



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
NAMIBIAN COMMUNICATIONS
COMMISSION**

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

Published by authority

Price (Vat excluded) N\$ 24.00

Report no: 93/2013

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 year ended 31 March 2011, 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, August 2013

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
NAMIBIAN COMMUNICATIONS COMMISSION
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011**

1. INTRODUCTION

The accounts of the Namibian Communications Commission (NCC) for the year ended 31 March 2011 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 Namibia Dollar. Deficits are indicated in brackets.

2. ESTABLISHMENT

The Namibian Communications Commission was established in terms of Section 8 of the Act.

3. FINANCIAL STATEMENTS

Statements of the accounts of the NCC 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 sheet
- Annexure B: Income statement
- Annexure C: Cash flow statement
- 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 his opinion 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, 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

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

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 the year end.

5.3 FIXED ASSETS

The NCC does not have a fixed assets register.

No depreciation has been charged on assets.

No verification of fixed assets or any additions could be performed.

5.4 INCOME AND EXPENDITURE

No records or supporting documentation for expenses of electronic transfers were available.

5.5 INVESTMENTS

No investment statements were available for audit purposes, and therefore investments could not be verified.

5.6 TRADE RECEIVABLES

Included in trade and other receivables is a credit amount of N\$ 1 049 648, stated as "cashbook clearing account", and N\$ 569 446 stated as "deposit unknown". No explanation for these balances could be submitted.

The list of trade receivables reflects an amount of N\$ 26 128 496 more than the control account and the financial statements. The difference could not be explained.

No provision for bad debts has been made.

5.7 BANK RECONCILIATION

The financial statements reflect an favourable bank balance of N\$5 693 451 as the cashbook reflect a favourable balance of N\$7 277 531. The difference of N\$1 584 080 could not be explained.

5.8 INVESTMENT INCOME

No investment statements were available for audit purposes, and therefore investments income of N\$ 6 337 558 could not be verified.

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 year end 31 March 2011, 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 express an opinion due to the following:

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 for expenses of electronic transfers were available.

Fixed assets

The NCC does not have a fixed assets register.

No depreciation has been charged on assets.

No verification of fixed assets or any additions could be performed.

Investments

No investment statements were available for audit purposes, and therefore investments could not be verified.

Trade and other receivables

Included in trade and other receivables is a credit amount of N\$ 1 049 648, stated as "cash-book clearing account", and N\$ 569 446 stated as "deposit unknown". No explanation for these balances could be supplied.

The list of trade receivables reflect an amount of N\$26 128 496 more than the control account and the financial statements. The difference could not be explained.

No provision for bad debts has been made.

Bank reconciliation

The financial statements reflect an favourable bank balance of N\$ 5 693 451 as the cash-book reflect a favourable balance of N\$ 7 277 531. The difference of N\$ 1 584 080 could not be explained.

Investment income

No investment statements were available for audit purposes, and therefore investments income of N\$ 6 337 558 could not be verified.

Disclaimed audit opinion

Due to the significance of the matters referred to in the proceeding paragraphs, I am unable to form an opinion as to whether these financial statements fairly present the financial position of the Namibia Communications Commission on 31 March 2011, the results of its operations, cash flow for the year then ended in the manner required by the State Finance Act, 1991.

**NAMIBIAN COMMUNICATIONS COMMISSION
BALANCE SHEET AT 31 MARCH**

	Notes	<u>2011</u> N\$	<u>2010</u> N\$
ASSETS			
Non-current assets			
Property, plant and equipment	2	13 654 182	13 479 157
Investments	3	126 240 991	99 903 433
		38 310 941	34 063 271
Current assets			
Cash and cash equivalents		5 693 451	1 718 486
Trade and other receivables		32 617 490	32 344 785
		178 206 114	147 445 861
TOTAL ASSETS		178 206 114	147 445 861
EQUITY AND LIABILITIES			
Capital and reserves			
Accumulated surplus		178 206 114	147 445 861
TOTAL EQUITY AND LIABILITIES		178 206 114	147 445 861

**NAMIBIAN COMMUNICATIONS COMMISSION
INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MARCH**

INCOME	2011	2010
	N\$	N\$
License fees	31 822 572	11 355 343
Interest received	6 337 558	3 094 602
	38 160 130	14 449 945
EXPENSES		
Administration fees	-	4 395
Advertising	57 690	194 783
Allowances	-	4 672
Accounting fees	-	21 528
Annual general meeting - refreshments	28 453	-
Bank charges	21 009	25 419
Cleaning services	39 622	-
Computer expenses	43 230	48 730
Conferences and workshops	25 611	142 905
Consultation fees	2 137 345	2 220 165
Courier and postage	28 956	85 603
Entertainment	-	10 504
Frequency monitoring	272 872	-
Interest paid	-	663
Legal fees	57 270	-
Membership fees	828 449	416 909
Motor vehicle expenses	9 838	330
Office expenses	-	166 505
Rent paid	-	5 667
Rental vehicle	25 331	-
Rental equipment	22 770	-
Repairs and maintenance	-	1 236 376
Repairs and maintenance - Buildings	127 926	-
Research and development	345 000	-
Security services	224 739	75 758
Stationery and printing	24 522	55 297
Subscription fee	3 016	-
Telephone and fax	58 563	6 382
Transformation project	2 342 516	2 264 109
Travelling and accommodation	536 055	917 917
Training expenses	73 698	-
Water and electricity	65 159	-
Wages	-	5 400
	7 399 638	7 910 017

NET SURPLUS FOR THE YEAR	30 760 492	6 539 928
ACCUMULATED SURPLUS AT BEGINNING OF THE YEAR	147 445 861	140 905 933
ADJUSTMENT FOR PRIOR YEAR	(239)	-
ACCUMULATED SURPLUS AT THE END OF THE YEAR	178 206 114	147 445 861

**NAMIBIAN COMMUNICATIONS COMMISSION
CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MARCH**

	Notes	2011 N\$	2010 N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		31 822 572	11 355 343
Cash paid to suppliers		(7 672 342)	5 939 686
Cash generated by operations	4	24 150 230	17 295 029
Interest paid		-	(663)
Interest received		6 337 558	3 094 602
Net cash flow from operating activities		30 487 787	20 388 968
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to plant and equipment		(175 025)	(12 388 768)
Increase in investments		(26 337 558)	(501 778)
Adjustment made for prior year		(239)	-
		(26 512 822)	(12 890 546)
NET CHANGE IN CASH AND CASH EQUIVALENTS			
		3 974 966	7 498 422
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR			
		1 718 486	(5 779 936)
CASH AND CASH EQUIVALENTS - END OF YEAR			
		5 693 452	1 718 486

2. PLANT AND EQUIPMENT

	Cost	Accumulated depreciation	Carrying value
	N\$	N\$	N\$
2011 YEAR			
Buildings	41 725	-	41 725
Motor vehicles	356 726	(19 787)	336 939
Computer equipment	584 463	(31 357)	553 106
Office equipment	339 231	(7 852)	331 379
Frequency equipment	12 391 033	-	12 391 033
	13 713 178	(58 996)	13 654 182
2010 YEAR			
Motor vehicles	356 726	(19 787)	336 939
Computer equipment	510 766	(31 357)	479 409
Office equipment	339 231	(7 852)	331 379
Frequency equipment	12 331 430	-	12 331 430
	13 538 153	(58 996)	13 479 157

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

	Carrying value - beginning of year	Additions	Depreciation	Carrying value - end of year
	N\$	N\$	N\$	N\$
Buildings	-	41 725	-	41 725
Motor vehicles	336 939	-	-	336 939
Computer equipment	479 409	73 697	-	553 106
Office equipment	331 379	-	-	331 379
Frequency equipment	12 331 430	59 603	-	12 391 033
	13 479 157	175 025	-	13 654 182

3. INVESTMENTS

	2011	2010
	N\$	N\$
Standard Bank Namibia Limited - Cash Plus Fund	1 179 068	99 401 655
Standard Bank Money Market Fund	125 061 923	-
	<hr/>	<hr/>
	126 240 991	99 401 655
	<hr/> <hr/>	<hr/> <hr/>

4. CASH GENERATED BY OPERATIONS

Net surplus for the year	30 760 492	6 539 928
Adjustments for:		
- Interest paid	-	663
- Interest received	(6 337 558)	(3 094 602)
	<hr/>	<hr/>
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL	24 422 934	3 445 989
	<hr/>	<hr/>
CHANGES IN WORKING CAPITAL		
Trade and other receivables	(272 705)	13 849 040
	<hr/>	<hr/>
	(272 705)	13 849 040
	<hr/>	<hr/>
CASH GENERATED BY OPERATIONS	24 150 230	17 295 029
	<hr/> <hr/>	<hr/> <hr/>