



# FIC Annual Report 2016/17





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## **The Financial Intelligence Centre Annual Report 2016/17**

This is the Financial Intelligence Centre's Annual Report and Financial Statements for the financial year ended 31 March 2017, prepared pursuant to section 15 of the Financial Intelligence Act, 2012, as amended (Act No. 13 of 2012)

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## ABBREVIATIONS AND ACRONYMS

<b>AML/CFT/CPF</b>	Anti-Money Laundering/Combating the Financing of Terrorism/Combating Proliferation Financing activities.
<b>AMLCFTCPF Council</b>	Anti-Money Laundering and Combating the Financing of Terrorism and Proliferation Council. The Government of the Republic of Namibia's main Policy Advisory Body on Anti-Money Laundering, Combating the Financing of Terrorism and Proliferation of Weapons of Mass Destruction matters, also known as the Council.
<b>Egmont</b>	Known as the Egmont Group of Financial Intelligence Units, to which State Membership is compulsory as mandated by applicable UN Conventions, UN Security Council Chapter VII Resolutions and Financial Action Task Force Recommendation 29. The Egmont Group of Financial Intelligence Units meet regularly to find ways to promote the development of Financial Intelligence Units globally and to cooperate, especially in the areas of information exchange, training and the sharing of expertise on matters involving Money Laundering, Terrorism Financing and Proliferation.
<b>ESAAMLG</b>	Eastern and Southern African Anti Money Laundering Group, of which the Government of the Republic of Namibia is a founding Member.
<b>FATF</b>	Financial Action Task Force, which is an inter-governmental technical and policy making body with a ministerial mandate, led by an annual rotating presidency held by member jurisdictions. Namibia is a member of the Financial Action Task Force by virtue of her membership to the Eastern and Southern African Anti-Money Laundering Group, which in turn is an Associate Member of the Financial Action Task Force. The Financial Action Task Force's activities amongst others are governed by its members at Plenary Meetings that take decisions based on consensus. Its current mandate was set by Ministers in April 2012 and expires in December 2020. The Financial Action Task Force's mandate as the standard setter to counter Money Laundering, Terrorism Financing and Proliferation, is cemented in applicable UN Conventions, UN Security Council Resolutions and important decisions of the UN Security Council.
<b>FIA</b>	Financial Intelligence Act, 2012 (Act No 13 of 2012) as amended. Also referred to as The Act.
<b>FIC</b>	Financial Intelligence Centre, herein also referred to as the FIC.
<b>FIU</b>	Financial Intelligence Unit: Globally, all countries are mandated by applicable UN Conventions to establish a Financial Intelligence Unit that serves as a National Centre for: (a) the receipt and analysis of: (i) suspicious transaction reports; and (ii) other information relevant to Money Laundering, associated predicate offences, Financing of Terrorism and Proliferation, and for the dissemination of the results of that analysis to Law Enforcement Agencies, foreign Financial Intelligence Units and competent authorities; and (b) Monitoring and Supervision of compliance with the country's Anti-Money Laundering and Combating the Financing of Terrorism and Proliferation preventative laws by Financial Institutions, Non-Banking Financial Institutions and Designated Non-Financial Businesses and Professions. Financial Action Task Force Recommendation 29 determines that: a) countries should ensure that the FIU has regard to the Egmont Group Statement of Purpose and its Principles for Information Exchange Between Financial Intelligence Units for Money Laundering, Financing of Terrorism and Proliferation Cases (these documents set out important guidance concerning the role and functions of FIUs, and the mechanisms for exchanging information between FIUs); and b) FIU should apply for membership in the Egmont Group.
<b>ML</b>	Money Laundering.
<b>PACOTPA</b>	The Prevention and Combating of Terrorist and Proliferation Activities Act, 2014 (Act No 4 of 2014).
<b>PF</b>	Proliferation Financing.
<b>POCA</b>	The Prevention of Organised Crime Act, 2004 (Act No. 29 of 2004) as amended.
<b>TF</b>	Terrorist Financing.
<b>UN</b>	United Nations.
<b>UNSC</b>	United Nations Security Council.
<b>UNSCR</b>	United Nations Security Council Resolution.



# PART A:

## INTRODUCTION AND GENERAL INFORMATION

## FOREWORD BY THE MINISTER

An effective, sound and reliable financial services sector lays the foundation on which public and private sector programs can build towards Namibia achieving its Vision of becoming a prosperous and industrialised country by the year 2030. Through bodies such as the Financial Intelligence Centre (FIC), Government aims to ensure the maintenance of effective, sound and reliable financial services. The FIC makes its contribution by helping Namibia mitigate risks associated with Money Laundering, Terrorism and Proliferation Financing activities.

When I look back at the year ended March 2017, I note the meaningful contributions made by the FIC in honouring its commitment and mandate towards safeguarding and enhancing financial stability. This report presents an overview of such contributions, in the said period, geared towards maintaining an effective and reliable financial system.

Namibia's financial system functions in concert with the international financial system. The natural consequence of this international financial framework results in international obligations for Namibia to honour. Various bodies such as the United Nations (particularly the Financial Action Task Force) work hand in hand with the FIC to ensure Namibia honours such obligations and contributes to an effective and reliable financial environment. As the Ministry of Finance, we note and take pride in the FIC's contributions as such and remain assured it will have a positive impact in furthering Namibia's compliance with international obligations.

This report comes at a time when Namibia is embarking on its fifth National Development Plan (NDP5), which is an inclusive national policy document guiding national developmental efforts. Now more than ever, the financial sector under the supervision of stakeholders such as the FIC, has a duty to come on board with government and join hands. In this regard, Government's expectation, amongst others, is the maintenance of an effective and reliable financial services sector that serves as a springboard for Government and other non-governmental programs geared towards economic emancipation.

It goes without saying that a sound financial system, amongst others, helps to lay the foundation on which we can stimulate and grow our economy, in order to:

- a. maintain and attract investors;
- b. create much needed employment; and
- c. building an all-inclusive Namibian house as envisaged in the Harambee Prosperity Plan.

As Namibians enjoy the current financial services sector stability and the country meets its relevant international obligations, I want to thank all FIC staff members for their commitment and dedication to serving the nation throughout the year.

I also wish to thank the financial services providers and consumers for their collaborative effort and continued compliance with financial soundness and anti-money laundering provisions.



**Hon. C. Schlettwein**  
Minister of Finance





## CHAIRMAN'S OVERVIEW

As we strive towards the achievement of the national goals outlined in the NDP 5 and the Harambee Prosperity Plan in line with the country's Vision 2030, the Financial Intelligence Centre (FIC) despite numerous challenges, continues to deliver diligently on its mandate by contributing meaningfully towards safeguarding the national financial system against the perils of Money Laundering, Terrorist Financing and the Financing of Proliferation Activities.

The FIC's workload is rapidly increasing, having due regard to the below-mentioned statistics which demonstrates a sharp incline in suspicious transactions/activity reports, requests for information (from law enforcement agencies and foreign financial intelligence units) and due diligence request from Government Offices, Ministries and Agencies. Given the increase in the workload, the current staff complement has become inadequate. However, the FIC will device measures to respond to these challenges.

As mentioned in the 2015/2016 Annual Report, Namibia is preparing for her second Anti-Money Laundering, Counter Terrorist Financing and Proliferation Financing (AML/CFT/CPF) mutual evaluation in 2019/2020, by the Financial Action Task Force (FATF) and the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), which is a follow up on Namibia's 2005 evaluation. This evaluation will establish the extent to which the Council and the FIC have been successful in executing their statutory mandate, as well as highlighting progress made by Namibia in complying with international obligations, and effectively mitigating the risks of Money Laundering, Terrorist Financing and the Financing of Proliferation Activities (ML/TF/PF).

The FIC is currently in the process of finalising the update to the 2012/2015 AML/CFT/CPF National Risk Assessment (NRA) and may thereby uncover more ML/TF/PF risks that have the potential to undermine the integrity of the Namibian financial system. It is of cardinal importance that the NRA is updated intermittently since the AML/CFT/CPF landscape is constantly evolving and new vulnerabilities are continuously emerging.

The successes recorded by the FIC during the year under review are good indicators of the efforts undertaken by both Council and the FIC in fulfilling their mandates, while simultaneously demonstrating the benefits that Government and the people of Namibia are deriving from the FIC.

I acknowledge the commitment and dedication of the FIC staff and the Council members in their endeavours to ensure that Namibia attains her national AML/CFT/CPF objectives, thereby ensuring a Financial System which remains agile to risks posed by ML/TF/PF.

In the same vein, I also have to recognise the very important role played by Strategic Partner Agencies, the Regulated Populace, Members of the Public and relevant stakeholders of the FIC in their collective efforts towards safeguarding our financial system from ML/TF/PF abuse; thereby helping to combat crime and creating an investor and trade friendly Namibian economy.



**Lipumbu Shiimi**

Chairman: Anti-Money Laundering and Combatting  
the Financing of Terrorism and Proliferation Council





## DIRECTOR'S OVERVIEW

The Financial Intelligence Centre's (FIC) continuous responsibility towards the Namibian Nation, remains the safeguarding, strengthening and protection of the stability and integrity of the National and International Financial System (the System), in contributing capacity, from risks and threats posed by Money Laundering (ML), the Financing of Terrorism (TF) and Proliferation (PF). In attaining this overall objective, the FIC also contributes to the safety and security of the Namibian Nation and the world at large.

### **The execution of above responsibility entails an:**

- a) understanding of national ML/TF/PF risks and threats: Once understood, assist the Anti-Money Laundering and Combatting the Financing of Terrorism and Proliferation Council (the Council) to coordinate the substantial mitigation of such risks and threats through the involvement of competent authorities, usage of a wide range of reliable information sources and using the assessment of risks as a basis for developing and prioritising AML/CFT/CPF policies in a coordinated way across appropriate channels. Where appropriate, coordinate actions domestically (where necessary regionally and internationally) to prevent and combat identified risks and threats;
- b) assisting Law Enforcement Agencies nationally and Financial Intelligence Units internationally to, both in pro-active and re-active fashion:
  - identify criminal networks and the criminal threats posed by such networks;
  - disrupt criminal networks and the criminal threats posed by such networks;
  - identify proceeds of crime, cause its freezing for twelve working days, contribute in association of the Office of the Prosecutor-General and the Namibian Police, its preservation and forfeiture in the High Court of Namibia; and
  - sanction criminals and cause a final deprivation of illicit proceeds.
- c) preventing Proceeds of Crime and Funds in support of Terrorist and Proliferation activities from entering the Financial Sector, Non-Banking Financial Sector and Designated Non-Financial Business and Professions Sector (herein after referred to as the FIA Regulated Populace), OR are detected and reported by these sectors: This involves:
  - raising early warning on ML/TF/PF Risks, Trends and Patterns to the FIA Regulated Populace, to prevent criminals from abusing the System to launder the proceeds of crime and finance terrorist and/or proliferation activities;
  - levelling the playing field for the FIA Regulated Populace to ensure effective execution of ML/TF/PF prevention responsibilities, through compliance with FIA; and
  - Administratively penalize observed non-compliance.


The year in review highlighted the resilience of Namibia's national AML/CFT/CPF policy, legislative and implementation regime in the prevention and combatting of ML, TF and PF risks and threats. In particular, it marked the identification of high risk ML cases within some sectors not previously subjected to the FIA preventative regime. These cases, if left unidentified and unattended, may have had a tremendous negative impact on the stability and integrity of the national financial system.

Namibia's National AML/CFT/CPF regime was also augmented during the year in review to include the Customs Clearing Agent Sector and the Non-Profit Organization Sector, in an effort to address ML/TF/PF threats and vulnerabilities posed by activities and persons operative within these sectors. This augmentation further enables the country to effectively comply with her international AML/CFT/CPF obligations, standards and best practices derived from applicable UN and AU Conventions, mandatory Chapter VII UN Security Council Resolutions and fight crime nationally.

A large majority of the FIC's intelligence reports and supervisory activities are aligned with the 2012 National Risk Assessment,<sup>1</sup> its 2015 update as well as the 2015 National Self-Assessment results<sup>2</sup>. However, a lot more must be done to deepen understanding on risks, threats and vulnerabilities inherent in new age financial products and services, especially those driven by technology.

<sup>1</sup> Refers to the AML/CFT/CPF National Risk Assessment

<sup>2</sup> Refers to the National AML/CFT/CPF Self Assessment



Additionally, a deepened understanding on TF vulnerabilities, and terrorist activity threats posed by people who commits terrorist activities on their own, must be developed, to ensure Namibia remains resilient in her efforts to protect her people and assist the international community in combatting terrorist activities and the financing thereof, especially in lieu of recent occurrences within the international arena.

Over the years, the FIC's continuous engagement with relevant stakeholders ensured that high turn-overs are recorded in the recovery of proceeds of crime. Despite high turn-overs noted, the majority of reports received by the FIC, remains un-analyzed and un-investigated as a result of severe human resource limitations. Additionally, continuous outreach engagements ensured that the regulatory footprint have significantly been widened with around 1,297 institutions currently subjected to effective FIA Regulatory Monitoring and Supervision activities<sup>3</sup>. This total does not represent the entire FIA regulated populace which must be subjected to Regulatory Monitoring and Supervision activities. A main cause of same can be ascribed to constraints which complicates the taking of required Regulatory and Monitoring Activities against a certain industry. The non-taking of the required FIA regulatory action, in turn holds significant AML/CFT/CPF non-compliance risks, which may expose Namibia to the threat of increased monitoring by international institutions mandated to ensure countries effectively comply with AML/CFT/CPF obligations.

Regionally, the FIC along with relevant national stakeholders, continue to participate in ESAAMLG<sup>4</sup> operations such as Working Group and Plenary meetings on an ongoing basis. This participation primarily includes availing Technical, Advisory and Capacity Building assistance to ensure respective AML/CFT/CPF regimes conforms to international standards and best practices and that regional ML/TF/PF risks are identified, assessed and effectively mitigated.

Internationally, the FIC is also extensively involved, at membership level in Egmont Group of Financial Intelligence Units activities to, amongst others, contribute to Egmont objectives and derive the necessary expertise to enhance the FIC's operations. Additionally, the Director's office provides input at various FATF forums focused on AML/CFT/CPF Policy Development, including the various Working Groups and Plenary sessions.

The Office of the Director also continuously represent the FIC at various platforms of International Financial Institutions such as the IMF and World Bank and strives to ensure that Namibia's voice is heard in the development and application of AML/CFT/CPF standards and best practices.


Dedicated FIC staff, the Council, the FIA Regulated Populace, Partner Agencies and Ministerial support has enabled the FIC to record the successes reflected in this report, despite various challenges faced. Their commitment, continued assistance, guidance and support is recognized and acknowledged. I also thank all national, regional and international stakeholders that have contributed to FIC's recorded success and attainment of goals set for the year under review.

FIC remains resilient in her quest to keep Namibia's Financial System safe, secure and stable. In pursuing this quest we vow not to waiver in lieu of risks posed by those committed to destabilize its integrity. We are honoured to serve the Namibian Nation and remain committed to do so without fear nor favour.

As a Team, we look forward to meeting the challenges offered by the 2017/18 financial year. We remain committed to deliver our absolute best in meeting the expectations of Government, Partner Agencies, the FIA Regulated Populace, the Namibian Nation at large as well as regional and international AML/CFT/CPF stakeholders. In particular, FIC's focus during the 2017/18 financial year will be dedicated to effectively prepare Namibia for her peer review scheduled to take place in the 2019/20 financial year. FIC remains committed to ensure Government is placed in a position to demonstrate that Namibia has effectively implemented her international AML/CFT/CPF obligations and are strictly adhering to the set AML/CFT/CPF standards. FIC trust that by doing such, Namibia will effectively avert potential threats of:

<sup>3</sup> Refers to AML/CFT/CPF Regulatory Monitoring and Supervision activities

<sup>4</sup> ESAAMLG is a Financial Style Regional Body of the FATF.

- 
- a) targeted monitoring by international organizations responsible for monitoring and supervision of effective compliance to said standards by countries;
  - b) questions being raised about the stability and integrity of the country's financial system, which in turn could raise the national risk profile and lead to various forms of exclusion from the global financial system; and
  - c) domestic financial institutions being de-risked and penalized by correspondent international financial institutions and AML/CFT/CPF regulators.

I remain positive that you will find this report informative and that value addition will be derived from the consumption of same.



**Leonie Elleneeza Dunn**

Director: FIC





## BRIEF HISTORY: THE FIC SINCE INCEPTION

The FIC was created on 13 October 2007. At the time of creation, it was a department housed within the Bank of Namibia (the Bank), as per the now repealed Financial Intelligence Act 2007 (Act No. 3 of 2007). A key milestone of the FIC was the repealing of the 2007 Act and replacing it with the Financial Intelligence Act 2012 (Act No. 13 of 2012) as amended. By virtue of the 2012 Act, which ensured Namibia's AML/CFT/CPF framework is fully aligned to international obligations, standards and best practices, the FIC enhanced its operational autonomy and independence, to that of a National stand-alone Centre responsible for, in partnership with identified agencies, combatting ML/TF/PF. The FIC as per the FIA, continue to receive administrative support from the Bank of Namibia.

Key miles stones attained by the FIC since its inception, have been highlighted in the 2015/16 Annual Report. This section thus only presents key milestones attained in the 2016/2017 financial year.

- Widened the FIA Regulated Populace scope by adding Customs Clearing Agents and certain segments of the Non-Profit Organization Sector as Accountable Institutions under FIA Schedule I.
- Activated Cross Border Movement of Cash and Bearer Negotiable Instrument Reporting.
- Production and Publishing of Namibia's First Typology Report on Money Laundering and Wildlife Poaching titled: Rhino and Elephant Poaching, Illegal Trade in Related Wildlife Products and Associated Money Laundering in Namibia.
- Alignment of the Exemption Policy under the repealed Financial Intelligence Act, 2007 (Act No. 3 of 2007) with provisions contained in the Financial Intelligence Act, 2012 (Act No. 13 of 2012) as amended.
- Conclusion of a Memorandum of Understanding between the Bank of Namibia and the Anti-Money Laundering and Combatting the Financing of Terrorism and Proliferation Council on availing administrative support to the FIC in terms of section 7(2) of the Financial Intelligence Act, 2012 (Act No. 13 of 2012) as amended.
- Establishment of an Investigative Task Force to fast track intelligence gathering, investigation, prosecution and asset forfeiture of Namibia's (and potentially the world's) largest uncovered fraud, money laundering, tax evasion, forgery and uttering case, if GDP per capita is considered.
- Publication of a Directive to address Trade Based Money Laundering and Illicit Capital Flight abusive practices observed within the Import Sector.
- Commencement of work to ensure effective guidance is availed to the FIA Regulated Populace on the De-Risking phenomenon with reference to those clients, relationships, products and services which pose a ML/TF/PF risk.
- Signing of Memorandum of Understanding with Cellule Nationale de Traitement de Informations Financieres of Cote'd'Ivoire (CENTIF-CI), the Financial Intelligence Unit of Cote d' Ivore.



# PART B:

## STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF THE ANNUAL REPORT

# STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF THE ANNUAL REPORT

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To the best of my knowledge and belief, I confirm the following:

All information and amounts related to the Annual Financial Statements disclosed in this Annual Report are consistent with such statements audited by the FIC's external Auditors.

This Annual Report is complete, accurate and free from any material omissions.

This Annual Report has been prepared in accordance with general Annual Report Guidelines endorsed by the Government of the Republic of Namibia.

The Annual Financial Statements have been prepared in accordance with applicable standards and that the FIC, with the administrative support availed by the Bank of Namibia as per the Financial Intelligence Act, 2012 (Act No. 13 of 2012) as amended, is responsible for the preparation of the financial statements and for the judgements made in this regard.

The FIC is responsible for establishing and implementing a system of internal control to provide reasonable assurance as to the integrity and reliability of the performance information, human resources information and the Annual Financial Statements.

The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

In lieu of the above, I most humbly opine that this Annual Report adequately and fairly reflects the operations, performance, human resources and financial affairs of the FIC for the financial year ended 31 March 2017.



**Leonie Elleneeza Dunn**

Director

29 June 2017



# PART C:

## GETTING TO KNOW THE FIC



# 1. LEGISLATIVE MANDATE OF THE FIC

## 1.1 Background

**The Government of the Republic of Namibia, in line with National Policies and Strategies on combatting:**

- Organized Crime and Money Laundering;
- Terrorism and the Financing thereof; as well as
- Proliferation of Weapons of Mass Destruction,

**Ratified and domesticated the following UN and AU Conventions as well as mandatory UN Security Council Resolutions issued under Chapter VII of the UN Charter:**

- 1988 UN Convention against Illicit Traffic in Narcotic Drugs & Psychotropic Substances;
- 1999 UN International Convention on Suppression the Financing of Terrorism;
- 2000 UN Convention against Transnational Organized Crime;
- 2003 UN Convention against Corruption;
- 1973 UN Convention on the Prevention & Punishment of Crimes Against Internationally Protected Persons, including Diplomatic Agents;
- 1979 UN International Convention Against Taking of Hostages;
- 1997 UN International Convention for the Suppression of Terrorist Bombings;
- 2005 UN International Convention for the Suppression of Acts of Nuclear Terrorism;
- 1999 OAU Convention on the Prevention and Combatting of Terrorism; 1267 (1999)
- The Security Council Resolutions pursuant to 1267 (1999), 1989 (2011) and 2253 (2015) concerning ISIL (Da'esh), Al-Qaida, and associated individuals, groups, undertakings and relevant entities;
- The Security Council Resolutions established pursuant to Security Council Resolution 1988 (2011) and all predecessor and/or subsequent resolutions;
- The Security Council Resolutions established pursuant to Security Council resolution 1718 (2006) and all predecessor and/or subsequent resolutions.

Given the global threat to international peace, stability and democracy presented by Transnational Organized Crime, Terrorism and Proliferation, Namibia along with other jurisdictions in the international community, has been called upon to demonstrate zero tolerance to such crimes by fully and effectively complying with the obligations derived from the above UN Conventions and Security Council Resolutions and do all that is necessary to prevent abuse of the domestic and international financial systems for purpose of such activities. These obligations have collectively been incorporated under the Financial Action Task Force Forty Recommendations on Anti-Money Laundering, Combatting the Financing of Terrorism and Proliferation, generally referred to as the FATF Recommendations. Additionally, Governments globally committed themselves to be subjected to Peer Reviews led by the FATF and its Regional Bodies, to assess and publicly make known its level of technical and effectiveness compliance with said obligations. In this regard, Namibia is scheduled for a Peer Review during the 2019/20 financial year.

Government's AML/CFT/CPF Preventative and Combatting Policies, Laws and Implementation Framework is therefore aligned to obligations mandated by these Conventions and Security Council resolutions as embodied in the FATF Recommendations. The FATF recommendations in turn provide the technical and effectiveness framework within which jurisdictions, including Namibia, should combat ML/TF and PF activities.

The FIC under the Policy making Arm of the Anti-Money Laundering and Combatting the Financing of Terrorism and Proliferation Council, is Government's main agency designated with the responsibility to coordinate Namibia's national, regional and international efforts to prevent and combat ML, TF and PF in collaboration with Partner Agencies, Government Ministries, Offices and Agencies<sup>5</sup>.

<sup>5</sup> Partner Agencies refers to all Competent Authorities defined by the Financial Intelligence Act, 2012 (Act No. 13 of 2012) as amended.

## 1.2 Objectives and functions of the FIC

**The Act established the FIC as Namibia's National Centre responsible for:**

- a. identification, assessment and understanding of national ML/TF/PF risks, threats and vulnerabilities and ensure that preventative and combatting policies, laws, strategies and human capital are effectively coordinated and aligned to address and mitigate identified risks, threats and vulnerabilities;
- b. develop AML/CFT/CPF policy and related matters for Council and Cabinet's consideration;
- c. coordinate all National AML/CFT/CPF preventative and combatting efforts;
- d. preventing and combatting ML, TF, PF and related activities in collaboration with Partner Agencies, International FIUs, cooperating and supporting nations and organizations<sup>6</sup>;
- e. identifying the proceeds of unlawful activities, through the receipt and analyses of reporting types, and disclosure of financial intelligence indicative of ML/TF/PF and related activities to Partner Agencies and international FIUs<sup>7</sup>;
- f. ML/TF/PF risk based FIA compliance monitoring and supervision by Accountable and Reporting Institutions designated under Schedules I and III of the Act;
- g. address identified non-compliance with the Act by issuing certain specified administrative sanctions<sup>8</sup>;
- h. continuously align Namibia's National AML/CFT/CPF policies, laws and implementation frameworks with international AML/CFT/CPF obligations, standards and best practices;
- i. maintain a national AML/CFT/CPF and ML/TF/PF statistical database;
- j. issue Early Warning Indicators to Government, Partner Agencies and the FIA Regulated Populace on ML/TF/PF Risks, Trends and Typologies;
- k. ensure a perfect balance exist between AML/CFT/CPF measures and the national and international Financial Inclusion Agenda;
- l. mitigate de-risking effectively;
- m. represent Namibia at national, regional and international AML/CFT/CPF forums; and
- n. avail administrative support to the Anti-Money Laundering and Combatting the Financing of Terrorism and Proliferation Council for it to function effectively.

**The FIC's primary functions as per the Act are to:**

- a. Process, analyse, interpret and retain information disclosed to and obtained by the FIC;
- b. Inform, advise, co-operate with and make its financial intelligence products available to Partner Agencies, other relevant competent authorities and Foreign Financial Intelligence Units to disrupt ML/TF/PF activities;
- c. Monitor, Supervise and avail guidance to accountable and reporting institutions, supervisory bodies and individuals regarding their compliance with the Act;
- d. Enforce compliance with the Act against affected institutions and by individuals not regulated or supervised by a supervisory body, or where the supervisory body is unable to act;

<sup>6</sup> Egmont Group of FIUs, FATF, ESAAMLG, Alliance for Financial Inclusion, World Bank, IMF, United Nations, the Global Forum, but to mention a few.

<sup>7</sup> Suspicious Transaction Reports; Suspicious Activity Reports; Large Cash Transactions Reports; Electronic Funds Transfer Reports; Cross-Border Movement of Cash and Bearer Negotiable Instrument Reports; and Requests for Information from Law Enforcement Agencies and International FIUs.

<sup>8</sup> Cash and Bearer Negotiable Instrument Reports; and Requests for Information from Law Enforcement Agencies and International FIUs.

- e. Implement a registration system for all affected institutions and individuals;
- f. Align Namibia's National AML/CFT/CPF system with international obligations, standards and best practices; and
- g. Overall, the Main Purpose of the FIC's Statutory Mandate is to assist in the protection of the stability and integrity of the Namibian and international financial system against potential and actual criminal abuse.

### 1.3 The role of various bodies and institutions

Although the FIC is designated as the central AML/CFT/CPF agency on behalf of government, combatting ML, TF and PF activities both nationally and internationally requires the input of various stakeholders such as Accountable and Reporting Institutions, Supervisory bodies, Law Enforcement agencies, Central Intelligence Agencies, the Judiciary etc. This section provides a brief presentation on the role such bodies play in concert with the FIC, in furtherance of Namibia's AML/CFT/CPF prevention and combatting objectives.

**The Act requires all Accountable and Reporting Institutions as well as all businesses operative in Namibia to assist in ML/TF/PF prevention by reporting suspicious and unusual financial transactions, large cash transactions, international and domestic electronic funds transfers inclusive of cross-border movement of cash and bearer negotiable instruments, to the FIC. It further introduces a regulatory framework of compliance control measures requiring certain categories of businesses<sup>9</sup> to take steps regarding:**

- a. conducting ML/TF/PF risk and threat assessments on clients, products, services, delivery channels etc and ensure the business relationship is managed as per risk category identified;
- b. client identification (Know Your Customer) and (Know Your Customer's Customer) inclusive of beneficial ownership identification;
- c. transaction monitoring (ensuring that the client's established financial profile corresponds with transactional behaviour observed and understand all deviations to enable the conducting of enhanced due diligence where necessary);
- d. record keeping of the entire business relationship for a period of five years or longer if specifically so requested by competent authorities;
- e. the appointment of compliance officers at Managerial Level;
- f. the training of employees on how to ensure institutional internal policies drive FIA compliance;
- g. the filing of various statutory reports with the FIC;
- h. ensure independent assurance is availed on institutional compliance effectiveness; and
- i. registration with and presentation of institutional compliance regimes to the FIC.

The Act assigns certain roles, responsibilities and powers to supervisory bodies to support the FIA objectives in preventing and combating ML/TF/PF, together with the FIC. Currently, Namibia only has one such designated body, which assist the FIC in its Regulatory Monitoring and Supervisory capacity, limited to the institutions subject to its supervisory mandate, namely NAMFISA. Institutions that do not fall under the supervision of NAMFISA, in terms of the Act are regarded as directly being supervised by the FIC. As such, FIC directly Regulate, Monitor and Supervise all Financial Institutions and Designated Non-Financial Businesses and Professions inclusive of Banks, Bureau de Changes, Estate Agents, Law Firms, Stock Brokers, Auctioneers, Casinos, Gambling Houses, Jewellers, Motor Vehicle Dealers (new and second hand), Dealers in Precious Metals and Stones, Art Dealers, Totalisator Agencies, Accountants, Auditors, Customs Clearing Agents, Non-Profit Organizations, but to mention a few and their self governing Boards such as the Namibia Stock Exchange, the Bankers Association of Namibia, the Law Society of Namibia, the Exchange Control and the Estate Agents Boards.

<sup>9</sup> Defined as Accountable and Reporting Institutions listed in Schedule 1 and 3 of the Act



The 2016/17 update to Namibia's 2012 National AML/CFT/CPF Risk and Threat Assessment may cause the addition of additional industries to the FIA Regulated Populace directly supervised by the FIC, to ensure identified threats and vulnerabilities are effectively assessed, addressed and mitigated.

**Law Enforcement Agencies inclusive of the Office of the Prosecutor-General, closely work with the FIC to effectively combat ML/TF/PF activities through pro-active and re-active intelligence led investigations, prosecutions, asset identification, seizing, freezing and forfeitures (civil and criminal) by, amongst others:**

- a. sharing information spontaneously or upon request to initiate or enhance investigations, asset identification, seizing, freezing and forfeitures;
- b. forming Law Enforcement Priority Task Forces to fast track the investigation of strategic and national important ML/TF/PF cases; and
- c. operating at a strategic level to enhance combatting efforts and reduce relevant ML/TF/PF risks.

The mandate for engagements between FIC, local Law Enforcement Agencies, Competent Authorities and Foreign FIUs is provided for in the Act and no prohibition is placed on the type of information that can be accessed and shared, provided it is in pursuit of ML/TF/PF activities.

The Office of the Prosecutor General is an additional vital stakeholder as it is primarily tasked with prosecution of ML/TF/PF and related matters submitted to it by Law Enforcement and the FIC. It is also responsible for ensuring forfeiture of proceeds of crime using both criminal and civil process.

It goes without saying that the outputs of the FIC (especially investigation support on related matters) are of little impact without the role of the Namibian Judiciary. The role of Namibia's courts in, amongst others, ensuring that criminals are denied access to their ill-gotten proceeds, or permanently prevent the funding of terrorist and proliferation activities using illegal and legal sources, is paramount to the objectives of the FIC.



# PART D:

## OPERATIONS OF THE FIC

## 2. THE ORGANISATIONAL STRUCTURE OF THE FIC

The FIC reports to the Council, the Minister of Finance and Parliament, through its Director.

**Overall, the FIC operations are segregated in the following four divisions:**

- a. Office of the Director;
- b. Financial Investigations and Analysis Division;
- c. Legal, Policy and Enforcement Division; and
- d. Compliance Monitoring and Supervision Division.

The management of the divisions meet regularly as a management committee to oversee the effective performance of the organisation, share information and co-ordinate activities.

Below is a brief summary on the functions of the Council and each FIC division.

### 2.1. The Council

**The functions of the Council are to –**

- a. on the Minister's request or at its own initiative, advise the Minister on –
  - i. policies and measures to combat money laundering, financing of terrorism and proliferation activities; and
  - ii. the exercise by the Minister of the powers entrusted to the Minister under the Act;
- b. consult, when necessary, with the FIC, associations representing categories of accountable or reporting institutions, offices, ministries or government agencies, supervisory bodies, regulators and any other person, institution, body or association, as the Council may determine, before it takes a policy decision which may impact on such institutions;
- c. advise the FIC concerning the performance of its functions;
- d. consider and recommend the proposed budget of the FIC to the Minister for approval;
- e. consider and recommend the human and other resources required by the FIC to effectively carry out its functions in terms of the Act to the Minister for approval; and
- f. recommend to the Minister the appointment or removal of the Director.

### 2.2. Office of the Director

Primarily, the office of the Director is responsible for the FIC's execution of its statutory mandate, the functions outlined in paragraph 1.2 herein before and the FIC's overall management.

**Broadly categorized, the Director:**

- a. reports functionally and strategically to the Council and the Minister, whilst administratively reporting to the Governor of the Bank of Namibia in relation to administrative support availed by the Bank to the FIC as per the Act;
- b. avails relevant AML/CFT/CPF Policy advice and guidance to the Council, the Minister of Finance and other relevant Ministers, Ministries, Offices and Agencies;
- c. leads, develop and avail input to and represents Namibia at regional and international fora dealing with AML/CFT/CPF matters such as FATF, ESAAMLG, the Egmont Group of FIUs, World Bank, IMF, Alliance for Financial inclusion, ARINSA, SADC but to mention a few;

- d. coordinate Namibia's National AML/CFT/CPF Risk and Threat Assessments;
- e. coordinate Namibia's National AML/CFT/CPF Self-Assessments and FATF/ESAAMLG Mutual Evaluations;
- f. coordinate the alignment of Namibia's National AML/CFT/CPF Policy, Laws and Implementation Frameworks with international AML/CFT/CPF obligations, standards and best practice;
- g. sets the strategic direction of the FIC inclusive of its strategic roadmap, operational plans and operational activities;
- h. drive effective implementation of FIA by all stakeholders in public and private sector;
- i. manage national, regional and international AML/CFT/CPF stakeholder relationships;
- j. administratively penalize all identified FIA non-compliance; and
- k. manage FIC staff, financial and other resources and the overall administration of the FIC inclusive of planning, monitoring and evaluation of divisional operations within the FIC.

## 2.3. Compliance Monitoring and Supervision Division

This Division's primary responsibility is overseeing compliance with the Act by the FIA Regulated Populace, using a risk-based<sup>10</sup> approach.

**In furthering this responsibility, the Division:**

- a. coordinates the FIA Risk Based Monitoring and Supervision Framework that ensures effective and efficient oversight over the FIA Regulated Populace by the AML/CFT/CPF Regulator (FIC and NAMFISA for NAMFISA regulated institutions);
- b. conducts compliance inspections on the FIA Regulated Populace to assess the level of compliance with the Act;
- c. monitors and gives guidance to accountable and reporting institutions, supervisory bodies and other people regarding the performance of their obligations;
- d. refer any identified non-compliance for FIA Enforcement; and
- e. maintains a registration system for all accountable and reporting institutions.

## 2.4. Financial Investigations and Analysis Division

**The Financial Investigations and Analysis Division (FIAD) executes the core FIU function through the:**

- a. receipt and analyses of data which identifies proceeds of crime, predicate offences to ML, ML itself, TF, PF and related crimes; and
- b. the dissemination of intelligence products to partner Agencies and international FIUs to enable criminal investigations, prosecutions and asset forfeiture (criminal and civil).

<sup>10</sup> Risk Based Approach means that Accountable and Reporting Institutions are expected to identify, assess and understand ML/TF/PF risks to which they are exposed and deploy AML/CFT/CPF measures commensurate to identified risks in order to mitigate same effectively and efficiently. Risk Assessments of Clients, Products and Services provide the basis for risk-based application of AML/CFT/CPF measures. This requires an investment of resources and training in order to maintain an understanding of the ML/TF/PF risk faced by each institution and industry of the FIA Regulated Populace.



The Division works closely with Law Enforcement Authorities, Intelligence Agencies, Inland Revenue Directorate and the private sector to combat crime, and provides support for investigations, prosecutions and asset forfeiture driven by Law Enforcement Agencies and the Office of the Prosecutor-General.

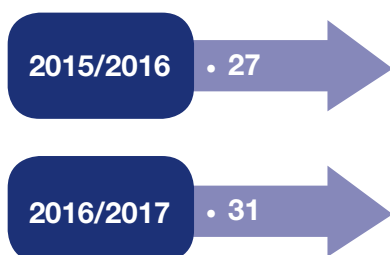
The Division's work also contributes to enhanced international co-operation and the availing of ML/TF/PF Risk and Threat Early Warning Indicators to prevent the abuse of the national and international financial system for ML/TF/PF purposes.

## 2.5. Legal, Policy and Enforcement Division

**The Legal, Policy and Enforcement Division is responsible for:**

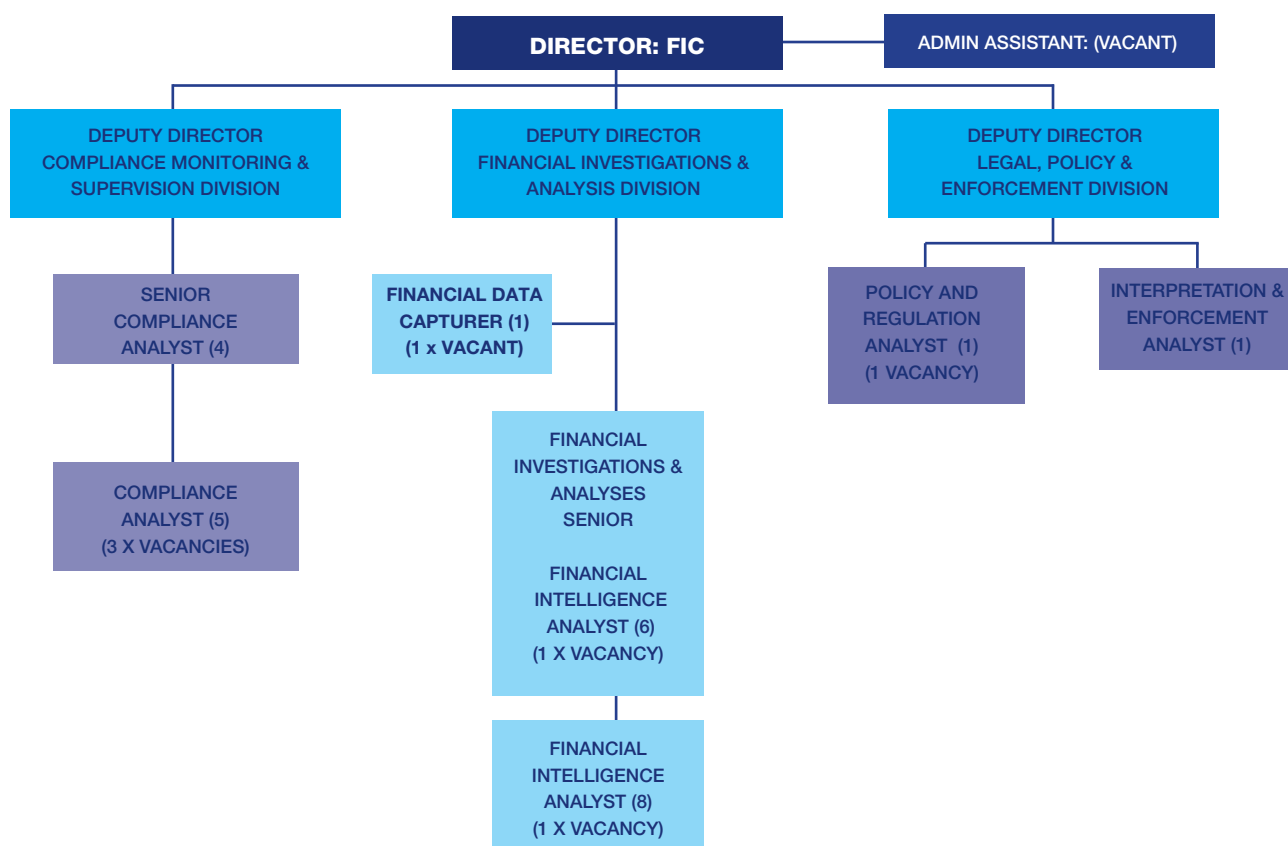
- a. continuous alignment of the national Anti-Money Laundering, Combatting the Financing of Terrorism and Proliferation (AML/CFT/CPF) Policy, Legal and Implementation framework with AML/CFT/CPF International Obligations (UN Conventions and UN Charter Chapter VII UN Security Council Resolutions), Standards (Financial Action Task Force (FATF) Recommendations) and Best Practices, under the Director's guidance;
- b. provide strategic AML/CFT/CPF Policy advice and guidance;
- c. providing legal advise and guidance on interpretation of the provisions of the FIA and the Prevention and Combatting of Terrorist and Proliferation Activities Act, 2014 (Act No. 4 of 2014) as well as mandatory UNSCRs alluded to above;
- d. conducting the National AML/CFT/CPF Self-Assessment
- e. conducting the national AML/CFT/CPF Risk and Threat Assessment;
- f. conducting outreach, awareness and training on the FIA provisions;
- f. developing and issuance of guidance to the FIA Regulated Populace to ensure effective compliance with FIA obligations;
- g. issuance of other formal communiques to the regulated populace in forms such as Circulars, Directives, Determinations, etc;
- h. recommending appropriate enforcement action to be taken by the Director of FIC to address and penalize identified FIA non-compliance;
- i. attend international and regional meetings which enable AML/CFT/CPF Peer Reviews, AML/CFT/CPF Policy and Best Practice development, AML/CFT/CPF model legislation development and Money Laundering, Terrorism Financing and Proliferation Financing Trends and Typologies development;
- j. assist with maintaining national, regional and international stakeholder relationships;
- k. avail Board Secretarial services to the Council; and
- l. render support Director's Office.

## 2.6. Total Staff Compliment



## 2.7 FIC Organizational Structure

### FIC ORGANIZATIONAL STRUCTURE (AS AT 31 MARCH 2017)



## 2.8 Anti-Money Laundering and Combatting the Financing of Terrorism and Proliferation Council (as at 31 March 2017)



Mr. I Shiimi  
(Chairperson of the Council)



Mr. K Matomola  
CEO (NAMFISA)  
Member



Ms. E. Angula  
(The Law Society of Namibia)  
Member



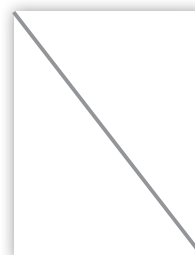
Mr. J Kandjeke  
(Public Accountant & Auditor's Board)  
Member



Adv. O.M Imalwa  
(Prosecutor General)  
Member



Mr. Paulus Noa  
Director (Anti-Corruption Commission)  
Member



Mr. J. Mumvuma  
President (Bankers Association of Namibia)  
Member



Comm. (Rtd) T. Kamati  
PS (Min. of Safety and Security)  
Member



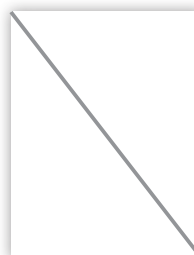
Ms. E Shafudah  
PS (Min. of Finance)  
Member



Mr. IVK Ndjoze  
PS (Ministry of Justice)  
Member



Mr. G Sinimbo  
PS (Min. of Industrialization, Trade &  
SME Development)  
Member



Mr Likando  
(NCIS)  
Member



Inspector General SH Ndeitunga  
(Nampol)  
Member

### 3. GOVERNANCE

The FIC is an operationally independent and autonomous creature of statute established in terms of the Financial Intelligence Act, 2012 (Act No. 13 of 2012) as amended and operational as from 05 May 2009<sup>11</sup>.

#### 3.1 Accounting authority

As far as Governance is concerned, the FIC has dual accounting authorities.

The Anti-Money Laundering and Combating the Financing of Terrorism and Proliferation Council (the Council), to which the FIC functionally reports, is the FIC's main accounting authority.

The Council reports to the Minister of Finance on its FIA statutory mandate and is chaired by the Governor of the Bank of Namibia.

The Minister of Finance in turn accounts to Parliament on behalf of Council and FIC on matters related to AML/CFT/CPF, the FIA and the FIC.

The FIC as per section 7 of the FIA receives administrative support from the Bank of Namibia. As such, it also reports to the Board of the Bank of Namibia on Human Resource, Finance and Administration, IT and related matters.

#### 3.2 Supporting role of the Bank of Namibia

The FIC was created to administer the Act on behalf of the Ministry of Finance. The FIC relies on the Bank of Namibia for support and administrative services as per section 7(2) of the Financial Intelligence Act, 2012 (Act No. 13 of 2012) as amended. In the provision of administrative services, administrative strategies, policies and procedures, and where applicable also governance policies, of the Bank are followed, to the extent that same are not contrary to the aims and objectives of the FIC

**Amongst others, these administrative services include the following:**

- a. Remuneration and other payments due to the FIC staff are dealt with in terms of the Bank's remuneration and other relevant policies and procedures and are approved by the Bank of Namibia Board;
- b. FIC staff are subjected to the performance management policies and procedures of the Bank;
- c. The FIC budget is submitted to the Bank's Budget Committee for recommendation before its submission to the AML/CFT/CPF Council;
- d. The Bank's Finance and Administration Department provides financial accounting services to the FIC (the books of account of the FIC are however separately audited from that of the Bank, by external auditors);
- e. The FIC is integrated in the management of the Bank's operations to an extent that:
  - i. The FIC is included in the Bank's business continuity and disaster recovery mechanisms, as per the Bank's policies; and
  - ii. FIC staff serve on management and other committees of the Bank.

<sup>11</sup> The FIC was first established under the now repealed Financial Intelligence Act, 2007 (Act No. 3 of 2007) which at the time designated it as a department within the Bank of Namibia. In fulfilling international obligations, which mandate that a country's Financial Intelligence Unit should be an operational autonomous and independent organization, the FIA 2007 was repealed in 2012, from which date the FIC no longer forms part of the Bank of Namibia operationally.

## 4. EXTERNAL STAKEHOLDER RELATIONS

The operational, legal, implementation and strategic alignment of the FIC facilitates a platform for stakeholder engagements in the creation and maintenance of a sound AML/CFT/CPF system. The following are indications of such alignment.

### 4.1. Involvement at AMLCFTPC level

**The FIC serves as a national central agency of a larger interagency preventative, combatting and enforcement wheel. The Act also reflects this concept and provides a built-in mechanism for stakeholder involvement, cooperation and coordination by mandating AML/CFT/CPF stakeholders to include at both governance and operational level, the following:**

- a. Permanent Secretary of the Ministry of Finance;
- b. Permanent Secretary of the Ministry of Justice;
- c. Permanent Secretary of the Ministry of Trade, Industrialization and SME Development;
- d. Permanent Secretary of the Ministry of Safety and Security;
- e. Chief Executive Officer of the Namibia Financial Institutions Supervisory Authority;
- f. Director-General of the Anti-Corruption Commission (ACC);
- g. Auditor-General of the Republic of Namibia;
- h. Prosecutor-General of the Republic of Namibia;
- i. Inspector-General of the Namibian Police;
- j. Director of the Namibian Central Intelligence Services (NCIS);
- k. President of the Bankers Association of Namibia (BAN) etc; and
- l. Executive Member of the Council of the Law Society of Namibia.

**The above stakeholders work in a coordinated fashion to ensure that all AML/CFT/CPF stakeholders play key roles in Namibia's AML/CFT/CPF:**

- a. policy, legislative and implementation efforts;
- b. preventative and combatting efforts;
- c. collection of most relevant types of information supporting the AML/CFT/CPF cause;
- d. ML/TF/PP information sharing;
- e. use of financial information to build financial and other profiles and map criminal networks;
- f. understanding of challenges and deployment of good practices associated with the sharing of AML/CFT/CPF information; and
- g. big data tools and analyses.

## 4.2. Relationship with the regulated populace

This refers to the FIC's relationship with Accountable and Reporting Institutions that are, in terms of the Act, expected to conduct certain ML/TF/PF gate-keeping functions and implement certain measures to enhance compliance and reduce risks of ML/TF and PF. This is perhaps the most important relationship, but one which cannot effectively function without the other relationships, identified under this section.

**On a risk exposure basis, the FIC initiates Compliance Monitoring and Supervision engagements with the FIA Regulated Populace for the sole purpose of enhancing their compliance with the Act. The FIC also has an open-door policy, which creates a platform for institutions to initiate engagements by, amongst others:**

- a. Filing FIA statutorily mandated reports;
- b. Seeking guidance on intermediate action to be undertaken where proceeds of crime or funds destined for terrorist or proliferation activities are suspected;
- c. Seeking capacity building opportunities to ensure effective compliance with the FIA; and
- d. Requesting guidance to enhance compliance effectiveness and behaviour etc.

## 4.3. The FIC-Bankers Association of Namibia (BAN) partnership

As a key stakeholder, BAN has been identified by the FIC as a significant compliance partner with whom ideas are shared, consultations are effected etc on enhancing compliance behaviour and effective ML/TF/PF risk mitigation. Scheduled and ad-hoc bilateral meetings occur at regular intervals during which matters regarding FIA compliance and related issues are deliberated upon.

## 4.4. The FIC-Regulator/Supervisor relationships

The engaging relationships the FIC has with supervisors, regulators etc provide a mechanism for the FIC to monitor the progress made by supervisory bodies in supervising Accountable and Reporting Institutions. This also allows supervisory bodies to share experiences relating to inspections and enforcement, and to harmonise approaches to AML/CFT/CPF supervision and enforcement. The same goes for regulators which includes relationships with Namibia Stock Exchange, Banking Supervision, Payment Systems, Exchange Control, Law Society of Namibia, Public Accountants and Auditors Board and the Namibia Estate Agents Board partnerships.

As a supervisory body, NAMFISA's relationship with the FIC is of both operational and strategic importance. The same importance can be attached to the FIC relationship with the regulators identified above. The regular institutional consultations, meetings, geared towards enhancing compliance and mitigating relevant risks in the relevant sectors is paramount.

## 4.5. International working relationships and engagements

**The FIC has signed various Memoranda of Understanding (MOU's) with foreign counterparts i.e other FIU's worldwide and this helps in the speedy exchange of information and resolve of matters under investigation, especially, cross border information sharing purposes. Other platforms which contribute to international information sharing and capacity building engagements are the:**

- Egmont Group of FIUs;
- ESAAMLG;
- FATF;
- World Bank;
- UNODC;
- IMF; and
- Alliance for Financial Inclusion.



#### 4.5.1 Australian Transaction Reports and Analysis Centre (AUSTRAC):

**AUSTRAC, which is considered a leading FIU in the international community, remains a dependable partner of the FIC. Amongst others, this partnership has seen the former assist the FIC:**

- lay the foundation for its compliance monitoring and supervision activities;
- enhance its strategic planning, regulatory and supervisory model in the earlier years; and
- enhance activities of the FIC's financial investigation and analysis function

#### 4.5.2 UNODC

The FIC has enjoyed a special relationship with the UNODC. The UNODC has been part of the FIC's formative years until date. It availed various human and technical capacity building assistance for both ML/TF/PF preventive and combatting efforts, and still remains actively involved in capacitating Law Enforcement Agencies (NAMPOL; Office of the Prosecutor-General, Ministry of Finance: Directorates Customs & Excise and Inland Revenue) in Namibia to ensure the effective combatting of ML, TF and PF matters.



## 5. FIC OPERATIONAL ACTIVITIES

### 5.1 The Director's office

The operational activities of the three divisions of the FIC are geared towards delivering on the national, regional and international mandate of the FIC. The Office of the Director is primarily tasked with the organizational management, maintaining stakeholder relationship and providing strategic direction, leadership and guidance to the FIC's operations at national, regional and international level. In so doing, the office has to ensure that the FIC operations have meaning and relevance to all national, regional and international stakeholders. This section presents a high level summary on outputs attained by the Director in collaboration with various divisions in the FIC, for the year under review.

#### Domestic Performance Overview

##### 5.1.1 Providing strategic direction and enhancing organizational independence

**The office of the Director has a responsibility to ensure the FIC remains operationally independent and autonomous, by:**

- a) guiding and executing the process of crafting the FIC's strategic direction, Key Performance Areas and milestones: The FIC's overall five year strategy was reviewed and set during the 2016/17 Financial Year. The overall strategy has as its main aim, assisting Government in effective identification, assessment and mitigation of national ML, TF and PF risks and threats.
- b) working with relevant stakeholders to ensure the FIC is properly structured and resourced to fulfil its strategic goals:

A human resource impact assessment was availed to the Council during the month of November 2016. It highlighted that the FIC as from 2012 onwards has experienced significant expansion in demand for its services given the success attained through the use of Financial Intelligence Products and due to the enactment of the Financial Intelligence Act 2012 (Act No 13 of 2012) as amended and the Prevention and Combatting of Terrorist and Proliferation Activities Act, 2014 (Act No. 4 of 2014).

Its' statutory mandate as an autonomous, independent legal entity tasked with the responsibility of preventing and combating ML, TF and PF activities in collaboration with the FIA Regulated Populace and other law enforcement agencies (LEA's), requires it to continuously, consistently and effectively meet its statutory mandate, international obligations and standard requirements of applicable UN Conventions, UN Security Council Resolutions and the FATF recommendations. Further, the Prevention and Combatting of Terrorist and Proliferation Activities Act 2014 (PACOTPA) which came into effect in July of 2014 has placed additional requirements on the structures of the FIC. As a direct result of the expansion of the statutory responsibilities, the continuous revision of international obligations and standards, combined with the increase in the level of its' activities across the FIA Regulated Populace, the FIC has expressed some concern about its ability to fulfil the highlighted mandate. Specifically concerns expressed focussed on four areas:

- i. that the FIC does not have sufficient resources to effectively execute its mandate in a fashion that meets the expectation of the legislature and the required AML/CFT/CPF standards;
- ii. that the work arrangement is not as efficient as it needs to be; and
- iii. that the structure of the organisation may be in need of revision to enable a set up which guarantees a more sustainable human resource environment.

Additionally, there was a high occurrence of extended working hours, excessive overtime, coupled with burnt out and generally fragile staff morale.

Given the above, the Council requested the Hay Group to assist in an organisational design intervention aimed at proposing solutions for a more sustainable way forward. In particular, the proposed design should focus on increasing efficiency and enabling staff to perform their duties within standard working hours, whilst not compromising on quality. The Hay Group, based on documented reporting numbers received by the FIC for the period 2009 to 2013 and Accountable and Reporting Institutions registered with the FIC for the period 2009 to 2013, proposed the structure highlighted on pages 37-38 above, as an ideal structure for FIC to address identified concerns over a one to three year period.

This report highlights throughout that the FIC's Regulated Populace quadrupled from that noted by the Hay Group in 2013. Additionally, the reporting types received by the FIC in need of analyses for intelligence transformation and intelligence led investigation, prosecution and asset forfeiture purposes, have increased more than a 100% from that noted by the Hay Group in 2013. As such, a critical need has been identified during the year under review to revise the FIC structure to ensure it realistically represents the statutory mandate the FIC is required to execute as well as the national, regional and international AML/CFT/CPF obligations FIC must meet on behalf of Government.

c) working towards enhancing measures that provide a framework for the FIC to function as a model FIU:

Given extensive revisions and updates to applicable UNSCRs, the FATF standards & best practices, global escalation in TF risks, a need was identified during the year under review, to benchmark the FIC's AML/CFT/CPF Operational Model and Early Warning System against that of leading FIUs globally. The FIC's Operational Model was fully aligned with that of the Australian Transaction Reports and Analysis Centre (Australia's FIU) commonly referred to as AUSTRAC, during the 2012/13 financial year, based on a Technical Assistance and Capacity Building arrangement availed via the ESAAMLG. Namibia was amongst seven Sub-Saharan African countries who benefited from such assistance. The assistance so received caused Namibia's National AML/CFT/CPF Policy, Legislation and Implementation regime and FIU, to be regarded as amongst the best in Sub-Saharan Africa. To ensure this status is maintained, the FIC's Operational Model and AML/CFT/CPF Early Warning System must be recalibrated to reflect the latest enhancements, risks and trends globally.

d) having the authority and capacity to carry out FIC functions freely, including the autonomous decision to analyse, request and/or forward or disseminate specific information:


- being able to make arrangements or engage independently with local, other domestic competent authorities or foreign counterparts on the exchange of information; and
- being able to obtain and deploy the resources needed to carry out its functions, on an individual or routine basis, free from any undue political, government or industry influence or interference, which might compromise its operational independence.

**By working closely with the FIC's Financial Investigation and Analyses Division, the Office of the Director for the year under review ensured operations are primarily geared towards:**

- ensuring the implementation of measures to enhance effective information exchange with other FIUs and LEAs: The Director's office in particular sought to continuously strengthen and improve information exchange with relevant stakeholders which includes efforts to increase effectiveness, promote cooperation, ensure the FIC maintains regional and international memberships and conclude Memorandum of Understandings with strategically important FIUs and organizations;
- Facilitating adherence to international standards, developing and sharing expertise with other FIUs and related bodies: The FIC aspires, through its continuous alignment of operational policies and guidance, to ensure maximum impact for its efforts. Such operational guidance relates to adherence to international standards & best practices (FATF), alignment with national ML/TF/PF risks and strategic priorities of Partner Agencies, in addition to the exchange of information; and
- where necessary, ensure in collaboration with Partner Agencies, the establishment of investigative task forces, to speedily investigate high risk ML/TF/PF cases or ML/TF/PF cases of national importance.

FIC, during the year under review continued to ensure financial intelligence products are integrated in the broader Government Crime Prevention and Combatting Policies, Strategies and operational frameworks. To ensure our intelligence products remains relevant, FIC is required to ensure that such products at all times remain agile and capable to address the constantly evolving trends of crime and strategies to hide illicit proceeds. In continuously updating Namibia's National ML/TF/PF Risk Exposure, FIC ensured that intelligence is targeted to addressing high ML/TF/PF risk exposure areas. This in turn caused FIC to have uncovered during the year under review, Namibia's biggest Fraud, Illicit Capital Flight, Tax Evasion, Forgery and Uttering case. This case, if regard is had to GDP per capita, contains indicators that it may become the world's largest Fraud case uncovered thus far.

Overall, the FIC's contributions to prevention and combatting of financial crimes in Namibia are evident if one has regard of the ever increasing demand for its financial intelligence products during the investigation and prosecution of crimes as well as civil asset forfeiture of proceeds of crime, as is evident from the statistical information contained in this report.



During the year under review, the FIC's financial intelligence products helped identify a range of suspected criminal activities including Money Laundering, Tax Evasion, Corruption, Investment Scams, theft, Frauds (procurement fraud, credit card fraud), drug dealing, poaching and contravention of exchange Control regulations. Additionally, it resulted in the identification of potential proceeds of crime. To this end, Law Enforcement Agencies and Prosecutor General's Office, continues with investigations and judicial proceedings into these potential proceeds of crime. Such investigations and resultant judicial proceedings in terms of the Prevention of Organised Crime Act, 2004 (Act No. 29 of 2004) as amended, has culminated in various actual successes, and recoveries of criminal proceeds. See table 7 below.

### 5.1.2 Engagements with the Compliance monitoring and supervision division

**Efforts of the Director's office were geared towards ensuring that the Compliance Monitoring and Supervision Division fulfils its mandate of deepening and widening the FIC's Regulatory Footprint across the FIA Regulated Populace. Additionally the Director's Office ensured that efforts by the Division focus on enhancing the FIA Regulated Populace's overall FIA compliance behaviour, to ensure effective ML/TF/PF risk mitigation and prevention of abuse of the national financial system for ML/TF/PF purposes. In supervising the Compliance division, the Director's objective remains to always ensure that compliance activities primarily:**

- address ML/TF/PF risk exposure and threats to Namibia's financial system integrity and stability;
- impact the reporting behaviour of the FIA Regulated Populace with focus on ML/TF/PF risk mitigation and enhancing the quality and quantity of reports reaching the FIC; and
- the necessary FIA non-compliance referrals and engagements to the FIC's Legal, Policy and Enforcement Division are effective and commensurate to national ML/TF/PF exposure.

The result of improved compliance is greater accountability, transparency and stability in the financial system. Highlighted throughout this report is actions undertaken by the FIC to strengthen compliance initiatives through awareness raising and training conducted to the benefit of the FIA Regulated Populace.

The work of the Compliance Division caused a significant increase not only in the regulated Populace registered with the FIC, but also in terms the reporting types received by the FIC during the year under review. This caused a steep escalation in analyses work required to be conducted to issue value addition financial intelligence products. Additionally, the number of Accountable and Reporting Institutions registered with the FIC increased by 162 (an increase of about 14 percent) in comparison to the 2015/16 financial year which recorded a registered FIA Regulated Populace of 630 at the end of such financial year. The ever increasing FIA Regulated Populace requires the FIC to further deepen its regulatory intervention to ensure effective ML/TF/PF risk identification, assessment and mitigation. If one has regard to the small staff compliment of the Compliance Monitoring and Supervision Division, versus the magnitude and diversity of the FIA Regulated Populace, it is clear that concise action must be taken during the 2017/18 financial year to address the miss-match and ensure effective and timeous execution of the statutory mandate.

### 5.1.3 Engagements with the Legal, Policy and Enforcement division

**The Director's Office engagements with this office are tailored towards ensuring that the FIC:**

- a. ensures the alignment of the national AML/CFT/CFP Policy and Legal framework with International obligations, standards and best practices;
- b. availing guidance, advise, directives and interpretations to address FIA compliance understanding and enhancements;
- c. plays its role in enhancing public awareness by, amongst others, conducting training and awareness sessions with relevant stakeholders; and
- d. take decisive, measured and proportionate enforcement action to address non-compliance with provisions of AML/CFT/CFP legislation.

This report avails a detailed highlight of the outputs availed by this Division during the year under review. Similar to other Divisions within the FIC, this Division remains challenged with resource constraints in lieu of the vast outputs it must deliver upon.

#### 5.1.4 Operational Performance Targets

FIC exceeded most of her performance targets set for the 2016/17 financial year.

#### 5.1.5 2017/18 and Beyond

**The FIC remains dedicated in her contribution to keeping the Namibian Financial System safe, stable and vow to protect her integrity at all cost. We will do so by:**

- a) continuously understanding, assessing and mitigating national ML/TF/PF risk exposure;
- b) feverishly identify, follow and remove proceeds of crime and funds destined for TF and PF activities from the financial system; and
- c) disrupt criminal threats and networks without fear nor favour.

As a Team, the FIC looks forward meeting all challenges offered by the 2017/18 financial year and continue in it's pursuit to make Namibia a safe and reputable country for all.

### 5.2 The Compliance Monitoring and Supervision Division (Compliance division)

#### 5.2.1 Divisional overview

The primary function of the division in terms of the FIA is to supervise and monitor compliance with the FIA by all Accountable Institutions (AIs) and Reporting Institutions (RIs), Supervisory Bodies and relevant stakeholders. The purpose of this function is to ensure that AIs and RIs comply with their FIA obligations by implementing mitigating measures commensurate with their Money Laundering (ML), Terrorism Financing (TF) and Proliferation Financing (PF) risks.

The division engages with regulators and similar bodies such as the Estate Agents board, the Bankers Association of Namibia, amongst others, to enhance the compliance behavior of the relevant regulated populace.

NAMFISA, which is the only supervisory body in terms of the Act, works closely with the Compliance division to help enhance compliance behavior of NAMFISA's regulated populace. Mainly, this is done through FIC supervision of NAMFISA's supervisory activities as well as performing joint compliance assessments on selected Non-Banking Financial Institutions (NBFI's).

The Compliance division is also tasked with maintaining a complete regulatory database of registered AIs and RIs. This further enhances effective supervision and monitoring. As at 31 March 2017, the number of registered AIs and RIs with the FIC stood at 1 297, compared to the 1 102 registered as at 31 March 2016.

**The FIA primarily provides for the following key AML/CFT/CPF obligations which AIs and RIs should comply with:**

- Identification and verification of all clients (section 21 & 22);
- Keeping of identification and other related records (section 26 & 27);
- Conducting and updating ML/TF/PF activities risk assessment (section 23);
- Appointing a AML Compliance Officer [section 39 (6)];
- Subjecting AML/CFT/CPF controls to independent audit functions [section 39 (8)];
- Training staff on AML/CFT/CPF measures and obligations [section 39 (5) (b)];
- Implementing mechanisms to assist in the detection and reporting (section 33) of suspicious transactions and/or activities [section 24 (b)].

**The division has a responsibility to ensure that AIs, RIs and relevant bodies are complying with, amongst others, the key obligations highlighted above. In addition, the division also has a responsibility to ensure that relevant AIs and RIs report the following to the FIC accordingly:**

- Cash transactions in excess of prescribed amounts;
- Suspicious transactions and activities;
- Electronic transfers of money to, from and within Namibia as prescribed; and
- International fund transfers of any amount



## 5.2.2 Summary of activities performed by the Compliance division

The Compliance division's supervision is risk based. In summary, this means more time and resources are applied where ML/TF/PF risk is identified to be high or intolerable. However, during this financial year, the Compliance division also considered increasing its supervisory coverage. This meant subjecting more sectors, not previously supervised, to relevant AML/CFT/CPF supervisory activities. This saw the division engaging some sectors in the low to medium risk categories in an effort to gauge their FIA compliance behaviour and avail guidance where need be.

The division engaged quarterly with NAMFISA and the Bankers Association of Namibia (BAN) to enhance the compliance behavior in their sectors respectively.

Joint inspections were conducted by NAMFISA and the Compliance division to enhance the supervisory activities and coverage on the high to medium risk Non-Banking Financial Institutions (NBFIs). In addition, targeted onsite assessments, focusing on large Cash Transactions Reporting (CTRs) were conducted on Motor Vehicle Dealers, Auctioneers and Legal Practitioners. The objective was to gain reasonable assurance on these sectors' ability to detect and report such CTRs to the FIC as per the FIA.

## 5.2.3 Overview of activities performed by the Compliance division

The Compliance division commenced offsite and onsite assessment activities in 2012 to gauge the level of FIA compliance and use such knowledge to guide risk mitigation efforts in relevant institutions.

The division conducted 53 onsite assessment (onsites) and 60 offsite assessment (offsites) activities during 2017 compared to 22 onsites and 207 offsites during 2016, across the regulated populace. Coverage was observed to have increased significantly in the following sectors: Auctioneers, Dealers in Precious Metals and Stones as well as Legal Practitioners by 51%, 100% and 31% respectively. On the other hand, there was a significant decrease in the number of AIs assessed in the Casino sector (see Table 1). The division attributes this reduced showing to an increase in the number of new entities registered in the sector, that have yet to be subjected to the relevant supervisory activities.

**Table 1 shows supervisory coverage in terms of compliance assessments of AIs and RIs as at 31 March 2017**

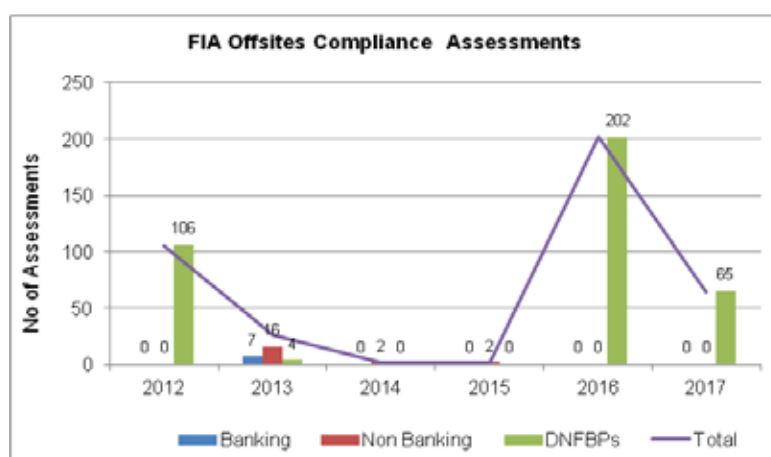
Sector	Total registered	Risk Rating	Total assessed	Percentage coverage	Previous	Difference
Accountants and Auditors	30	L	3	10%	0%	10%
ADLAs	10	H	10	100%	100%	0%
Asset Management & Unit Trusts	48	H	15	31%	30%	1%
Auctioneers	19	L	13	68%	18%	51%
Banks	12	H	12	100%	100%	0%
Casinos	11	M	5	45%	100%	-55%
Dealers in Precious Metals and Stones	3	L	3	100%	0%	100%
Insurance/Investment Brokers	24	M	0	0%	0%	0%
Legal Practitioner	173	H	159	92%	61%	31%
Lending	5	M	4	80%	75%	5%
Long Term Insurance	23	M	5	22%	0%	22%
Micro Lenders	269	L	1	0%	0%	0%
Money and Value Transfers (MVT's)	4	L	2	50%	50%	0%
Motor Vehicles Dealers	60	M	21	35%	20%	15%
Others <sup>12</sup>	18	M	0	0%	0%	0%
Pension Fund Administrator	2	L	0	0%	0%	0%
Private Equity	2	M	0	0%	0%	0%
Real Estate Agencies	531	M	43	8%	0%	8%
Short Term Insurance	13	L	0	0%	0%	0%
Stock Brokers	4	M	4	100%	100%	0%
Trust and Company Service Providers	5	L	3	60%	50%	10%

#### 5.2.4 Offsite assessments

The FIC conducted 60 offsite assessments during 2017 compared to 207 in the previous year.

The offsites were mostly conducted on DNFBPs. In 2016, the division expanded its supervisory foot print by employing other methods of supervision to increase coverage in the low and medium risk institutions. The chart below (chart 1) presents an overview of assessment coverage over the years.

**Chart 1 presents FIA Offsite compliance assessment coverage for the period 2012 to 2017**



<sup>12</sup> Others Includes, Supervisory and Regulatory Bodies, Local Authorities, Central Government, Regional Government and Law Enforcement Agencies

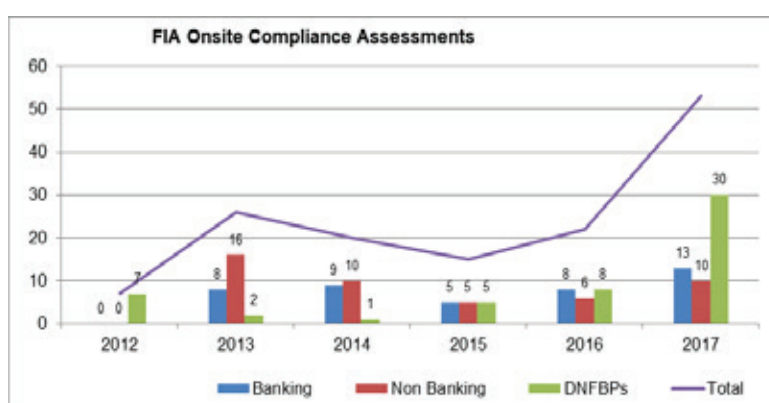
## 5.2.5 Onsite assessments

Compared to other forms of assessment activities such as offsites, onsite activities present an opportunity for the Compliance division to test the effectiveness of implemented controls in institutions. This therefore presents the division with an opportunity to attain the highest level of assurance in terms of effective functioning of AML/CFT/CPF controls in assessed institutions.

In the reporting period, the division conducted 53 onsite assessments compared to 22 in 2016.

This increase can be attributed to additional human resources in the division and a revised supervisory approach.

**Chart 2 presents volumes of onsite compliance assessment activities for the period 2012 to 2017**



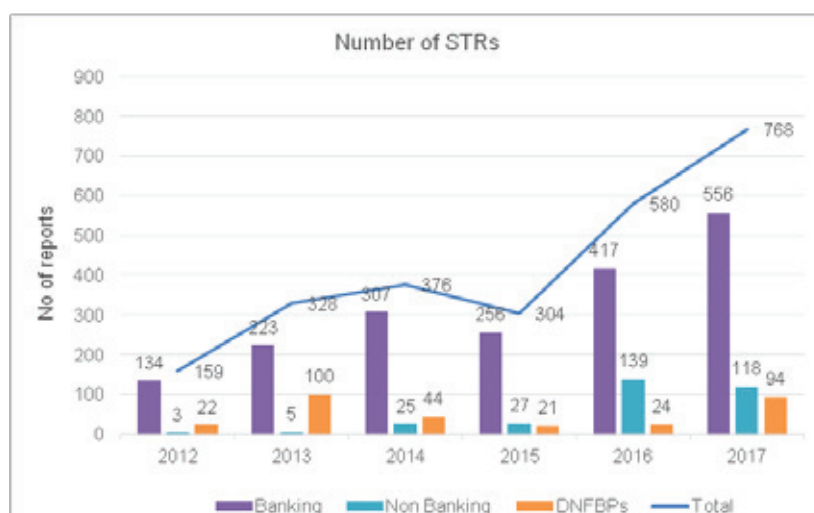
## 5.2.6 Suspicious transaction reports (STRs)

Accountable and Reporting institutions are required to report suspicious looking transactions and activities to the FIC.

If the compliance regimes within relevant institutions are effective, the expectation is that such institutions should be in a position to detect and report STRs. It is for this reason that, amongst others, the number of STRs reported by a sector or institution can give indications on the effectiveness and impact of the Compliance division's supervisory activities.

In 2016, the FIC received 580 STRs. This number grew in excess of 32%, resulting in 768 STRs reported to the FIC in 2017. Overall, there has been a continuous increase in the number of STRs received by the FIC since 2009, as shown in chart 3 below.

**Chart 3 presents volumes of STRs received by the FIC for the period 2012 to 2017**





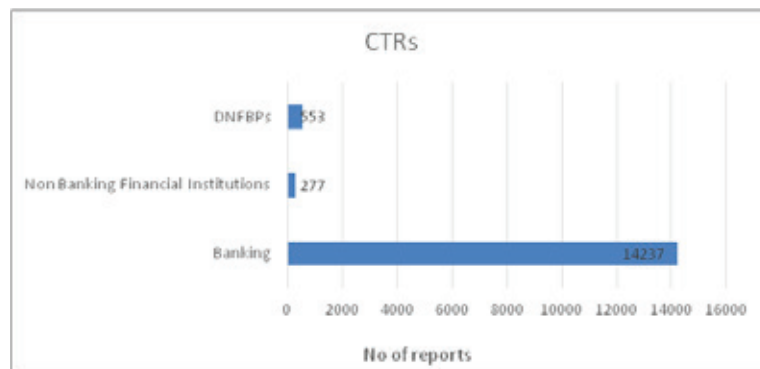
### 5.2.7 Large Cash Transaction Reports (CTRs)

Accountable and Reporting institutions are required to report all cash transactions of N\$100 000.00 and above to the FIC.

During the year 2017, a total of 15 067 CTRs were received. This shows a significant increase from the 4 765 CTRs received in 2016.

It is worth noting that 14 237 of the CTRs received in 2017 were reported by the banking sector. The Non-Banking Financial Institutions and DNFBPs accounted for 277 and 553 CTRs respectively.

**Chart 4 presents record of CTRs received by the FIC**



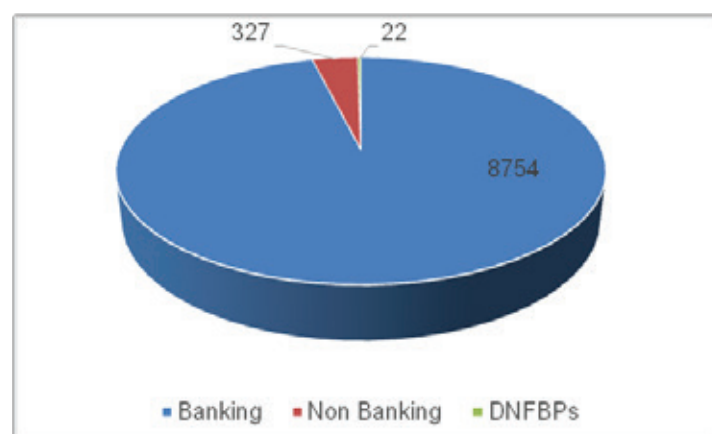
### 5.2.8 Electronic Fund Transfer (EFT)

Accountable and Reporting institutions are required to report electronic transfers of money to the FIC, eg. transfers of money from one bank to another.

A total of 9 103 EFTs were received by the FIC in 2017 compared to 2 950 received in 2016.

In line with the trend of CTR reporting, banks also submitted the most (8 754 of 9 103) EFT reports in 2017. The Non-Banking Financial Institutions and other DNFBPs accounted for 327 and 22 EFT reports respectively. This is reflected in chart 5 below.

**Chart 5 presents record of EFT reports received by the FIC**

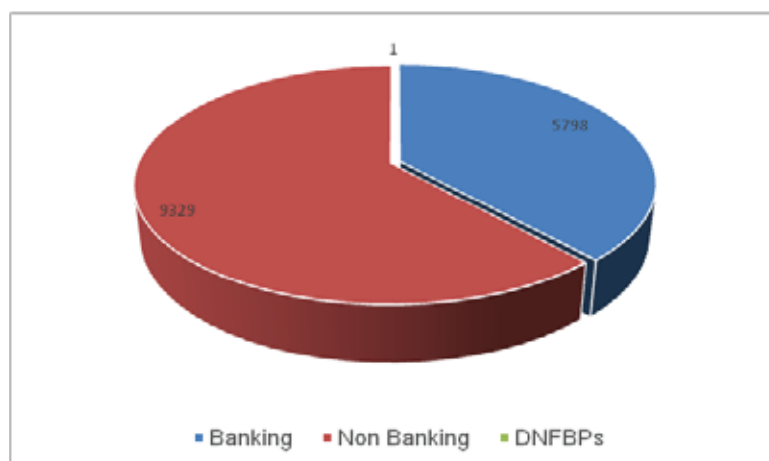


### 5.2.9 International Funds Transfer (IFTs)

Accountable and Reporting institutions are required to report all electronic transfers of money to other countries to the FIC.

A total of 15 128 IFT reports were received by the FIC in 2017, of which 5 798 originated from the banking sector and 9 329 came in from the Non-Banking Financial Institutions. DNFBPs only submitted 1 IFT report.

**Chart 6 presents record of IFT reports received by the FIC**



### 5.2.10 Registrations

The total number of registered institutions stood at 1 297 at the end of March 2017. The total registrations of AIs and RIs for the year increased by 18% compared those registered in 2016.

### 5.2.11 Overview of challenges and risks

With the FIA having come into effect in 2009, the Compliance division still finds institutions in some sectors that have not implemented any AML/CFT/CPF measures, commensurate to their risk exposure. Reasons advanced for the total non-compliance range from negligence to poor capacity to ensure compliance with the FIA.

Resource limitations and poor compliance with the FIA generally expose the national financial system to ML/TF/PF risks.

## 5.3 FINANCIAL INVESTIGATIONS AND ANALYSIS DIVISION (FIAD)

### 5.3.1 Divisional background

The Financial Investigations and Analysis Division (FIAD) is tasked to receive STRs, SARs, CTRs, EFTs and IFTs from the FIA regulated populous from which analysis are performed to identify proceeds of crime, including money laundering and financing of terrorism and proliferation activities. Thereafter if there is evidence of proceeds of crime, intelligence is disseminated to relevant local and foreign law enforcement agencies including, the Office of the Prosecutors General, Intelligence Agencies, and Receiver of Revenue for further investigation.

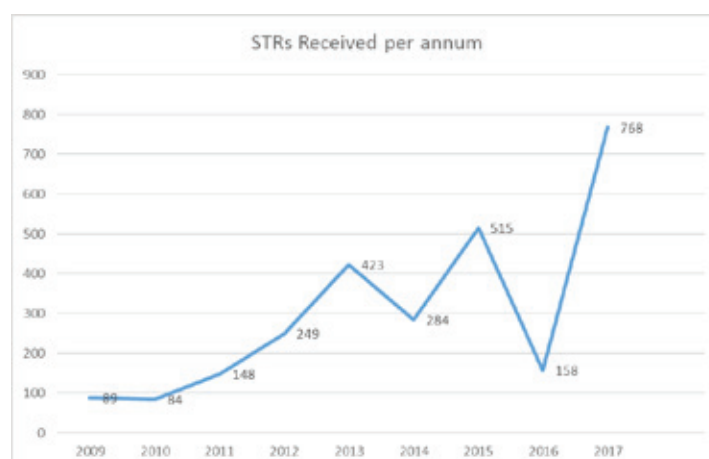
The division further contributes to maintaining enhanced international co-operation by, amongst others, availing spontaneously and upon request, financial intelligence that may aid counterpart organizations in the investigation, prosecution and asset forfeiture of ML/TF/PF activities.

Since 5 May 2009 to 31 March 2017, 1197 intelligence reports were shared with local law-enforcement agencies for further investigation and for purposes of seizure, freezing and confiscation of suspected ill-gotten income in Namibia. Furthermore, 33 intelligence reports were disseminated to Foreign Intelligence Units for the same purpose in such foreign jurisdictions. Below is a summary of Reports received and disseminated during reporting period.

### 5.3.2 Suspicious Transactions Reports (STRs)

Accountable Institutions, Reporting Entities as well as members of the public have an obligation to submit STRs to FIC when suspicious transactions and/or activities in relation to ML/TF and PF are discovered. These STRs are a key source of information for intelligence generated by the division.

**Chart 7. STR reporting**



The graph shows that the number of STRs received has been increasing gradually over the years. Despite a slight decrease in 2014, a significant increase in the number of STRs received was recorded in 2015 and 2017. The highest number of STRs was however recorded in 2017 representing 768 out of the grand total of 2718 STRs received since operationalization of the Centre. The increase may have been due to intensified AML/CTF compliance measures including supervision, monitoring and trainings rendered by FIC.

**Table 2. Breakdown of total Number of STRs received since 2009 to 31 March 2017**

Entity Type	Banks	ADLAS	Insurance/Investment brokers	Others	Total
No. of Registered Entities	8	10	32	1 243	1 297
No. of STR received	2 021	349	122	226	2718
Percentage of STR received	74.36	12.84	4.49	8.3	1

As at 31 March 2017, record shows 1 297 registered entities. These entities were jointly responsible for a sum of 2 718 STRs received. Entities categorized under banks filed collectively 2 021 STRs, accounting for roughly 74% of total STRs received since inception. Further ADLAs and Insurance/Investment brokers followed in second and third places respectively, with a combined 17% of all STRs received.

**Table 2.1. Breakdown of total Number of STRs according to source received since 2009 to 31 March 2017**

Source of STR	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Accounting firms	-	-	-	2	-	-	-	-	-	2
ADLAS	29	-	6	18	78	7	89	23	99	349
Asset management	1	11	3	1	2	2	2	1	4	27
Auctioneers	-	-	-	-	-	-	1	0	3	4
Banks	52	58	121	201	300	248	370	114	557	2021
Casino/gambling house	-	-	1	-	1	1	-	-	5	8
Government ministries	-	2	1	-	1	2	4	-	-	10
Dealers in Precious Metal and Stones	-	-	-	-	-	-	-	-	3	3
Insurance/Investment Brokers	2	-	1	2	17	2	28	10	60	122
Internally generated	-	-	1	6	6	3	4	2	1	23
Law Enforcement	-	2	-	-	2	2	-	0	1	7
Legal practitioners	1	7	5	8	6	4	7	1	3	42
Lending	-	-	-	-	-	-	-	1	2	3
Long Term Insurance	-	-	-	-	-	-	-	-	2	2
Life Insurance Broker/Agent	-	-	-	-	-	-	-	2	1	3
Money and Value transfers (MVTs)	-	-	-	-	-	-	-	1	6	7
Motor vehicle dealers	-	1	-	3	2	1	5	0	7	19
Pension Fund Administrator	-	-	-	-	-	-	-	-	1	1
Short-Term Insurance	-	-	-	-	-	-	-	-	1	1
Non Profit Organizations	1	-	-	-	-	-	-	-	-	1
Public members	3	2	9	7	4	12	4	2	5	48
Supervisory authorities	-	1	-	1	4	-	1	1	-	8
Unit Trust Schemes	-	-	-	-	-	-	-	0	7	7
	89	84	148	249	423	284	515	158	768	2718

From the perspective of stages of money laundering<sup>13</sup>, a significant number of STRs reported relate to placement and layering, whereas reporting STR regarding integration are minimal. The reported perpetrators comprise mainly of Namibian individuals, whereas since 2016, STR reports involving foreign individuals started to increase gradually.

### 5.3.3 Suspicious Activities Reports (SARs)

A second key source of information for the FIC's intelligence products is SARs received from AIs and RIs. The SAR online reporting was activated online during 2014.

<sup>13</sup> Stages of money laundering: 1) Placement: the initial point of entry of funds generated from criminal activities into the financial system.

2) Layering: involves the creation of complex networks of transactions that attempt to blur the link between the initial entry point and the end of the laundering cycle. 3) Integration: refers to the return of funds to the legitimate economy.

**Table 3. SAR trend analysis per source per year**

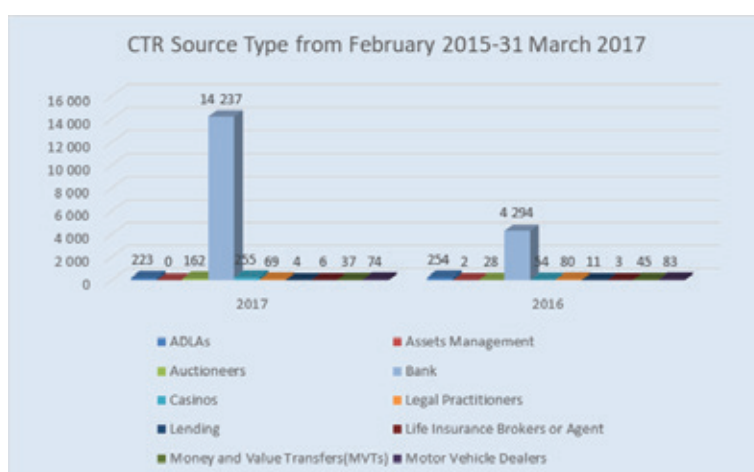
Source of SAR	2014	2015	2016	2017	Total
ADLAS			5		5
Asset managers	2	-	-	-	2
Banks	19	41	9	129	198
Dealers in Precious Metal and Stones	-	-	-	1	1
Internally generated	-	2	2	8	12
Legal practitioners	-	1	2	1	4
Life Insurance Broker/Agent	-	-	-	1	1
Money and Value transfers (MVTs)	-	11	2	1	14
Motor vehicle dealers	1	-	-	-	1
Real Estate Agencies /Agent				1	1
Short-Term Insurance	1	5	2	1	9
Public members	-	2	2	2	6
Supervisory authorities	1	2	1	5	9
Unit Trust Schemes	-	-	0	1	1
	24	64	20	151	259

The table shows a total of 259 SARs received since 2014 until 31 March 2017. The number of these reports increased significantly during 2017 from 20 SARs in 2016 to 151 in 2017, predominantly filed by Financial Institutions and Money Remitters.

#### 5.3.4 Threshold Reports: CTRs, EFTs & IFTs

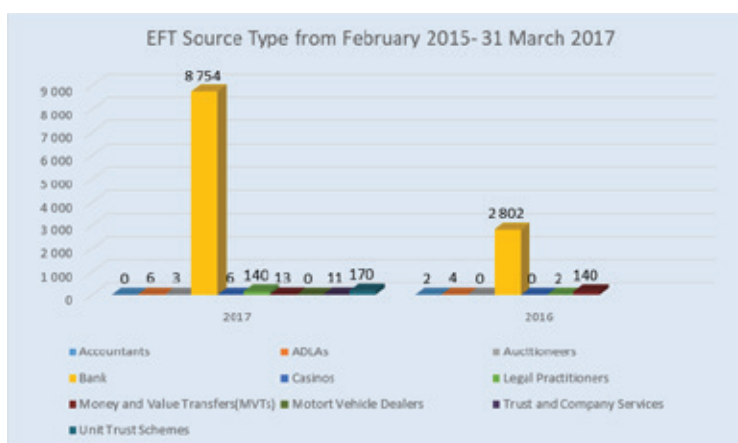
Since February 2015, the FIC has implemented a system under which AIs and RIs are obligated to report transactions above prescribed limits to the FIC. These reports enabled FIC to identify additional sources of data for production of intelligence.

**Chart 8. Total CTR Reports received**



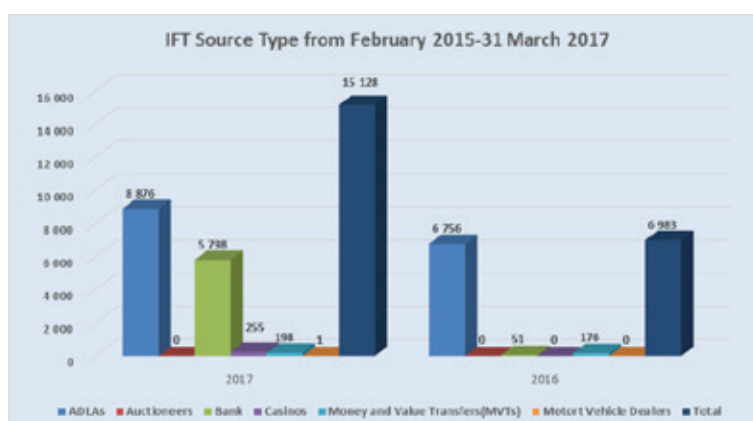
The graph shows an increase in the number of CTRs reported since February 2015. The banks continue to dominate on CTR reporting, accounting for 88% and 95% in 2016 and 2017 respectively.

**Chart 9. Total EFT Reports received**



The graph shows an increase in the number of EFTs reported since February 2015. A total of 9 103 EFTs were filed in 2017 compared to 2 950 recorded in 2016. The banks continue to dominate on EFT reporting, accounting for 8 754 and 2 802 EFT reports, which roughly presents 96% and 95% of total reports in 2017 and 2016 respectively. The remainder of EFT reports were filed by Bureaus de Charge and other institutions mentioned in the paragraph above.

**Chart 10. Total IFT Reports received**



The graph shows an increase in the number of IFT reports since February 2015. A total of 15 128 IFTs were filed in 2017 compared to 6 983 recorded in 2016. The ADLAS eg. Bureaus de Charge dominated on IFT reporting, accounting for 8 876 and 6 756 IFT reports, which roughly presents 58% and 97% of total reports in 2017 and 2016 respectively. Nonetheless, there has been a significant increase in the reporting by the banks from 52 reports recorded in 2016 to a staggering 5 798 IFT reports during 2017.

### 5.3.5 Requests for financial intelligence

Over the years, there has been an increase in demand for FIC intelligence products by local LEAs and Foreign FIUs. Financial crime are borderless, hence sustainable combatting efforts requires close cooperation and exchange of information with various local and international partners. During the period 2009 to 31 March 2017, a total of 38 and 267 requests for information have been received from foreign FIUs (IRIs) and domestic LEAs (IRDs) respectively.

**Table 4. Request for Information Received trend analysis per year**

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Domestic (IRD)	1	5	36	37	35	35	37	33	48	267
Foreign FIUs (IRIs)	0	0	1	2	0	3	12	13	7	38
	<b>1</b>	<b>5</b>	<b>37</b>	<b>39</b>	<b>35</b>	<b>38</b>	<b>49</b>	<b>46</b>	<b>55</b>	<b>305</b>

The above table shows that request for financial intelligence has increased steadily over the years.

## Financial intelligence products

The division produces two types of financial intelligence reports. These are Spontaneous Disclosures (SDs) and Responses to Requests for Information (RtRFI) to local LEAs and Foreign FIUs.

The FIC disseminates financial intelligence to relevant authorities when there are reasonable grounds to suspect that certain information would be relevant to the detection, investigation or prosecution for money laundering financing of terrorism offences.

**Table 5: Spontaneous Disclosure trend analysis per year**

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Anti-Corruption Commission	4	7	6	27	6	8	7	7	5	<b>77</b>
Ministry of Finance	12	28	40	41	24	82	38	43	51	<b>359</b>
Namibian Police Force	19	36	55	68	23	48	38	47	16	<b>350</b>
Office of the Prosecutor General	0	1	31	6	4	9	15	32	31	<b>129</b>
Foreign FIUs	1	3	16	18	15	6	0	0	5	<b>64</b>
Other	2	8	4	8	9	18	22	9	31	<b>111</b>
Total	<b>38</b>	<b>83</b>	<b>152</b>	<b>168</b>	<b>81</b>	<b>171</b>	<b>120</b>	<b>138</b>	<b>139</b>	<b>1090</b>

The table above shows a total of **1090 disclosures** for the entire period, with an all-time high of **171 disseminated** in 2014. The highest number of reports was disseminated to Ministry of Finance (**359**), followed by the Namibia Police Force (**350**).

**Table 6: Dissemination of responses to request for information (RtRFIs)**

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Responses to request for Information (IRDs) - Local	2	12	9	43	16	57	48	10	50	247
Responses to request for Information (IRIs) - Foreign FIUs	0	0	0	9	0	0	9	5	7	30
	<b>2</b>	<b>12</b>	<b>9</b>	<b>52</b>	<b>16</b>	<b>57</b>	<b>57</b>	<b>15</b>	<b>57</b>	<b>277</b>

The FIC responded to 277 requests made by local LEAs, other relevant institutions and Foreign FIUs. The highest number of responses 57 was recorded in 2014, 2015 and 2017 respectively.

### 5.3.6 Notable examples of tangible value addition

#### 5.3.6.1 Value of suspected proceeds of crime blocked

Section 42 of the Financial Intelligence Act empowers the FIC to restrict bank accounts (suspected of holding proceeds of crime) by directing Accountable Institutions (AIs) or Reporting Entities (REs) not to proceed with carrying out transactions in respect of funds under suspicion for a period of 12 working days.

**Table 7: Number and Value of interventions filed**

Year: January 2010 – 31 March 2017	Total
Total number of interventions filed	125
Total amount restricted through FIC interventions	N\$ 195,594,979.80

The total number intervention orders filed amounted to 125 valued at over N\$196 million since inception of the FIC. These interventions were largely triggered by STRs filed by AI and RIs. Funds frozen by virtue of interventions orders were mostly forfeited by court order under the POCA-AET, while some POCA applications are pending before court.

**Table 8: Value of proceeds of crime recovered due to FIC contributions**

Year January 2010 – March 2017	Total
Money in Criminal Asset Recovery Fund	11,701,084.96
Money returned to victim of scam/fraud	2,418,525.00
Total value of assets (cars and houses) forfeited	2,457,000
Finalised Forfeitures	34,168,780.23
Preservations( pending forfeiture)	56,866,073.42
<b>Total</b>	<b>107,611,463.61</b>

Since 2010 until 31 March 2017, proceeds of crime amounting to **N\$107,611,463.61** were recovered due to FIC assistance.

**Table 9: Tax assessed Receiver of Revenue (RoR) and recovered due to FIC contributions**

Year: January 2010 – March 2017	Total
Assessments by RoR	320,851,925.24
Collections by RoR	39,456,712.12

Since 2010 until 31 March 2017, a total of **N\$320,851,925.24** was assessed to be due to the State and **N\$39,456,712.12** was recovered due to FIC assistance.

### 5.3.7 Feedback

The FIC conducts regular follow up on intelligence disclosures and requests feedback from LEAs. It also requests assessment on the quality and usefulness of the information shared. Thus far, the feedback from recipients of our products has indicated that it is adding value to their investigations.

### 5.3.8 Risks

The following are identified as significant risks, which could hinder the operational and strategic effectiveness of the division.

**a. Non-Action on intelligence disclosures**

There is a no guarantee that all intelligence produced by the FIAD will result in investigation, confiscations and forfeitures of criminal proceeds.

**b. Untimely Dissemination of information**

Late submission of critical information to Law Enforcement Agencies will have a detrimental impact on the overall combating of money laundering, terrorism financing and proliferation of weapons of mass destruction.

**c. Ineffective stakeholder relations management**

Strained and/or ineffective relationships between the division (and the FIC in general) and the various stakeholders may render hard work done on other areas ineffective.



## 5.4 LEGAL, POLICY AND ENFORCEMENT DIVISION

### 5.4.1 Mandate of the division

The primary functions of the Legal, Policy and Enforcement Division are:

- a) alignment of the national AML/CFT/CPF Policy and Legal framework with international AML/CFT/CPF obligations as contained in various applicable UN Conventions, UNSCR Chapter VII Resolutions, Standards, Best Practices and to avail legal advice and guidance on interpretation of the provisions of the FIA;
- b) conducting the National AML/CFT/CPF Self-Assessment;
- c) conducting the national AML/CFT/CPF Risk and Threat Assessment;
- d) conducting awareness and training on the outcomes of the national AML/CFT/CPF Self-Assessment, the national AML/CFT/CPF Risk and Threat Assessment, the FIA & PACOTPA provisions and prevailing ML/TF/PF Trends and Typologies occurring within the global, regional and national financial environment;
- e) develop and issue guidance to the FIA Regulated Populace to ensure effective compliance with FIA obligations;
- f) recommend appropriate and proportionate enforcement actions for the Director's consideration, to address and penalize identified FIA non-compliance by the FIA Regulated Populace;
- g) develop AML/CFT/CPF Policies, laws and implementation frameworks;
- h) assist with maintaining national, regional and international stakeholder relationships; and
- k) render support to the Director's Office;
- h) attend international and regional meetings, which enable AML/CFT/CPF Peer Reviews, Policy development, model legislation, trends and typologies, etc.; and
- l) avail secretarial services to the Anti-Money Laundering and Combatting the Financing of Terrorism and Proliferation Council.

The below reflects the FIC's attainment of objectives and outputs in respect of the above mandate for the year 2016/2017:

### 5.4.2 Alignment of National AML/CTF/CPF Policy, Legal & Implementation framework

The Division:

- a) Conducted a study on four (4) TF related UN Conventions in relation to laws currently in place in Namibia, and drafted a Cabinet Submission advising Cabinet to ratify the aforesaid Conventions. As a result, Parliament ratified these Conventions without any reservations;
- b) In terms of the revised FATF Recommendations, more particularly recommendation 8, Government Notice to the Minister of Finance was issued to amend schedule one (1) of FIA purposely to include the Non-Profit Organisation (NPO) sector to form part of the FIA regulated Populace. The scope of the envisaged amendment of schedule one (1) of FIA included the addition of Customs Clearing Agents, also to form part of the FIA Regulated Populace;
- a) Drafted **two (2)** Cabinet Submissions for purposes of effective implementation of the AML/CFT/CPF legislations;
- b) Issued **one (1)** guidance note to NAMFISA in respect of Fit and Proper requirements;
- c) Issued Directives to **seven (7)** specific industries, namely:
  - i. Legal Practitioners,
  - ii. Motor Vehicle Dealers;

- iii. Auctioneers;
- iv. Non-banking financial institutions under the Namibia Financial Institutions Supervisory Authority (NAMFISA),
- v. Banks and Authorized Dealers with limited authority (ADLAS),
- vi. Bank of Namibia on UN Sanction Screening, and
- vii. The Real Estate Industry.

**Table 10: Scope of the aforementioned Directives**

SPECIFIC INDUSTRIES	SCOPE OF DIRECTIVES
Legal Practitioners	Reporting of structured cash transactions
Auctioneers	Reporting of structured cash transactions
Motor Vehicle Dealers	Reporting of structured cash transactions
Real Estates	Reporting of structured cash transactions
Bank of Namibia	UN Sanction Screening
Banks and ADLAS	Strengthening controls in respect of cross border remittances – Illicit capital flight prevention
Non-banking Institutions under NAMFISA	Fit and Proper Requirements

- d) Issued **26** Circulars to the FIA Regulated Populace and Government Offices/Ministries/Agencies on the UNSC sanctions lists as updated by the respective UN Sanctions Implementation Committees.
- e) Issued three (3) Determinations under Government Gazette No. 6253, notably;
  - i. Determination on the period within which the Master of the High Court must obtain and keep up-to-date prescribed information in respect of the founder, each trustee, each income beneficiary and each beneficial owner of all registered testamentary and inter vivos Trusts;
  - ii. Determination on the period within which the Registrar of Companies and Close Corporations collects information in respect of each member, director, shareholder and beneficial owner of companies and close corporations registered before the Financial Intelligence Act, 2012 (Act No. 13 of 2012) came into force; and
  - iii. Determination on the amount of cash and value of a bearer negotiable instrument to be declared at the point of entry into or departure from Namibia.
- f) Issued a Typology Report on Money Laundering through Committing Wild Life Crime;
- g) Negotiated and signed **one (1)** Memorandum of Understanding (MoU) with a foreign FIU on matters of mutual interest;
- h) Developed a further **three (3)** MoUs currently being negotiated with three (3) other foreign FIUs;
- i) Drafted and negotiated **two (2)** MoUs with national stakeholders, but yet to be signed;
- j) Developed a Training Manual on Strengthening Cross Border Remittance Controls;
- k) In conjunction with NAMPOL and a UNODC Technical Assistance Expert, developed a proposal for the establishment of a National Permanent Task Force for effective implementation of the AML/CFT/CFP investigation and prosecution strategy.
- l) Requested the assistance of the UNODC to hold a National Cybercrime Preventative & Combatting Capacitation Workshop.

- m) Conducted the Cross-Border Movement of Cash & Bearer Negotiable Instrument Declaration Impact Assessment following the implementation of the project charter and plan on activation of the cross border movement of cash and bearer negotiable instruments declaration obligation. The key action steps were;
- i. awareness raising campaign;
  - ii. training of Customs & Excise Officials countrywide; and
  - iii. registration of all Customs & Excise Officials countrywide as reporting persons on goAML in respect of cross border declarations. In this regard, the FIC successfully registered a total of two hundred and forty (240) Customs and Excise Officials.
- n) Revised and submitted the FIA Exemption Policy to the AML/CFT/CFP Council and the Minister of Finance;
- o) Worked hand-in-hand with legal drafters to amend the Extradition Act, as well as the International Cooperation in Criminal Matters Act;
- p) Took part in the process of amending the Public Accountants and Auditors Act;
- q) Provided legal advice/interpretation to various institutions that are part and parcel of the FIA regulated Populace as well as various Government Offices, Ministries and Agencies as per the provisions of FIA and PACOTPA;

**Table 11: Summary of legal advice/interpretation**

LIST OF INSTITUTIONS & MINISTRY	SCOPE OF LEGAL ADVISE/INTERPRETATION
Sanlam Namibia	Interpretation of the FIC Determination on the period within which the Registrar of companies and Close Corporations must obtain information on beneficial ownership;
Bank BIC	The way forward following the lifting of the UN sanctions over Iran;
Malherbe & Associates Inc.	Customer identification threshold and interpretation of guidance note 3 of 2015;
Deloitte	FIA protection clauses in respect of indemnity requested for furnishing information to the FIC on specific investigations.
Nedbank	NAMPORT guarantee
Allied Auction CC	Importance of submitting documents as requested by the FIC for inspection purposes, and the legal implications thereof
Mulberry Consulting CC	Applicability of FIA on services availed by Body Corporates
Old Mutual	Exemption of Provident Funds and Retirement Annuities from FIA provisions
Ministry of Justice	Condition/clause in the layman draft amendment of International Cooperation in Criminal matters
African Development Bank	Namibia's national AML/CFT/CFP Regime for purposes of granting loans to the Government

### 5.4.3 Enforcement actions

The FIC in terms of Section 56 of the Financial Intelligence Act, 2012 (Act No. 13 of 2012) as amended took appropriate enforcement actions against –

- a) **one (1)** Live Stock Auctioneers for failure to develop and implement AML/CFTP program, inadequate CDD and failure to report cash transaction reports (CTRs) in excess of the threshold amount;
- b) **three (3)** Motor Vehicle dealers for failure to develop and implement AML/CFTP program, inadequate customer due diligence (CDD) and failure to report CTRs in excess of the threshold amount;
- c) **twenty one (21)** Law Firms for failure to report CTRs in excess of the threshold amount; and
- d) **one (1)** Real Estate Agent, also for failure to report CTRs in excess of the threshold amount.

**Table12: Total number of instruments issued and enforcement actions taken**

INSTRUMENTS ISSUED	2012	2013	2014	2015	2016	2017
UNSC Circulars	0	6	30	36	17	13
FIA Compliance Circulars	3	1	0	6	1	0
Guidance Notes	2	2	1	7	1	1
Directives	0	0	0	1	5	7
Determinations	0	0	0	0	0	3
Compliance Interventions/enforcement actions	0	1	0	0	31	26

#### 5.4.4 Trainings conducted during the financial year under review

The FIC offered AML/CFT/CFP training interventions on the following:

- i. Asset Managers on general compliance with FIA and PACOTPAA and supplementary regulations;
- ii. Insurance sector on changes brought about by 2012 FIA, as opposed to the 2007 FIA;
- iii. Law Firms on FIA and PACOTPAA and supplementary regulations;
- iv. Customs and Excise Officials on Trade Based Money Laundering and Illicit Capital Flight;
- v. Namibian Police on Money Laundering, Terrorist Financing and the Financing of Proliferation Activities;
- vi. All banks on Trade Based Money Laundering and Illicit Capital Flight, inclusive of usage of the ASYCUDA system to mitigate identified ML/TF/PF related risks;
- vii. Banker to Government and financial advisors on general compliance with FIA and PACOTPAA and supplementary regulations; and
- viii. All Customs Officials at all national borders on the cross-border movement of cash and bearer negotiable instruments declarations.
- ix. Environmental Investment Fund, on the general compliance with FIA and PACOTPAA;
- x. All commercial banks on cross border funds remittance and the vulnerabilities identified;
- xi. Bank of Namibia on cross border funds remittance and the vulnerabilities identified;
- xii. DebMarine Namibia on the general compliance with FIA and PACOTPAA;
- xiii. NamDeb (Pty) Ltd on the general compliance with FIA and PACOTPAA;
- xiv. Atlantico Bank on the general compliance with FIA and PACOTPAA; and
- xv. Law Reform Development Commission (LRDC) on the obligations under FIA and PACOTPAA.

**Table 13: Total number of FIA trainings conducted**

TRAINING CONDUCTED	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>TOTAL</b>	300	280	400	280	320	200	350	1000	750	27	4

#### 5.4.5 On-going projects

- The division is leading national efforts to update the National AML/CFT/CFP Risk Assessment project which is cutting across the 2014/2015, 2015/2016 and 2016/2017 performance cycles;
- Facilitating and overseeing completion of the Cabinet approved Self-Assessment Action Plan in order to prepare Namibia for the upcoming AML/CFT/CFP Mutual Evaluation in 2019/2020;
- Embarked on a project “Disaster Recovery” involving other stakeholders and forensic auditors to investigate a new trend of trade-based money laundering; and
- Preparing a mock evaluation to take place during the 2017/18 financial year in lieu of Namibia’s Mutual Evaluation scheduled to take place in the 2019/20 financial year.

#### 5.4.6. Attendance of international and regional meetings

The staff from the division attended regional conferences of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) held in Arusha and Zimbabwe respectively for purposes of peer review, policy development, model legislation, typologies and trends.

Namibia is the chair to the ESAAMLG Review Group A and, as such, the division took part in the high level missions to Malawi and Swaziland in order to address key strategic deficiencies in respect of compliance with international standards as set by the Financial Action Task Force (FATF).

#### 5.4.7 Challenges with Implementation of the AML/CFTP Legal Framework

The mandate of this Division remains vast and ever expanding due to ever changing global standards necessitated by inevitable emergence of new trends in the sphere of money laundering, terrorist financing and the financing of proliferation activities.

Additionally, the FIC’s rapid expansion of its regulatory coverage gives birth to a high demand of legal interpretation and capacity building, on which the Division is expected to deliver. Other challenges include, a growing number of FIA non-compliance referrals for enforcement purposes;

Furthermore it should be noted that domestic, regional and ad hoc meetings, as well as training workshops, and conferences, that staff members from the Division must attend, as well as adhoc special projects falling in the Domain of the Division, renders it impossible for the staff in the Division timely deliver on the core functions, such as enforcement activities.

Finally, the success of the implementation of the national AML/CFT/CFP legal framework is depended upon participation of all national stakeholders as per the self-assessment action plan. However, success in this regard is derailed by lack of knowledge and skills and making it difficult for Namibia as a country to be ready for the upcoming Mutual evaluation scheduled for 2019/2020. This poses a potential risks for Namibia to be rated non-compliant as far as effective implementation of international AML/CFT/CPF standards and obligations is concerned.

Accordingly, this may result in Namibia re-subjected to targeted reviews by the FATF due to lack of effectiveness as far as the AML/CFT/CPF regime is concerned.



# PART E:

ANNUAL FINANCIAL STATEMENTS AS AT  
31 MARCH 2017

# FINANCIAL INTELLIGENCE CENTRE

(Registration number 2011/123)

## ANNUAL FINANCIAL STATEMENTS

FOR THE 12 MONTH PERIOD ENDED 31 MARCH 2017  
FOURTH SINCE INCORPORATION

### General Information

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<b>Country of incorporation and domicile</b>	Namibia
<b>Nature of business and principal activities</b>	Administering the Financial Intelligence Act (FIA) in preventing and combating Money Laundering (ML)/ Terrorist Financing (TF)/ Proliferation Financing (PF).
<b>Council</b>	I. Shiimi P. Noa O.M. Imalwa B.K. Likando K Matomola E. Shafudah S.H Ndeitunga J.E Kandjeke E. Angula I. V. K Ndjoze J. Mumvuma Commissioner (Rtd) T. Kamati G. Sinimbo
<b>Business address</b>	71 Robert Mugabe Avenue Windhoek Namibia
<b>Postal address</b>	P O Box 2882 Windhoek Namibia
<b>Auditors</b>	Deloitte & Touche Registered Accountants and Auditors Chartered Accountants (Namibia)  Grand Namibia Registered Accountants and Auditors Chartered Accountants (Namibia)



# Contents

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The reports and statements set out below comprise the annual financial statements presented to the Council:

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## Council's Responsibilities and Approval

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The Council is required to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the Council's responsibility to ensure that the annual financial statements fairly present the state of affairs of the Centre 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 the basis as set out in note 1. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Council acknowledges that they are ultimately responsible for the system of internal financial control established by the Centre and places considerable importance on maintaining a strong control environment. To enable the Council to meet these responsibilities, the Council sets 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 Centre and all employees are required to maintain the highest ethical standards in ensuring the Centre's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Centre is on identifying, assessing, managing and monitoring all known forms of risk across the Centre. While operating risk cannot be fully eliminated, the Centre endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Council is 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 Council has reviewed the Centre's cash flow forecast for the year to 31 March 2018 and, in the light of this review and the current financial position, the Council is satisfied that the Centre has access to adequate resources to continue in operational existence for the foreseeable future.



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**I. Shiimi**



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**P. Noa**

Windhoek 21 November 2017 (Date)



## Independent Auditor's Report

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### Opinion

We have audited the financial statements of the Financial Intelligence Centre as set out on pages 54 to 61, which comprise the statement of financial position as at 31 March 2017 and the statement of comprehensive income and the statement of changes in equity for the year then ended and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Financial Intelligence Centre as at 31 March 2017, and its financial performance for the year then ended in accordance with the basis of accounting set out note 1 to the financial statements.

### Basis of accounting and restriction on distribution and use

The financial statements have been prepared in accordance with the basis of accounting described in the accounting policies for the purposes of providing financial information to the Council. The financial statements and the auditor's report may not be suitable for any other purpose.

### Other Matter: Supplementary Information

Without qualifying our opinion, we draw attention to the fact that the supplementary information set out in Note 7 on page 61 does not form part of the annual financial statements and is presented as additional information. We have not audited this schedule and accordingly we do not express an opinion thereon.

### Other Information

The Council is responsible for the other information. The other information comprises of Part A (Introduction and General Information), Part B (Statement of Responsibility and Confirmation of the Accuracy of the Annual Report), Part C (Getting to Know the FIC), Part D (Operations of the FIC), the Council's responsibilities and approval and Council Report in Part E. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B) (IESBA Code) and other independence requirements applicable to performing

## INDEPENDENT AUDITOR'S REPORT (continued)

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

### Responsibilities of the Council for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting set out on note 1 and for such internal control as the Council determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council is responsible for assessing the Centre'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 Council either intend to liquidate the Centre or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the 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 ISAs 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 financial statements.

**As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:**

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, 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 Centre's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- Conclude on the appropriateness of the Council's 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 Centre'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 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 Centre to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Centre or business activities within the Centre to express an opinion on the financial statement. We remain solely responsible for our audit opinion.

## INDEPENDENT AUDITOR'S REPORT (continued)

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We communicate with the Council 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.

We also provide the Council with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards



### **Deloitte & Touche**

Registered Accountants and Auditors  
Chartered Accountants (Namibia)  
PO Box 47, Windhoek

**Per:** Erwin Tjipuka (Partner)

#### **Partners:**

E Tjipuka (Managing Partner), RH McDonald,  
H de Bruin, J Cronje, A Akayombokwa,  
A Matenda, J Nghikevali

#### **Directors:**

G Brand, M Harrison  
Associate of Deloitte Africa, a member  
Deloitte Touche Tohmatsu Limited



### **Grand Namibia**

Registered Accountants and Auditors  
Chartered Accountants (Namibia)  
PO Box 24304, Windhoek

**Per:** Richard Theron (Partner)

#### **Resident Partners:**

R Theron (Managing Partner), RN Beukes

Windhoek, 30 January 2018

Windhoek, 30 January 2018



## Council's Report

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The Council has pleasure in submitting this report on the annual financial statements of Financial Intelligence Centre for the year ended 31 March 2017.

### 1. Main business and operations

The prime work of the Centre in terms of Financial Intelligence Act No.13 of 2012 are to combat money laundering and the financing of terrorism and proliferation activities in collaboration with other law enforcement agencies.

Net (deficit)/surplus of the centre for the year 2017 is (N\$ 11 719 778) and 2016: N\$ 4 085 073

The operating results and state of affairs of the Centre are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

### 2. Council

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

I. Shiimi  
P. Noa  
O.M. Imalwa  
B.K. Likando  
K Matomola  
E. Shafudah  
S.H Ndeitunga  
J.E Kandjeke  
E. Angula  
I. V. K Ndjoze  
J. Mumvuma  
Commissioner (Rtd) T. Kamati  
G. Sinimbo

### 3. Events after the reporting period

The Council is not aware of any material event which occurred after the reporting date and up to the date of this report.

### 4. The Centre's Governance

The Centre is run by a Director who is appointed by the Minister of Finance every five years.

### 5. Administrative arrangement

In terms of Section 7(2) of the Financial Intelligence Act, 2012, the Bank of Namibia must provide administrative services to the Centre.

## STATEMENT OF FINANCIAL POSITION AS AT

31 MARCH 2017

	Notes	12 months 2017 N\$	15 months 2016 N\$
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	3	373 802	508 941
<b>Current Assets</b>		-	
Receivable from Bank of Namibia	4	1 039 437	5 016 421
<b>Total Assets</b>		<b>1 413 239</b>	<b>5 525 362</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Accumulated (deficit) surplus		(6 214 288)	5 525 362
<b>Liabilities</b>			
<b>Current liabilities</b>		-	-
Deferred Income	4	1 039 437	-
Employee Provisions	8	1 596 307	-
Other Trade Payables		42 470	-
Payable to Bank of Namibia	9	4 949 313	-
<b>Total Equity and Liabilities</b>		<b>1 413 239</b>	<b>5 525 362</b>

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED

31 MARCH 2017

	Notes	12 months 2017 N\$	15 months 2016 N\$
<b>Grant received</b>	<b>5</b>	<b>13 900 000</b>	<b>24 994 020</b>
Operating expenses	7	(25 619 778)	(20 908 947)
<b>Operating (deficit)/surplus</b>	<b>6</b>	<b>(11 719 778)</b>	<b>4 085 073</b>
<b>(Deficit)/surplus for the year</b>		<b>(11 719 778)</b>	<b>4 085 073</b>
Other comprehensive income		-	-
<b>Total comprehensive (deficit)/surplus for the year</b>		<b>(11 719 778)</b>	<b>4 085 073</b>

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Share Capital	Accumulated profit/(loss) account	Total
Notes		N\$	N\$
<b>Balance at 01 January 2015</b>	-	<b>1 440 289</b>	<b>1 440 289</b>
<b>Surplus for the year</b>	-	4 085 073	4 085 073
Other comprehensive income		-	-
<b>Total comprehensive surplus for 15 months period</b>	-	4 085 073	4 085 073
<b>Balance at 31 March 2016</b>	-	<b>5 525 362</b>	<b>5 525 362</b>
<b>Balance at 01 April 2016</b>	-	<b>5 525 362</b>	<b>5 525 362</b>
<b>Prior period error</b>	2	<b>(19 872)</b>	<b>(19 872)</b>
<b>Restated opening balance</b>		<b>5 505 490</b>	<b>5 505 490</b>
<b>Deficit for the year</b>	-	<b>(11 719 778)</b>	<b>(11 719 778)</b>
Other comprehensive income		-	-
<b>Total comprehensive deficit for the year</b>	-	<b>(11 719 778)</b>	<b>(11 719 778)</b>
<b>Balance as at 31 March 2017</b>	-	<b>(6 214 288)</b>	<b>( 6 214 288 )</b>



## Notes to the Annual Financial Statements

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### 1. Basis of presentation

The annual financial statements have been prepared in accordance with the accounting policies set out below. The annual financial statements have been prepared on the historical cost basis.

#### 1.1 Basis of preparation

The financial statements of the Centre have been prepared in accordance with the Centre's basis of accounting. They have been prepared under the historical cost convention.

The preparation of financial statements is in conformity with the Centre's policies that require the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Centre's accounting policies. No significant estimates and judgements were used during the year under review.

#### 1.2 Property, plant and equipment

**Property, plant and equipment are tangible items that:**

- are held for use in the production or supply of services, for rental to others or for administrative purposes; and
- are expected to be used during more than one period.

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An assets' carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 3).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains/ (losses) – net' in the statement of comprehensive income.

#### 1.3 Grant received

This principally relates to income received from the Ministry of Finance. The Centre, with the approval of the Minister of Finance, may accept financial donations or contribution from any other source. Such incomes are accounted for on a cash receipt basis.

#### 1.4 Expenses

Expenses were previously recorded as incurred.

#### 1.5 Change in accounting policy

These accounting policies are consistent with the previous period, except for the changes set out below:

##### 1.5.1 Expenses

Expenses are recorded on the accrual basis.  
The change has been applied prospectively.





## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

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### 1.5.2 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.

Trade and other receivables are classified as loans and receivables.

The change has been applied prospectively.

### 1.5.3 Other payables

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

The change has been applied prospectively.

### 1.5.4 Employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered - leave and bonuses), are recognised in the period in which the service is rendered and are not discounted. The expected cost of bonus payments and leave is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

The change has been applied prospectively.

### 1.5.5 Deferred Income

Deferred Income is initially measured at fair value of the consideration received. The deferred income is released to the Income Statement as the monies received are utilised.

The change has been applied prospectively



## 2. Prior Period Error

During the year, it was discovered that Property Plant and Equipment were overstated in the prior year whilst at the same time the accumulated depreciation was also overstated. The financial statement of 2016 have been restated to correct this error.

The effect of the restatement on those financial statements is summarised below. There is no effect in 2017.

	Effect on 2016
Decrease in Accumulated surplus	(19 872)
<b>Decrease in Accumulated surplus</b>	<b>(19 872)</b>
Decrease in Property Plant & Equipment	(55 862)
Decrease in Accumulated Depreciation	35 990
<b>Decrease in Property Plant &amp; Equipment</b>	<b>(19 872)</b>

The correction has an immaterial impact on the income for the current and comparative period.

### 3. PROPERTY, PLANT AND EQUIPMENT

	Furniture & Fixtures	Office equipment	IT equipment	Computer software	Other property plant & equipment	Total
2017	N\$	N\$	N\$	N\$	N\$	N\$
<b>Cost</b>						
At 1 April 2016	299 654	209 567	431 592	1 384 706	4 458	2 329 977
Additions/Transfers	14 395	1 304	77 281	-	-	92 980
Prior period error	-	(21 350)	(30 408)	-	(4 104)	(55 862)
<b>At 31 March 2017</b>	<b>314 049</b>	<b>189 521</b>	<b>478 465</b>	<b>1 384 706</b>	<b>354</b>	<b>2 367 095</b>
<b>Accumulated depreciation</b>						
At 1 April 2016	29 320	191 173	211 379	1 384 706	4 458	1 821 036
Depreciation	57,835	31,348	119,064	-	-	208,247
Prior period error	13,950	(104,194)	58,358	-	(4,104)	(35,990)
<b>At 31 March 2017</b>	<b>101,105</b>	<b>118,327</b>	<b>388,801</b>	<b>1 384 706</b>	<b>354</b>	<b>1,993,293</b>
<b>Carrying value</b>						
<b>At 1 April 2016</b>	<b>270 334</b>	<b>18 394</b>	<b>220 213</b>	<b>-</b>	<b>-</b>	<b>508 941</b>
<b>At 31 March 2017</b>	<b>212 944</b>	<b>71 194</b>	<b>89 664</b>	<b>-</b>	<b>-</b>	<b>373 802</b>
<b>2016</b>						
<b>Cost</b>						
At 1 January 2015	15 624	190 197	185 232	1 384 706	4 458	1 780 217
Additions	284 030	19 370	246 360	-	-	549 760
<b>At 31 March 2016</b>	<b>299 654</b>	<b>209 567</b>	<b>431 592</b>	<b>1 384 706</b>	<b>4 458</b>	<b>2 329 977</b>
<b>Accumulated depreciation</b>						
At 1 January 2015	13 818	190 197	185 232	1 384 706	4 458	1 778 411
Depreciation	15 502	976	26 147	-	-	42 625
<b>At 31 March 2016</b>	<b>29 320</b>	<b>191 173</b>	<b>211 379</b>	<b>1 384 706</b>	<b>4 458</b>	<b>1 821 036</b>
<b>Carrying value</b>						
<b>At 1 January 2015</b>	<b>1 806</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 806</b>
<b>At 31 March 2016</b>	<b>270 334</b>	<b>18 394</b>	<b>220 213</b>	<b>-</b>	<b>-</b>	<b>508 941</b>



	12 months 2017 N\$	15 months 2016 N\$
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#### 4. Receivables (Payable) from Bank of Namibia

Receivable from Bank of Namibia	<u>1 039 437</u>	<u>5 016 421</u>
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The N\$ 1 039 437 for year-end 2017 is the remaining balance of the funds received from Ministry of Finance, purposefully for a special project being undertaken by the FIC.

#### 5. Grant received

Grant received	<u>13 900 000</u>	<u>24 994 020</u>
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#### 6. Operating (deficit)/surplus

Operating (deficit)/surplus for the year is stated after accounting for the following:

Employee costs	<u>17 881 478</u>	<u>15 790 643</u>
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Employee costs for 2017 includes employee bonuses and leave pay provisions of N\$ 1 596 307 (2016: Nil).

## 7. Operating Expenses

	2017	2016
	N\$	N\$
Advertising & Recruitment	(20,174)	(6,567)
AML/CFT Awareness Campaign	(311,361)	-
Compliance & Inspection Account	(5,418)	(29,446)
Computer Maintenance	(578,656)	(1,291,920)
Conferences Attended	(142,909)	(26,391)
Conferences Hosted	(308,955)	(39,127)
Consultants Fees	-	(58,596)
Depreciation	(208,247)	(42,626)
Employee Costs	(17,881,478)	(15,790,643)
Entertainment Expenses	(5,852)	(4,974)
Equipment Rental	(53,814)	(46,624)
Financial Investigations - Domestic	(4,780,767)	
Membership Fees	(63,166)	(36,196)
Miscellaneous Expenditure	-	(1,230)
Newspapers	-	(6,381)
Organisational Development	(1,600)	-
payment to BON		(958,580)
Printing & Publications	(62,954)	(27,672)
Security Equipment & Costs	-	75
Staff Training	(33,117)	(1,328,690)
Stationery	(36,738)	(15,389)
Subscription	(73,225)	(67,395)
Telephone & Telex Expenses	4,679	4,081
Travel, Subsistence & Accommodation	(1,056,023)	(1,134,656)
	<u>(25 619 778)</u>	<u>(20 908 948)</u>

## 8. Employee Provisions

Provision for Bonuses	44 433	
Provision for Leave Pay	1 551 874	-
	<u>1 596 307</u>	<u>-</u>

## 9. Payables to Bank of Namibia

<u>4 949 313</u>	<u>-</u>
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The payable to Bank of Namibia was determined after taking into account all the grants received and expenditures incurred by FIC as at 31 March 2017.

## 10. Statements of Cash flows

No statement of cash flows was prepared as the Centre does not have a bank account.

## 11. Going Concern

We draw attention to the fact that as at 31 March 2017, the Centre incurred a loss of N\$ 11,719,778. The annual financial statements are however being prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

