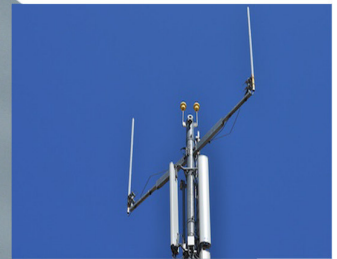




**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE**

# **NAMIBIAN COMMUNICATIONS COMMISSION**

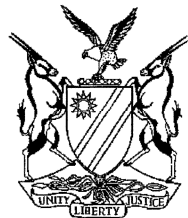
**FOR THE FINANCIAL YEARS ENDED 31 MARCH 2007 AND 2008**

Published by authority

Price (Vat excluded) N\$ 22.40

Report no: 957

**REPUBLIC OF NAMIBIA**



**TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY**

I have the honour to submit herewith my report on the accounts of the Namibian Communication Commission for the financial years ended 31 March 2007 and 2008, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991 (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

**WINDHOEK, June 2011**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
NAMIBIAN COMMUNICATIONS COMMISSION  
FOR THE FINANCIAL YEARS ENDED 31 MARCH 2007 AND 2008**

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**1. INTRODUCTION**

The accounts of the Namibian Communications Commission (NCC) for the years ended 31 March 2007 and 2008 are being reported on in accordance with the provisions set out in the State Finance Act, 1991 (Act 31 of 1991) and the Namibia Communications Commission Act, 1992 (Act 4 of 1992).

The firm Mostert Landgrebe Chartered Accountants has been appointed by the Auditor-General under the provisions of Section 26(2) of the State Finance Act, 1991, to audit the accounts of the NCC on his behalf and under his supervision.

Figures in the report are rounded off to the nearest Namibian Dollar.

**2. ESTABLISHMENT**

The Namibian Communications Commission was established in terms of Section 2 of the Act.

**3. FINANCIAL STATEMENTS**

Statements of the accounts of the Namibian Communication Commission are prepared in compliance with GAAP. The original version of the financial statements published in this report is filed in the Office of the Auditor-General and comprises:

Annexure A: Balance sheets

Annexure B: Income statements

Annexure C: Cash flow statements

Annexure D: Notes to the financial statements

**4. SCOPE OF THE AUDIT**

*Management's responsibility for the financial statements*

The Accounting Officer of the Board is responsible for the preparation and fair presentation of these financial statements and for ensuring the regularity of the financial transactions. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

*Auditor's responsibility*

It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements and on the regularity of the financial transactions included in them and to report the opinion of the Auditor-General to the National Assembly. The said firm conducted the audit in accordance with International Standards on Auditing. Those standards require that the firm comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

## **5. AUDIT OBSERVATION AND COMMENTS**

### **5.1 INTERNAL CONTROL AND ACCOUNTING RECORDS (2007 & 2008)**

There was no system of internal control or proper accounting records on which the auditors could rely upon for audit purposes.

### **5.2 FINALISATION OF FINANCIAL STATEMENTS (2007 & 2008)**

The NCC failed to comply with Section 23(1) of the Namibian Communications Commission Act, which requires that the audited financial statements be submitted to the Minister within seven months of year-end.

### **5.3 FIXED ASSETS (2007 & 2008)**

The NCC does not have a fixed assets register.  
No depreciation has been charged on assets.

### **5.4 INCOME AND EXPENDITURE (2007 & 2008)**

No records or supporting documentation was available for audit purposes.

### **5.5 INVESTMENTS (2008)**

Investments as per general ledger and financial statements are N\$ 12 500 384 more than the investment statements received from the bank. No explanation could be supplied for this difference.

### **5.6 TRADE RECEIVABLES (2008)**

Included in trade and other receivables is a credit amount of N\$ 1 346 466, stated as "cash-book clearing account". No explanation for this balance could be provided.

### **5.7 BANK RECONCILIATION (2008)**

The financial statements reflect an unfavourable bank balance of N\$ 2 554 881 as the cash-book reflect a favourable balance of N\$ 3 841 886. The difference of N\$ 6 396 767 could not be explained.

### **5.8 UNEXPLAINED JOURNAL ADJUSTMENT (2008)**

An unexplained journal adjustment to the amount of N\$ 86 378 216 was passed by the Commission.

### **5.9 TRADE AND OTHER RECEIVABLES (2008)**

No explanation could be provided for the difference of N\$ 2 568 325 between the balance sheet and the age analysis for debtors. Therefore, it appears that the debtors are overstated.

## **6. ACKNOWLEDGEMENT**

The assistance and co-operation by the staff of the NCC during the audit is appreciated.

## **7. DISCLAIMED AUDIT OPINION**

The accounts of the Namibia Communications Commission for the financial years end 31 March 2007 and 2008, summarised in Annexures A to D, were audited by me in terms of Section 25(1)(b) of the State Finance Act, 1991.

I am unable to form an audit opinion due to the following reasons:

### **Internal control and financial records**

There was no system of internal control or proper accounting records on which the auditors could rely upon for audit purposes.

**Income and expenses**

No records or supporting documentation was available for audit purposes.

**Fixed assets**

The NCC does not have a fixed assets register.

**Investments**

Investments as per general ledger and financial statements are N\$ 12 500 384 more than the investment statements received from the bank. No explanation could be supplied for this difference.

**Trade receivables**

No explanation to the amount of N\$ 1 346 466 could be provided.

**Bank reconciliation**

The difference of N\$ 6 396 767 could not be explained.

**Unexplained journal adjustment**

A journal to the amount of N\$ 86 378 216 that was passed could not be explained.

**Trade and other receivables**

No explanation could be provided for the difference of N\$ 2 568 325 between the balance sheet and age analysis.

WINDHOEK, June 2011

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

## NAMIBIAN COMMUNICATIONS COMMISSION

## BALANCE SHEETS AT 31 MARCH

|                                     | Notes | 2008<br>N\$        | 2007<br>N\$       | 2006<br>N\$       |
|-------------------------------------|-------|--------------------|-------------------|-------------------|
| <b>ASSETS</b>                       |       |                    |                   |                   |
| <b>Non-current assets</b>           |       |                    |                   |                   |
| Property, plant and equipment       | 2     | 53 021 580         | 27 873 187        | 19 491 984        |
| Investments                         | 3     | 918 797            | 333 665           | 4 320             |
|                                     |       | 52 102 783         | 27 539 522        | 19 487 664        |
| <b>Current assets</b>               |       |                    |                   |                   |
| Cash and cash equivalents           |       | 65 822 206         | 1 654 714         | 1 053 538         |
| Trade and other receivables         |       | -                  | 1 654 714         | 1 053 538         |
|                                     |       | 65 822 206         | -                 | -                 |
| <b>TOTAL ASSETS</b>                 |       | <b>118 843 786</b> | <b>29 527 901</b> | <b>20 545 522</b> |
| <b>EQUITY AND LIABILITIES</b>       |       |                    |                   |                   |
| <b>Capital and reserves</b>         |       |                    |                   |                   |
| Accumulated surplus                 |       | 116 288 905        | 29 527 901        | 20 545 522        |
| <b>Current liabilities</b>          |       |                    |                   |                   |
| Cash and cash equivalents           |       | 2 554 881          | -                 | -                 |
| <b>TOTAL EQUITY AND LIABILITIES</b> |       | <b>118 843 786</b> | <b>29 527 901</b> | <b>20 545 522</b> |

## NAMIBIAN COMMUNICATIONS COMMISSION

ABRIDGED INCOME STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 MARCH

|                                 | <b>2008</b>        | <b>2007</b>       | <b>2006</b>       |
|---------------------------------|--------------------|-------------------|-------------------|
|                                 | N\$                | N\$               | N\$               |
| <b>INCOME</b>                   |                    |                   |                   |
| Licence fees                    | -                  | 9 549 253         | 9 344 475         |
| Interest received               | 3 130 762          | 1 600 885         | 841 203           |
|                                 | <b>3 130 762</b>   | <b>11 150 138</b> | <b>10 185 678</b> |
| <b>EXPENSES</b>                 |                    |                   |                   |
| Administration fees             | 67 500             | 49 027            | 83 753            |
| Advertising                     | 15 129             | 5 758             | -                 |
| Allowance                       | 5 367              | -                 | -                 |
| Audit fees                      | 19 550             | 27 600            | -                 |
| Bank charges                    | 6 695              | 7 680             | 9 645             |
| Computer expenses               | -                  | 76 155            | 27 945            |
| Conferences and workshops       | 328 410            | 27 600            | -                 |
| Consultation fees               | 892 176            | 59 900            | 192 350           |
| Depreciation                    | -                  | 56 116            | 1 440             |
| Entertainment                   | 8 307              | 27 600            | -                 |
| License fees                    | -                  | 48 046            | -                 |
| Legal fees                      | -                  | 104 857           | 12 765            |
| Membership fees                 | 840 587            | 679 665           | 1 106 560         |
| Office expenses                 | 113 075            | 200               | -                 |
| Radio dealers and interface     | 8 089              | 27 600            | -                 |
| Repairs and maintenance         | -                  | 301 418           | 44 611            |
| Security services               | 50 891             | 33 600            | -                 |
| Stationery and printing         | 25 930             | -                 | -                 |
| Telephone and faxes             | 9 660              | -                 | -                 |
| Training                        | -                  | 343 503           | 56 594            |
| Travelling and accommodation    | 353 408            | 374 234           | 81 766            |
| Wages                           | 3 200              | -                 | -                 |
|                                 | <b>2 747 974</b>   | <b>2 167 759</b>  | <b>1 617 429</b>  |
| <b>NET SURPLUS FOR THE YEAR</b> | 382 788            | 8 982 379         | 8 568 249         |
| <b>ACCUMULATED SURPLUS</b>      |                    |                   |                   |
| AT BEGINNING OF THE YEAR        | 29 527 901         | 20 545 522        | 11 977 273        |
| UNEXPLAINED JOURNAL PASSED      | 86 378 216         | -                 | -                 |
| <b>ACCUMULATED SURPLUS</b>      |                    |                   |                   |
| AT THE END OF THE YEAR          | <b>116 288 905</b> | <b>29 527 901</b> | <b>20 545 522</b> |

## NAMIBIAN COMMUNICATIONS COMMISSION

## CASH FLOW STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 MARCH

|  | Note | 2008<br>N\$        | 2007<br>N\$      | 2006<br>N\$      |
|--|------|--------------------|------------------|------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>     |      |                    |                  |                  |
| Cash receipts from customers                   |      | -                  | 9 549 253        | 9 344 475        |
| Cash paid to suppliers                         |      | 17 808 036         | (2 111 643)      | (1 615 989)      |
| Cash generated by operations                   | 4    | 17 808 036         | 7 437 610        | 7 728 486        |
| Interest received                              |      | 3 130 762          | 1 600 885        | 841 203          |
| Net cash flow from operating activities        |      | 20 938 798         | 9 038 495        | 8 569 689        |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>     |      |                    |                  |                  |
| Additions to plant and equipment               |      | (585 132)          | (385 461)        | -                |
| Increase in investments                        |      | (24 562 261)       | (8 051 858)      | (12 257 451)     |
|  |      | (25 148 595)       | (8 437 319)      | (12 257 451)     |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b> |      | (4 209 393)        | 601 176          | (3 687 762)      |
| <b>CASH AND CASH EQUIVALENTS</b>               |      |                    |                  |                  |
| - BEGINNING OF THE YEAR                        |      | 1 654 714          | 1 053 538        | 4 741 300        |
| <b>CASH AND CASH EQUIVALENTS</b>               |      |                    |                  |                  |
| - END OF THE YEAR                              |      | <b>(2 554 881)</b> | <b>1 654 714</b> | <b>1 053 538</b> |





## NAMIBIAN COMMUNICATIONS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 30 JUNE  
(continued)

THE CARRYING VALUE OF PLANT AND EQUIPMENT CAN BE RECONCILED AS FOLLOWS:

|                    | Carrying<br>value -<br>beginning of<br>year | Additions      | Depreciation    | Carrying<br>value -<br>end of year |
|--------------------|---|----------------|-----------------|------------------------------------|
|                    | N\$   | N\$            | N\$             | N\$                                |
| Motor vehicles     | -   | 189 953        | (19 787)        | 170 166                            |
| Computer equipment | -   | 142 532        | (31 357)        | 111 175                            |
| Office equipment   | 4 320                                       | 52 976         | (4 972)         | 52 324                             |
|                    | <b>4 320</b>                                | <b>385 461</b> | <b>(56 116)</b> | <b>333 665</b>                     |

| <b>2006 YEAR</b>              | <b>Office<br/>equipment</b> | <b>Total</b> |
|-------------------------------|-----------------------------|--------------|
|                               | N\$                         | N\$          |
| Cost                          | 7 200                       | 7 200        |
| Accumulated depreciation      | (2 880)                     | (2 880)      |
| Carrying amount - end of year | <b>4 320</b>                | <b>4 320</b> |

|  | <b>2008</b>       | <b>2007</b>       | <b>2006</b>       |
|--|-------------------|-------------------|-------------------|
|  | N\$               | N\$               | N\$               |
| <b>3. INVESTMENTS</b>                          |                   |                   |                   |
| Standard Bank Namibia Limited - Cash Plus Fund | 52 102 783        | 27 539 522        | 19 487 664        |
|  | <b>52 102 783</b> | <b>27 539 522</b> | <b>19 487 664</b> |

## NAMIBIAN COMMUNICATIONS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 30 JUNE  
(continued)

|   | <b>2008</b>       | <b>2007</b>      | <b>2006</b>      |
|---|-------------------|------------------|------------------|
|   | N\$               | N\$              | N\$              |
| <b>4. CASH GENERATED BY OPERATIONS</b>                    |                   |                  |                  |
| Net surplus for the year                                  | 382 788           | 8 982 379        | 8 568 249        |
| Adjustments for:  |                   |                  |                  |
| - Depreciation  | -                 | 56 116           | 1 440            |
| - Interest received                                       | (3 130 762)       | (1 600 885)      | (841 203)        |
| - Journal passed on retained income                       | 86 378 216        | -                | -                |
| <b>OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL</b> | <b>83 630 22</b>  | <b>7 437 610</b> | <b>7 728 486</b> |
| <b>CHANGES IN WORKING CAPITAL</b>                         |                   |                  |                  |
| Trade and other receivables                               | (65 822 206)      | -                | -                |
|   | (65 822 206)      | -                | -                |
| <b>CASH GENERATED BY OPERATIONS</b>                       | <b>17 808 036</b> | <b>7 437 610</b> | <b>7 728 486</b> |