

INTRODUCTION

Namibia stands at a historic turning point. The discovery of significant offshore oil and gas resources has the potential to transform the country's economy, create employment, strengthen public finances and improve the lives of future generations. However, alongside these opportunities comes a new responsibility: ensuring that the financial reporting of oil and gas activities is transparent, credible and aligned with international best practice.

One of the most important questions facing the Government of the Republic of Namibia ("GRN") is whether its accounting professionals possess the technical skills required to account for exploration and evaluation activities appropriately. The recent issuance of **IPSAS 50: Exploration for and Evaluation of Mineral Resources** provides the first dedicated public sector accounting guidance for extractive industries, including oil and gas exploration. IPSAS 50 was specifically developed to provide guidance on accounting for exploration and evaluation expenditures and exploration and evaluation assets.

Accordingly, there is a compelling case for the GRN to undertake a comprehensive national training programme on IPSAS 50 for accountants, auditors, finance officers, and public sector decision-makers.

WHY IPSAS 50 MATTERS FOR NAMIBIA

Oil and gas exploration is fundamentally different from ordinary government expenditure.

Activities such as:

- Seismic surveys;
- Geological studies;
- Exploration drilling;
- Appraisal wells;
- Reservoir evaluations; and
- Feasibility assessments

often involve substantial expenditure long before commercial production begins. IPSAS 50 provides guidance on how these exploration and evaluation expenditures should be recognised and reported in financial statements. Without proper knowledge of IPSAS 50, government officials may struggle to determine:

- Which expenditures should be recognised as assets;
- Which costs should be expensed;
- When impairment should be recognised;
- How disclosures should be presented; and
- How oil and gas investments affect government financial statements.

These are highly specialised accounting matters that require dedicated training and practical application.

THE RISK OF INADEQUATE CAPACITY

The oil and gas sector involves transactions worth billions of Namibia dollars. Investors, regulators, citizens, development institutions, and Parliament will expect high-quality financial information regarding government participation in petroleum activities.

If accounting teams are not adequately trained, there is a risk of:

- Inconsistent accounting treatments;
- Misstated assets and expenditures;
- Reduced transparency;
- Audit qualifications;
- Difficulty comparing financial information across reporting periods; and
- Reduced stakeholder confidence.

Training government accountants on IPSAS 50 should therefore be viewed not as an administrative exercise but as a strategic national investment in accountability and governance.

WHY CASH BASIS IPSAS IS NOT APPROPRIATE FOR OIL AND GAS EXPLORATION ACTIVITIES

While Cash Basis IPSAS serves an important role in public financial management and budget execution, it has significant limitations when applied to modern extractive industries. Cash Basis IPSAS primarily reports cash receipts and cash payments. It does not provide a framework for recognising and measuring exploration and evaluation assets such as geological data, exploration rights, and capitalised exploration expenditures that may generate future economic benefits or service potential. Oil and gas exploration activities create important economic resources long before cash revenues are generated. For example:

- A seismic survey may identify commercially viable reserves.
- Exploration drilling may confirm substantial petroleum deposits.
- Geological studies may significantly increase the value of a licence area.

Under a pure cash accounting approach, many of these activities would simply be reported as cash outflows when paid, without reflecting the potential resources and assets arising from the expenditure. As a result, cash-based reporting may not provide policymakers, Parliament, investors, or citizens with a complete picture of the government's economic position.

THE NEED FOR ACCRUAL-BASED REPORTING

IPSAS 50 was developed precisely because exploration activities create assets and accounting issues that extend beyond cash movements. The standard provides guidance on the accounting treatment of exploration and evaluation expenditures and assets in a manner that is consistent with international practice in the extractive industries.

An accrual accounting approach allows government financial statements to:

- Reflect resources controlled by government entities;
- Recognise exploration assets where appropriate;
- Improve transparency regarding petroleum investments;
- Support informed decision-making;
- Enhance investor confidence; and
- Strengthen accountability to the public.

For a country entering the oil and gas sector, these benefits are particularly important.

BUILDING CAPACITY BEFORE PRODUCTION BEGINS

Namibia has a unique advantage compared to many resource-rich countries. The country has an opportunity to build accounting capacity before large-scale production commences. This is the ideal time to:

1. Train government accountants on IPSAS 50.
2. Develop public sector accounting policies specific to oil and gas activities.
3. Train internal auditors and external auditors.
4. Strengthen financial reporting systems.
5. Ensure consistent accounting practices across ministries, agencies, state-owned enterprises, and petroleum-related entities.

Waiting until production commences may create unnecessary risks and result in costly corrections later.

STRENGTHENING PUBLIC TRUST

Natural resources belong to the people of Namibia. Citizens have a legitimate expectation that public institutions will manage petroleum resources transparently and responsibly. Robust financial reporting is one of the most effective ways of demonstrating that government is safeguarding national assets and acting in the public interest.

Training on IPSAS 50 will help ensure that financial statements accurately reflect the economic substance of oil and gas activities. It will also strengthen oversight by Parliament, the Auditor-General, regulators, development partners, and the public.

CONCLUSION

Namibia's emergence as a significant oil and gas frontier requires a corresponding evolution in public sector financial reporting. IPSAS 50 provides specialised guidance for accounting for exploration and evaluation activities in the extractive industries and should become a priority learning area for government finance professionals. The GRN should therefore invest in a national IPSAS 50 capacity-building programme for accountants, auditors, regulators, and finance managers. Such an investment will enhance accountability, improve transparency, support investor confidence, and ensure that Namibia's petroleum resources are reported in a manner that reflects their true economic significance.

Most importantly, Namibia should carefully evaluate whether continued reliance on Cash Basis IPSAS is sufficient for the financial reporting demands of an emerging petroleum economy. While cash reporting remains useful for budgetary control, the complexity and significance of oil and gas exploration activities strongly support the adoption of accrual-based accounting approaches that can faithfully represent exploration and evaluation assets and the nation's growing resource wealth.