unlikely there will be a material impact
IFRS 16 Leases	1 January 2019	Unlikely there will be a material impact

### 3. Property, plant and equipment

	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	6,609	(710)	5,899	-	-	-
Office equipment	117,815	(22,155)	95,660	31,658	(1,726)	29,932
IT equipment	487,150	(129,054)	358,096	97,318	(10,400)	86,918
<b>Total</b>	<b>611,574</b>	<b>(151,919)</b>	<b>459,655</b>	<b>128,976</b>	<b>(12,126)</b>	<b>116,850</b>

#### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	-	6,609	(710)	5,899
Office equipment	29,932	86,157	(20,429)	95,660
IT equipment	86,918	389,832	(118,654)	358,096
	<b>116,850</b>	<b>482,598</b>	<b>(139,793)</b>	<b>459,655</b>

#### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Depreciation	Total
Office equipment	-	31,658	(1,726)	29,932
IT equipment	-	97,318	(10,400)	86,918
	<b>-</b>	<b>128,976</b>	<b>(12,126)</b>	<b>116,850</b>

#### Other information

The property, plant and equipment represents actual acquisitions. Assets received from the Ministry of Finance are not accounted for in the accounting records for the year ended 31 March 2019.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 N\$	2018 N\$
<b>4. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Bank balances	35,531,175	33,335,017
<b>Credit quality of cash at bank and short-term deposits, excluding cash on hand</b>		
The credit quality of cash at bank and short-term deposits, excluding cash on hand, that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:		
<b>Credit rating</b>		
A1+	35,531,175	33,335,017
<b>Exposure to currency risk</b>		
The Board is not exposed to currency risk related to certain bank accounts as no accounts are denominated in a foreign currency.		
<b>Namibia Dollar amount</b>		
Namibia Dollar	35,531,175	33,335,017
<b>5. Trade and other payables</b>		
<b>Financial instruments:</b>		
Accrued expenses	668,213	685,861
<b>Financial instrument and non-financial instrument components of trade and other payables</b>		
At amortised cost	668,216	685,861
<b>Exposure to currency risk</b>		
The Board is not exposed to currency risk related to trade payables.		
<b>Namibia Dollar Amount</b>		
Namibia Dollar	668,216	685,861

	2019 N\$	2018 N\$
<b>6. Revenue</b>		
<b>Revenue from contracts with customers</b>		
Sale of tender documents	343,567	50,000
<b>Disaggregation of revenue from contracts with customers</b>		
The board disaggregates revenue from customers as follows:		
<b>Sale of tender documents</b>		
Sale of tender documents	343,567	50,000
<b>Timing of revenue recognition</b>		
<b>At a point in time</b>		
Sale of tender documents	343,567	50,000
<b>7. Other operating income</b>		
Government grants	20,000,000	38,654,816
<b>8. Operating profit</b>		
Operating profit for the year is stated after charging (crediting) the following, amongst others:		
<b>Remuneration, other than to employees</b>		
Consulting and professional services	38,814	100,351
<b>Employee costs</b>		
Salaries, wages, bonuses and other benefits	15,532,553	5,908,383
<b>Leases</b>		
<b>Operating lease charges</b>		
Operating lease	2,398,061	-
<b>Depreciation and amortisation</b>		
Depreciation of property, plant and equipment	139,793	12,126





## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 N\$	2018 N\$
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### 8. Operating profit (continued)

#### Expenses by nature

The total cost of sales, selling and distribution expenses, marketing expenses, general and administrative expenses, research and development expenses, maintenance expenses and other operating expenses are analysed by nature as follows:

Employee costs	15,532,553	5,908,383
Lease expenses	2,398,061	-
Depreciation, amortisation and impairment	139,793	12,126
Other expenses	1,435,673	991,857
	<b>19,506,080</b>	<b>6,912,366</b>

### 9. Depreciation, amortisation and impairment losses

The following items are included within depreciation, amortisation and impairment losses:

#### Depreciation

Property, plant and equipment	139,793	12,126
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### 10. Investment income

#### Interest income

#### Investments in financial assets:

Bank and other cash	1,719,124	973,556
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### 11. Taxation

No provision has been made for 2018 tax as the Board is exempt from taxation.

### 12. Directors' emoluments

#### Executive

2019	Emoluments	Total
P.P. Swartz (Chairperson of the Board and Administrative Head of Central Procurement Board of Namibia)	1,500,000	1,500,000
L. Ramakhutla (Deputy Chairperson of the Board and Deputy Administrative Head of Central Procurement Board of Namibia)	1,300,000	1,300,000
M. Nakale (Chairperson of the Audit and Risk Committee)	349,502	349,502
J. Muadinohamba	347,320	347,320
H. Herman (Chairperson of the Human Resources Committee)	322,313	322,313
E.P. Shilongo	384,418	384,418
M. Iyambo (Chairperson of the Technical Committee)	396,721	396,721
H.C. Loftie-Eaton	382,973	382,973
T. Ndove	353,292	353,292
	<b>5,336,539</b>	<b>5,336,539</b>

#### 2018

	Emoluments	Total
P.P. Swartz (Chairperson of the Board and Administrative Head of Central Procurement Board of Namibia)	1,250,000	1,250,000
L. Ramakhutla (Deputy Chairperson of the Board and Deputy Administrative Head of Central Procurement Board of Namibia)	1,083,333	1,083,333
M. Nakale (Chairperson of the Audit and Risk Committee)	332,578	332,578
J. Muadinohamba	335,418	335,418
H. Herman (Chairperson of the Human Resources Committee)	273,498	273,498
E.P. Shilongo	367,970	367,970
M. Iyambo (Chairperson of the Technical Committee)	105,241	105,241
H.C. Loftie-Eaton	338,424	338,424
T. Ndove	84,943	84,943
	<b>4,171,405</b>	<b>4,171,405</b>



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 N\$	2018 N\$
<b>13. Cash generated from operations</b>		
Profit before taxation	2,556,611	32,766,006
<b>Adjustments for:</b>		
Depreciation and amortisation	139,793	12,126
Interest income	(1,719,124)	(973,556)
Changes in working capital:		
Trade and other payables	(17,648)	685,861
	<b>959,632</b>	<b>32,490,437</b>

### 14. Financial instruments and risk management

#### Categories of financial instruments

#### Categories of financial assets

2019	Note(s)	Amortised cost	Total	Fair value
Cash and cash equivalents	4	35,531,175	35,531,175	35,531,175

2018	Note(s)	Amortised cost	Total	Fair value
Cash and cash equivalents	4	33,335,017	33,335,017	33,335,017

#### Categories of financial liabilities

2019	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	5	668,216	668,216	668,216

2018	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	5	685,861	685,861	685,861

### 14. Financial instruments and risk management (continued)

#### Gains and losses on financial instruments

#### Gains and losses on financial assets

2019	Note(s)	Amortised cost	Total
<b>Recognised in profit or loss:</b>			
Interest income	10	1,719,124	1,719,124

2018	Note(s)	Amortised cost	Total
<b>Recognised in profit or loss:</b>			
Interest income	10	973,556	973,556

#### Capital risk management

The capital structure and gearing ratio of the Board at the reporting date was as follows:

Trade and other payables	5	668,216	685,862
Cash and cash equivalents	4	(35,531,175)	(33,335,017)
<b>Net borrowings</b>		<b>(34,862,959)</b>	<b>(32,649,155)</b>

Equity		35,322,616	32,766,005
Gearing ratio		(99)%	(100)%

#### Financial risk management

##### Overview

The Board is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The Board has overall responsibility for the establishment and oversight of the Board's risk management framework. The Board has established the risk committee, which is responsible for developing and monitoring the Board's risk management policies. The committee reports quarterly to the Board on its activities.

The Board's risk management policies are established to identify and analyse the risks faced by the Board, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Board's activities.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 14. Financial instruments and risk management (continued)

The Board audit committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Board. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee and the risk committee.

#### Credit risk

Credit risk is the risk of financial loss to the Board if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Board is exposed to credit risk on loans receivable, debt instruments at fair value through other comprehensive income, Board contract receivables, lease receivables, cash and cash equivalents, loan commitments and financial guarantees. None of these exist at the moment and the related credit risk is assessed very low.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The Board only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained when necessary. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

Credit risk exposure arising on cash and cash equivalents is managed by the Board through dealing with well established financial institutions with high credit ratings.

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss. Credit loss allowances are also recognised for loan commitments and financial guarantee contracts.

The maximum exposure to credit risk is presented in the table below:

Note(s)	2019			2018			
	Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value	
Cash and cash equivalents	4	35,531,175	-	35,531,175	33,335,017	-	33,335,017

### 14. Financial instruments and risk management (continued)

#### Liquidity risk

The Board is exposed to liquidity risk, which is the risk that the Board will encounter difficulties in meeting its obligations as they become due.

The Board manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through cash generated from operations and Government grant received.

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period. The current liquidity risk is assessed as very low.

#### Foreign currency risk

The Board is not exposed to foreign currency risk.

#### Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

The Board policy with regards to financial assets is to invest cash at floating rates of interest and to maintain cash reserves in short-term investments in order to maintain liquidity, while also achieving a satisfactory return for members.

#### Interest rate profile

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

Note	Average effective interest rate		Carrying amount		
	2019	2018	2019	2018	
<b>Variable rate instruments:</b>					
<b>Assets</b>					
Cash and cash equivalents	4	5.20 %	5.20 %	35,531,175	33,335,017
<b>Liabilities</b>					
Trade and other payables	5	- %	- %	(668,214)	(685,861)
<b>Net variable rate financial instruments</b>				<b>34,862,961</b>	<b>32,649,156</b>

Variable rate financial assets as a percentage of total interest bearing financial assets

100.00 % 100.00 %

Variable rate financial liabilities as a percentage of total interest bearing financial liabilities

100.00 % 100.00 %





## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 14. Financial instruments and risk management (continued)

#### Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

	2019	2019	2018	2018
Increase or decrease in rate	Increase	Decrease	Increase	Decrease
<b>Impact on profit or loss:</b>				
Cash and cash equivalents (1% increase / decrease on closing balance)	353,226	(353,226)	333,350	(333,350)

#### Price risk

The Board is not exposed to any price risk.

## DETAILED INCOME STATEMENT

	Notes	2019 N\$	2018 N\$
<b>Revenue</b>			
Sale of tender documents		343,567	50,000
<b>Other operating income</b>			
Government grants		20,000,000	38,654,816
<b>Other operating expenses</b>			
Advertising		210,648	34,261
BEC cost		89,780	-
Bank charges		10,517	4,114
Cleaning		19,033	34,822
Computer expenses		633	-
Conference and meeting fees		85,184	44,176
Consulting and professional fees		38,814	100,351
Consumables		10,088	-
Depreciation		139,793	12,126
Employee costs		15,532,553	5,908,383
IT expenses		174,411	56,467
Insurance		4,267	14,993
Lease rentals on operating lease		2,398,061	-
Motor vehicle expenses		3,996	-
Municipal expenses		180,988	-
Office refreshments		39,570	26,655
Office relocation cost		7,813	-
Postage		407	384
Printing and stationery		246,270	71,915
Recruitment costs		25,488	36,777
Repairs and maintenance		15,000	-
Security		11,002	-
Small assets not capitalised		-	1,825
Staff welfare		5,000	8,270
Subscriptions		33,389	32,563
Telephone and fax		133,917	81,552
Travel - local		89,458	442,732
		<b>19,506,080</b>	<b>6,912,366</b>
<b>Operating profit</b>	8	<b>837,487</b>	<b>31,792,450</b>
Investment income	10	1,719,124	973,556
<b>Profit for the year</b>		<b>2,556,611</b>	<b>32,766,006</b>

The supplementary information presented does not form part of the annual financial statements and is unaudited

