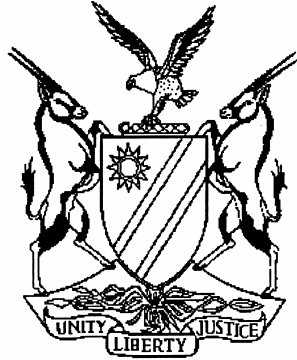
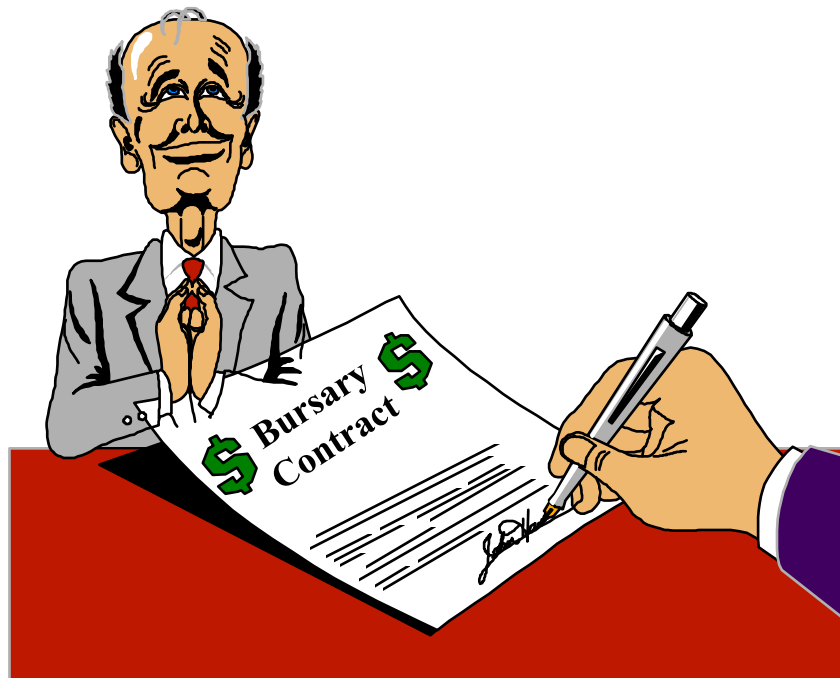


REPUBLIC OF NAMIBIA



OFFICE OF THE AUDITOR GENERAL

*PERFORMANCE AUDIT REPORT ON THE **BREACH OF CONTRACT CASES**
ADMINISTERED BY THE BURSARY SUBDIVISION IN THE MINISTRY OF HIGHER
EDUCATION, VOCATIONAL TRAINING, SCIENCE & TECHNOLOGY*



SEPTEMBER 1997

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EXECUTIVE SUMMARY

I am authorised to carry out performance audits in terms of Section 26 (1) (b) (iv) of the State Finance Act, (Act 31 of 1991) which reads as follows: (the Auditor General) “may investigate whether any moneys in question have been expended in an efficient, effective and economic manner”.

This report on the *breach of contract cases* administered by the Subdivision Bursaries and Scholarships within the Ministry of Higher Education, Vocational Training, Science & Technology is the second performance audit report which I present to the National Assembly.

We have encountered a number of examples indicating a **lack of policies** and an **inadequate administrative system**. The overall impression is that of an organisation having all the relevant information and recording this information, but which is still lacking the ability to reflect a true view of the situation to my Office. The current situation within the breach of contract section is unacceptable taking into consideration the large number of bursaries and the high costs involved.

Some of the problem areas encountered are the following:

- There are no written guidelines on how the different sections should operate.
- Breach of contract is not clearly defined.
- Interest is not calculated on the same basis for all the cases.
- Different percentages are used to calculate interest.
- There are no clear guidelines on how to locate breach of contract bursary holders.
- Staff members are not doing work to prescribed written guidelines, but according to verbal guidelines received from supervisors.
- All breach of contract cases are handled manually.
- Bursary holders who are not in breach of contract anymore are sometimes still recorded on the lists for breach of contract cases.
- The closing balances of bursary holders on the lists are not updated regularly.
- No register is in place listing all breach of contract cases together with all the relevant information.

A new scheme (Student Financial Assistance Scheme, FANS) has been proposed by the Ministry of Higher Education, Vocational Training, Science & Technology in order to try and rectify the current situation. The new system will not automatically solve the problems pointed out in this report and should not be used as an excuse for not addressing the current shortcomings.

Below I set out some specific recommendations which should be implemented immediately:

- The bursary subdivision should implement well-defined, uniform, easy to understand and written down procedures which should be followed when locating a bursary holder who is in breach of contract.
- The breach of contract section should keep a proper up to date register of all the breach of contract cases.
- All actions taken should be put on the files and the section should work through all the files at regular intervals.

- The breach of contract section should recalculate the interest levied on all existing cases by using 12% p.a. as prescribed by Treasury Instruction EA 0503(4). Exceptions to this rule should be clearly motivated and the motivations put on the file.
- Letters should also be sent to the employers of the bursary holder informing them that this employee has been recorded as a breach of contract case in the Public Service.
- The breach of contract section should make an inventory of all old cases to establish whether or not they are actually breaches of contract.
- The bursary subdivision should have control procedures ensuring that files are examined each year.
- The criteria for a breach of contract should be clearly and well-defined by the bursary subdivision and handed over to the payments section and the breach of contract section.

CHAPTER 1

BACKGROUND ON BURSARIES

1.1. HISTORICAL BACKGROUND

It is widely known that a large number of bursary holders are not being employed in the Public Service after completion of their studies. The reason for this is not very clear and would differ from situation to situation. The purpose of this study is to identify problems that could have contributed to the apparent shortcomings of the system. There are different factors that have a significant influence on the performance of the Public Service Study Grant Scheme.

Financial support for students during higher education has already been marked as a controversial issue in Namibia. The apparent shortcomings of the present system of bursaries have led to much debate within Government and in the education community, and to some extent to dissatisfaction among students, their families and educational administrators.

There is agreement among the different parties involved in the Namibian higher education that the system of student financial support is inadequate, and to some degree inequitable. The current bursary system is primarily designed to provide support for students who will enter the public service after completing their studies. It does not provide financial assistance to students whose intended or actual destination is the private sector or parastatal bodies.

In many study areas, graduates who received bursaries are unable to obtain Government employment despite the fact that their bursaries were awarded to them on the basis of the Government's own projection of staffing needs.

A new scheme FANS (Student financial assistance scheme) has been proposed by the Ministry of Higher Education, Vocational Training, Science & Technology in order to try and rectify the current situation.

1.2. FUNCTIONS AND OBJECTIVES OF THE DIVISION FOR BURSARIES AND NATIONAL QUALIFICATIONS

The Bursary Division falls under the Ministry of Higher Education, Vocational Training, Science & Technology. This Ministry was established by the President of the Republic, Dr. Sam Nujoma, under the powers vested in him by Article 32 (3) (g) of the Namibian Constitution during March 1995. The Ministry is divided into 6 divisions. These divisions are as follows:

- Division 01 Office of the Minister
- Division 02 General Services
- Division 03 Higher and Senior Secondary Education and Human Resources Development
- Division 04 Vocational Training
- Division 05 Bursaries and National Qualifications
- Division 06 Science and Technology

The administration of bursaries and scholarships (Subdivision Bursaries and Scholarships) falls under Division 05.

Objectives of Bursaries and National Qualifications

These objectives are as follows:

- To set the standards for qualifications in all areas where education and training take place, do accreditation and recognition of qualifications.
- Evaluate qualifications and to administer the Government's bursary scheme.

The main operations of this division are the following:

- Administration of bursaries
- Setting national standards for national qualifications
- Accreditation of qualifications and provision of education and training
- Evaluation of qualifications
- Recognition

1.3 SUBDIVISION BURSARIES AND SCHOLARSHIPS

The bursary (Public Service Study Grant) scheme has 2 purposes, namely:

- To enable selected candidates to qualify for appointments in the Public Service of Namibia.
- Depending on the availability of funds, to offer an opportunity for Public Service officials to better equip themselves for the positions they occupy in those fields where a fundamental lack of knowledge is apparent.

The bursary subdivision is divided into three sections, namely:

1. Award Section
2. Payment Section
3. Breach of Contract Section (BOC)¹

1.3.1. Award Section

This section is responsible for sending out applications to all the schools and educational institutions. This is done annually during August. The closing date for applications is 31st October. All the applications are sorted and then put on the computer. Filing is done according to the different regions and to the field of study. The applications are then checked for the required documentation. Only when all the required documentation is received/attached are the applications sent to the Selection Committee (SC). The SC meets during January to select those students who will be awarded a bursary to study outside Namibia. During February the committee meets again to select those students who will be awarded bursaries to study within Namibia.

The Public Service Study Grant Scheme is a merit based scheme, with two major parameters namely regional quotas and allocation per priority field of study. Selection committees are presented with lists of candidates per region and course of study. These lists have the evaluation points of candidates of their school results. Evaluation points for post-school studies should also be added, if any. Successful candidates should be selected from top performers downwards, unless there is a specific reason for not awarding the bursary to a particular candidate, such as the course also being available in Namibia and the candidate having applied for study outside the country. A

¹ Breach of Contract

pre-determined number of bursaries per region and field of study should be awarded. At least 5 candidates should also be recommended in addition to the pre-determined number in case some of the candidates drop out. If two or more candidates have the same number of evaluation points and only one bursary can be allocated, the personal circumstances of the applicant as outlined in the application form may be taken into consideration. If the applicants are so few or unsuitable that not all the bursaries are allocated, the remaining bursaries could be allocated to other fields of study by the Ministry's Selection Committee chaired by the Permanent Secretary.

After the SC has selected the students to whom bursaries are to be allocated, they announce the results through the media. A list of successful students is also put on the notice boards of the University of Namibia, the Polytechnic of Namibia and outside the offices of the bursary subdivision. A letter is also sent out to successful candidates informing and requesting them to collect their bursary contracts from the subdivision. These contracts should be signed and returned not later than 28 February, otherwise the award of the bursary could be cancelled. A separate file is opened for each bursary holder and all future correspondence should be kept on this file. This file is then sent to the payments section for all future payments.

1.3.2. Payment Section

All the files that are received from the award section are recorded in a register that is kept for this purpose. The file is checked for the following documentation:

- (a) Contract - to ascertain that the contract is in order (that no alterations have been made to the contract).
- (b) Proof of registration at an educational institution
- (c) Award letter

Only when all the above-mentioned documentation is present on the file, payment is done to the relevant institution. Files are kept according to the different Universities/Technikons and Colleges. The section is also responsible for checking whether or not a student has failed or passed a specific academic year. When a student fails one year, he/she is obliged to repeat that year on his/her own cost. The section must make sure that there is proof of registration on the file for the year that should be repeated. Letters are sent out to the students requesting them for missing documentation i.e. latest results, proof of registration, etc. Up to 3 letters are sent out asking/requesting this information. If there is still no reply, the file is then handed over to the breach of contract section. This is done after approval has been given by the head of the payment section

A letter is sent out to a bursary holder informing him/her that there are no contractual obligations anymore. This only happens after repayment of the bursary amount, or after the bursary holder has worked the required period (duration of the bursary) in the Public Service. In-service cases are all the bursary holders who are currently employed within the Public Service.

1.3.3. Breach of Contract Section

Files that are received should be recorded in a register. All the files should be kept alphabetically. This section is operated manually. The first step is to determine whether or not it actually is a breach of contract case. The bursary amount is then adjusted by calculating interest from the day of breach of contract. A letter is then sent out to the bursary holders informing them that they breached the contract and that the bursary holder is responsible for paying back the whole bursary amount in one lump sum or in some circumstances arrangements can be made to repay the amount in installments. The number of letters that are sent out to a bursary holder differs from one individual case to another. In some cases up to 5 letters are sent out. Bursary holders have 3-6 months to reply. If there is still no reply, the case is handed over to the Attorney-General for further actions.

CHAPTER 2

INTRODUCTION

2.1. OTHER REPORTS ON BURSARIES

The question of the public service study grant scheme has attracted a lot of attention which was specifically aimed at the bursary holders not working in the Public Service, but in the private sector and because of the fact that there are not enough jobs available for these bursary holders. Apart from the main study carried out by the performance audit division two studies have been conducted before and reports were written on these studies. These reports are as follows:

1. *Investigation of internal auditors on the bursary subdivision - 1996/97*

A team comprising of the internal auditors of the Ministry of Higher Education, Vocational Training, Science & Technology was formed (1996) to investigate and to look into the awarding of Government bursaries since 1980. The terms of reference for this study included the following:

- To obtain name lists, as far back as 1980, of all people who received bursaries.
- To see if all these files are available.
- To compile a list of all the files that could not be found.
- To look at how bursaries were awarded.
- To see how much was awarded, recovered and redeemed.
- To look at the present system of awarding bursaries.
- To look at the point system used to allocate bursaries.

When writing this report the team had not yet completed the investigation.

2. *The Nichols Report*

This report is a follow-up of a fact-finding study carried out in 1994 by Mr. Kees Maxey on behalf of the Government of Namibia. A need has been identified to modernise the existing scheme into a grant-loan scheme flexible enough to accommodate various levels of disadvantaged groups. The terms of reference for the follow-up consultancy on this report are as follows:

- Develop and draft the legal instrument required to establish the grant-loan scheme.
- Develop and draft a central policy to be adopted by the management of the grant-loan scheme allowing for the flexibility of approach.
- Develop draft job descriptions for new posts required for the administration of the grant-loan scheme such as loan officers.

Implementation of this report is still in its first stages within the Ministry.

2.2. LIMITATION OF THE AUDIT AREA

The pre-study carried out by my Office indicated a number of different problem areas. Dissatisfaction was raised because bursary holders who completed their studies at the cost of the Government were not repaying the money to the Government nor were they working in the Public Service. This type of argumentation led to a study on bursaries focusing on the breach of contract section. The pre-study recommended that a full performance audit of the breach of contract section within the bursary subdivision be carried out. The purpose was to find the most important performance areas within this section with possible recommendations that could improve the efficiency and effectiveness without increasing costs.

Furthermore the study was limited to functions or sub-functions within the bursary subdivision that affected the efficiency of this section. The performance audit pre-study and the main study on the bursary subdivision was carried out and completed by Mr. T. Beukes.

2.3. METHODOLOGY AND SOURCES OF INFORMATION

The sources of information used during the main study were as follows:

(i) Interviews²

A number of interviews were conducted with staff from the bursary subdivision. These interviews were not always conducted in a formal way. The internal auditors of the Ministry of Higher Education, Vocational Training, Science & Technology responsible for the internal audit mentioned above were also interviewed.

(ii) Documents and statistics

The most important documents that were examined were the files of bursary holders. These bursary files should contain all relevant information with regard to a bursary holder. Statistics were obtained from internal reports, registers, lists, etc. that were compiled by the bursary subdivision.

(iii) Observations

The office of the bursary subdivision is located in Windhoek. Observations were based on information found at this office. The office was visited between October 1996 and March 1997.

² See Annexure A for the list of interviewees

CHAPTER 3

AWARDS AND PAYMENTS OF BURSARIES

3.1. NEW BURSARIES AWARDED

Bursaries are awarded on academic merit within two major factors i.e. regional quotas and priority fields of study. The regional quotas are based on the enrollments in grade 12 in 1995. A total of 5549 bursary application forms were received under the public service study grant scheme administered by the bursary subdivision. Out of that total 1332 new bursaries were awarded. All of these awards were for studies to be completed at either a University, Technikon or a College.

The following table is a summary of awards according to region and course - 1996 (Universities and Technikons)

Region	Total	Agr	Med	Edu	Acc	Law	Pol	Tor	Nat	Eng	Adm
Caprivi	68	0	6	36	13	4	1	2	2	0	4
Hardap	26	1	2	8	5	1	0	0	3	4	2
Karas	14	1	2	6	3	1	0	0	0	0	1
Kunene	14	0	0	1	6	2	1	1	0	1	2
Erongo	32	1	1	5	11	2	1	0	3	2	6
Ohangwena	29	0	1	16	5	1	1	0	0	0	5
Oshikoto	30	1	1	11	5	1	0	0	9	1	1
Omusati	67	0	0	36	19	1	1	2	2	1	5
Oshana	52	1	2	23	8	1	2	2	6	0	7
Kavango	22	0	0	15	2	0	1	0	2	0	2
Otjozondupa	20	2	1	6	5	0	0	0	4	0	2
Omaheke	16	0	2	2	4	1	1	0	4	0	2
Khomas	98	1	8	31	22	7	2	3	6	4	14
Students studying outside Namibia	31	0	1	2	9	2	3	1	2	1	10
Total	519	8	27	198	117	24	14	11	43	14	63

Agr = Agriculture

Med = Medical Science

Edu = Education

Acc = Accounting

Law = Law studies

Pol = Police

Tor = Tourism

Nat = Nature Conservation

Eng = Engineering/ Adm = Administration

Bursaries awarded and the costs thereof for studies at Universities and Technikons for 1996 according to the different regions were as follows:

Region	Number of students	Amount (N\$)
Caprivi	68	802 500
Hardap	26	315 500
Karas	14	165 500
Kunene	14	156 000
Erongo	32	352 500
Ohangwena	29	346 000
Oshikoto	30	365 500
Omusati	67	809 000
Oshana	52	593 000
Kavango	22	265 000
Otjozondjupa	20	240 000
Omaheke	16	171 500
Khomas	98	843 500
Students studying outside Namibia	31	243 500
<i>Total</i>	<i>519</i>	<i>5 669 000</i>

The number of bursaries awarded and allocated should take into account the fact that after completion of their studies employment should be available to these bursary holders.

A number of bursaries were also awarded for studies at the different colleges for 1996. They are as follows:

Name	Type of College	Number of students	Amount (N\$)
Tucson	Agricultural ³	30	375 000
Neudamm	Agricultural	27	87 750
Tsumis	Agricultural	25	81 250
Ogongo	Agricultural	43	139 750
Windhoek	Nursing	65	207 000
Ongwediva	Educational	240	780 000
Windhoek	Educational	151	490 750
Rundu	Educational	121	393 250
Caprivi	Educational	111	360 750
	<i>Total</i>	<i>813</i>	<i>2 915 500</i>

The total costs for all the new bursaries that were awarded in 1996 amounted to N\$ 8 584 500.

³ The course B.Sc. Agriculture can be completed through Tucson

3.2. CONTINUING BURSARIES FOR THE 1996 FINANCIAL YEAR⁴

There are a large number of bursary holders that are still busy with their studies. These figures are as follows:

Institution	Number of students	Amount (N\$)
Unam	943	8 790 289
Polytechnic of Namibia	141	1 618 951
RSA others	108	1 325 000
RSA Education	4	34 500
Windhoek College	384	910 650
Ongwediva College	813	2 252 250
Rundu College	238	456 950
Caprivi College	282	705 250
Neudamm Agriculture College	78	165 750
Ogongo Agriculture College	84	133 250
Tsumis Agriculture College	56	100 750
Part-time Nursing	46	138 000
Harare Polytechnic (Zimbabwe)	1	12 500
Dana College (France)	1	12 500
Total	3 179	16 656 590

The average annual amount allocated to each continuing bursary holder according to these figures is N\$ 5 240. In addition 1 332 new bursaries were awarded with a total value of N\$ 8 584 500 giving an average of N\$ 6 445.

Thus the total amount for bursaries administered by the bursary subdivision is as follows:

Type	Number of students	Amount(N\$)
New awards	1 332	8 584 500
Continuing bursaries	3 179	16 656 590
Total	4 511	25 241 090

The average bursary amounts for the 1996 financial year for all of these bursary holders is thus N\$ 5 595.

⁴ Data received from the Bursary subdivision

CHAPTER 4

BREACH OF CONTRACT

4.1. DEFINITION

It is the breaching of an agreement by one of the parties involved.

4.1.1. By bursary holders

A breach of contract occurs when existing bursary holders do not adhere to the regulations of the contract entered into with the Government of Namibia.

Visits⁵ to the Bursary subdivision revealed that breach of contract cases exist. According to the payments section files are handed over to the breach of contract section after the following has occurred:

- when a student cancelled his/her studies;
- when a bursary holder resigned while he/she is in service and the bursary obligation has not yet been fulfilled;
- when a student obtained his/her degree/diploma without informing the subdivision whether or not he /she is employed within the public service.

Files are studied twice a year by the payments section to determine breach of contract cases.

According to the breach of contract section breach of contract occurs after the following has happened:

- bursary holders fail to take up employment in the Public Service after completion of their studies;
- bursary holders fail to complete their studies, even though he/she may be in the Government service;
- working for a parastatal after completion of their studies without the approval of Cabinet or the Management Committee of the Ministry of Higher Education, Vocational Training, Science and Technology;
- cancelled studies;
- rejects an appointment to a specific job in a specific region or area.

Staff members are not doing the work to prescribed guidelines but according to the way that they were told by supervisors. There are no formally written guidelines defining what is a breach of contract.

4.1.2. By the Government

According to the Attorney General the Government cannot commit contract breaches. The Cabinet (on behalf of the Government) is afforded a maximum amount of discretion in terms of the contract and nowhere does it appear as an obligation on part of the Cabinet to provide employment. The employment is coupled to the repayment of the bursary. However if employment is not provided,

⁵ Visits means studying of bursary files and interviews with staff members of the Bursary subdivision

the outstanding bursary moneys cannot be claimed. Clause 2(g) provides for the circumstances in which the full amount of the bursary becomes due and payable to the Ministry. Unfortunately this clause refers to the provisions of clause 2(d)(e) or (f) but there is no clause (f) in the contract.

No specific provision is made in the bursary contract for the period of time that a bursary holder is required to seek employment in the Public Service. In the light of this omission it is the opinion of the Attorney General that the courts would look to what is reasonable in the circumstances.

4.2. OPERATING PROCEDURES

4.2.1. Completion of files on reception from the payments section

The breach of contract section checks whether or not the case handed to them is actually a breach of contract. If this is the case then interest is calculated and added to the total bursary amount. All breach of contract cases are subsequently entered in a register kept for this purpose. A number of letters are sent out to the bursary holders requesting them to send their appointment letters (within the public service) to this section. If there is no response, the process to try and locate these bursary holders begins.

According to the breach of contract section interest rates are levied according to the following two methods:

1. According to paragraph 2 (g) of the bursary contract.
2. According to Treasury Instruction EA 0503 which reads as follows: "Interest on debts to the State shall be charged in accordance with the provisions of section 35(b) of the Act. Unless the original agreement or directive in terms of which a debt has originated stipulates otherwise, interest on debts of R100 or more shall be charged as follows:

(4) Breach of contract - interest at 12% p.a. on the diminishing balance"

A number of breach of contract files were examined and the following was observed:

- The calculation of interest is not done consistently on all files, e.g. interest is calculated on a monthly basis in some cases, while in other cases interest is recorded for the whole of the financial year (1 April - 31 March). Interest is also sometimes recorded according to a calendar year (1 January - 31 December).
- Some years are left out in the calculation of interest.
- The closing balance on the file is not recorded on the BOC list. - Only the opening balance is recorded.
- No interest is calculated on some files.
- A bursary was taken over by a provincial administration from South Africa, but there was no indication on the file of any money received for the bursary or even a letter confirming the take-over.
- For two years nothing has been done on one of the files.
- In most cases letters are only sent out once a year.

According to the BOC section interest rates are not levied in the following two cases:

1. Interest on debts of N\$100 and less.
2. Where it is uncertain whether a person is employed and a response is being awaited.

4.2.2 Locating students by using own resources

Own resources includes the staff of the breach of contract section. There are no written guidelines available to the staff on how to locate bursary holders.

The methods used by the staff to locate bursary holders varies from one staff member to another. The methods used are the following:

- By looking at the bursary holders' files and to try and contact them through their available postal address, street address or telephone number.
- Through contacting family or friends whose names appear on the contract.
- By making use of the telephone directory.
- Some of the clerks know some of these people and occasionally meet them.

These methods are not sufficient and extensive enough to pinpoint all bursary holders regarded as breach of contract cases.

4.2.3. Locating students with the assistance of external resources

External resources includes making use of the Police to locate breach of contract bursary holders. There are no written guidelines available to the staff on how to work together with the Police to locate these bursary holders.

Interviews with bursary staff responsible for locating bursary holders revealed that the support from the Police is not what they expected. The priority given by the Police in locating bursary holders is not considered high. The South African Police is considered more helpful in order to try and locate bursary holders working in South Africa.

4.3. NUMBER AND OUTSTANDING AMOUNTS OF BREACH OF CONTRACT CASES

Cases are classified and recorded according to different rates of interests and under new and existing cases. All the opening balances refer to the balance owed to the Government on the date of contract breach.

Outstanding amounts

New cases - 1996	6%	8%	12%
Opening balance	102 473	433 744	4 005 085
Interest	5 033	24 108	370 010
Amount recovered	0	0	58 854
Closing balance	107 506	457 852	4 316 241

Existing cases	6%	8%	12%
Opening balance	1 088 419	2 541 494	9 872 280
Interest	59 236	201 190	1 070 919
Amount recovered	13 350	18 850	221 573
Closing balance	1 134 305	2 723 834	10 721 626

All BOC cases	6%	8%	12%
Opening balance	1 190 893	2 975 238	13 877 364
Interest	64 269	225 299	1 440 930
Amount recovered	13 350	18 850	280 427
Closing balance	1 241 812	3 181 687	15 037 867

A combination of all the different percentages

	<u>N\$</u>	<u>%</u>
Opening balance	18 043 495	92.7
Plus: Interest	1 730 497	8.9
Less: Amount recovered	312 627	(1.6)
Closing balance	19 461 365	100

It is clear that the amount of money being recovered is small compared to the amount of the bursaries that were awarded.

Number of cases

Type	6%	8%	12%	Total
New cases	5	21	190	216
Existing cases	176	258	732	1 166
Total number of BOC cases				1 382 ⁶

⁶ As copied from the breach of contract lists. According to the BOC section there are 1280 cases recorded.

4.4. COMPARISON OF THE BREACH OF CONTRACT CASES TO THE TOTAL NUMBER OF BURSARIES

A summary of all the BOC cases and continuing bursaries are as follows:

	BOC cases	New awards	Total awards
Number	1 382	1 332	4 511 ⁷
Total amount	N\$ 19 461 365	N\$ 8 584 500	N\$ 25 241 090
Average cost per bursary holder	N\$ 14 082	N\$ 6 445	N\$ 5 595

From the above it is evident that firstly there is a loss of skilled manpower not employed by the public sector represented by the number of BOC cases. This manpower is well-trained, skilled and in some instances experienced as well as qualified.

Secondly there is a potential loss of money to the Government. The money available for new awards are not half of that of the BOC cases. If the money for the BOC cases could be recovered, the money can be used for awarding new bursaries.

⁷ According to reports compiled by the bursary subdivision. Staff from the payments section estimates the total number of files in that section at around 6000.

CHAPTER 5

CONCLUSIONS

5.1. GENERAL FINDINGS

The current situation within the breach of contract section is unacceptable taking into consideration the large number of bursaries involved, the high amounts involved and the poor recovery rate. A number of examples were encountered indicating a **lack of policies** and an **inadequate administrative system**. The impression given is that of an organisation having all the relevant information, recording this information, but which is unable to give a true view of the situation. The findings are listed below under the headings previously stated.

5.2. LACK OF POLICIES AND STANDARDS

- The bursary subdivision has no written policies, official standards or quantified goals.
- There are no written guidelines on how the different sections should operate.
- Breach of contract is not clearly defined.
- The interpretation of breach of contract is different in the payments and the BOC section.
- Interest is not calculated on the same basis for all the files.
- Different percentages are used to calculate interest.
- There are no clear guidelines on how to locate BOC bursary holders.
- The support received from the Police in locating bursary holders is not adequate.
- There is no clear indication how many letters should be sent out to BOC bursary holders and how frequently they should be sent.
- Staff members are not doing work to prescribed written guidelines, but according to verbal guidelines received from supervisors.
- The bursary contract is vague in making provision for the employment of bursary holders after completion of their studies.
- The bursary contract refers to clause 2(f), which is not in the contract.⁸

5.3. INADEQUATE ADMINISTRATIVE SYSTEM

- All BOC cases are handled manually.
- There are no clear guidelines on how filing should be done.
- Bursary holders who are not in breach of contract anymore are still recorded on these lists.
- The closing balances of bursary holders on the lists are not updated regularly.
- There is not a register listing all BOC cases together with all their relevant information.

⁸ See Annexure B

CHAPTER 6

RECOMMENDATIONS

The new system will not automatically solve the problems pointed out in this report and should not be used as an excuse for not addressing the current shortcomings. There are two main issues that need to be looked at when recommendations for future actions are made. The first issue is how to handle and rectify existing breach of contract cases and the second one is on how to prevent breach of contract cases from occurring. My recommendations with regards to these issues are presented in the following:

1. How to handle and verify existing breach of contract cases.

(a) Location of bursary holders

- The Bursary subdivision should implement well-defined, uniformed, easy to understand and written down procedures which should be followed when locating a bursary holder who is in breach of contract. When defining those procedures the following factors should be taken into consideration:
 1. The possibility to use the Social Security Commission to locate bursary holders working in Namibia.
 2. The possibility to use the Inland Revenue Division of the Ministry of Finance to locate bursary holders working in Namibia.
 3. The need to define criteria for when bursary holders not located within a specified period of time, can be taken off the breach of contract register and have their bursaries be written off.
 4. Lists with all the breach of contract cases according to the fields of study of the bursary holders should be sent to the relevant Ministries through the Permanent Secretary and Personnel Officer.

(b) Administration system

- The breach of contract section should keep a proper up to date register of all the breach of contract cases. This register should reflect the following:
 1. Total number of BOC cases as well as the interest added and the amounts recovered. Amounts recovered should be reconciled with the amount reflected under the relevant revenue headings in the main ledger.
 2. Provision should be made for the compiling of regular reports to be handed over to the Head of this section.
 3. A sequence number should be allocated to each breach of contract case in the year of occurrence and reflected as such against the relevant name in the register, e.g. 1/97 A. NAME
- All actions taken should be put on the files and the section should work through all the files at regular intervals.

(c) Interest calculations

- The breach of contract section should recalculate, on a monthly basis, the interest levied on all existing cases by using 12% p.a. as prescribed by Treasury Instruction EA 0503(4), unless the original contract states otherwise. Exceptions to this rule should be clearly motivated and the motivations put on the file.

(d) Repayment of bursaries

- Letters should also be sent to the employer of the bursary holder informing them that this employee has been recorded as a breach of contract case in the Public Service.
- A copy of the employment record, including the name and address of the employer and current salary of the bursary holder should be sent to the Attorney General to enforce repayments.

(e) Back log of cases

- The breach of contract section should make an inventory of all old cases to establish whether or not they are actually breaches of contract.
- If there are any cases of breach of contract committed by the Government, these should be sent to Treasury for a decision on whether they can be written off, subject to the recommendations from the Permanent Secretary of the Ministry of Higher Education, Vocational Training, Science & Technology and the Attorney General

(f) The bursary contract

- The bursary contract as presented to the signatory should include all relevant clauses, notably the now missing clause 2 (f).
- The bursary contract should expressly provide for the situation where the Cabinet fails to provide employment and the indicate actions/options to take when employment is not provided by the Government.

2. How to prevent breach of contract cases from occurring.

- The Bursary subdivision should have control procedures ensuring that files are examined each year.
- The definition of a breach of contract should be clearly and well-defined by the bursary subdivision in consultation with the Attorney General. This definition should be made available to the payments section as well as the breach of contract section.

WINDHOEK, September 1997

**DR F TJINGAETE
AUDITOR GENERAL**

ANNEXURES

ANNEXURE: A LIST OF INTERVIEWS

Bursaries Subdivision

Ms Kapelwa
Mrs. Beukes
Ms Cloete
Ms Sitler
Mr. Mukelele
Mr. Kharigub

Ministry of Higher Education, Vocational Training, Science & Technology

Division: Internal Audit

Mr. G. Isaaks
Mr. Simbo
Mr. F. van Vuuren

ANNEXURE B BURSARY CONTRACT

REPUBLIC OF NAMIBIA

BURSARY CONTRACT

FULL-TIME STUDY

(a) Whereas, I the undersigned.....(full name)
(hereinafter called "the Student"), born on
19....., am desirous of taking on a full-time basis.....
.....(name of course) with major subjects.....
(hereinafter called "the Course"), which extends over a prescribed minimum
period/prescribed minimum remaining period of.....years(s),

(b) And whereas I must for the aforementioned purpose attend classes and/or
undertake study/research as the case may be, at an approved training
institution as stipulated by the Cabinet from the time to time,

(c) And whereas the Cabinet in its sole discretion will annually grant
me a bursary, as determined by the Cabinet, for the prescribed minimum
duration/prescribed) minimum remaining duration of the Course or such
shorter period as may be determined by the Cabinet.

2. Therefore I undertake -

- (a) to commence the Course with effect from the.....
academic year, to take the Course full-time, and to complete the
Course successfully within the afore-mentioned period or within such
extended period as may be approved in terms of clause 3(a)(ii);
- (b) to furnish the Ministry of Education and Culture (hereafter called
"the Ministry") with a satisfactory written proof of enrolment for
the Course at the commencement of each year of study;
- (c) to undergo such practical training as may be prescribed by the
aforementioned training institution as part of the Course or as may
be required for purpose of registration in my particular profession,
in a department indicated by the Cabinet, if the Cabinet so desires;
- (d) to furnish the Ministry with official proof of my examination
results immediately after the results of any semester/annual
examination/supplementary examinations have been made known by the
examining authority;
- (e) (i) if I obtain a bursary for study in any profession requiring
registration by law, to register with the relative professional
council within two months of my successfully completing the. course;

OR

- (ii) if registration is required during the period of study by the professional council concerned, I shall register or permit registration within the period prescribed by such professional council and submit written proof thereof to the Cabinet within a period of two calendar months after I have complied with all the requirements of the Course, to enter the service of the Department or an employer determined by the Cabinet (hereinafter called "the Employer), to serve in any capacity for which the Cabinet may consider me suitable, for a continuous period of one year for each individual year of study or part thereof in respect of which bursary moneys were paid to me and/or on my behalf (hereinafter called "the Contract Period") in the post/rank to which I may be appointed or to which I may be transferred/promoted: Provided that if the Cabinet does require that I render such service, the provisions of clause 2(g) will apply in the sole discretion of the Cabinet; and
 - (g) to repay immediately the following moneys in a lump sum to the Ministry if I fail to comply with the provisions of clause 2(d), (e) or (f), or if at any time I renounce the bursary, or if the Cabinet withdraws my bursary in terms of clause 3(b), or if I leave, or am discharged from the service of the employer before expiry of the Contract period or if the proviso to clause- 2(f) is applicable;
 - (i) the total amount of bursary moneys paid to me and/or on my behalf in terms of this undertaking: Provided that the amount so due shall be reduced in the same proportion as the number of calendar months' full-time uninterrupted service rendered in terms of this undertaking bears to be Contract Period; and
 - (ii) interest on the amount referred to in clause 2(g) (i) at the rate of twelve per cent per annum on balance of payment calculated monthly from the date on which the obligation to pay, in terms of clause 2(g) arose.
3. I understand and accept that -
- (a) the Cabinet may at any time suspend the payment of my bursary moneys if the Cabinet is, in its sole discretion, of the opinion that I am not making satisfactory progress with the Course. If the Cabinet so suspends the payment of my bursary money-
 - (i) I shall be obliged to repeat and complete successfully at my own expense any subjects which I have outstanding. If I do not immediately continue my studies, except where the Cabinet has granted my postponement in writing, I shall be deemed to have abandoned the Course in which event clause 2(g) shall apply;
 - (ii) I shall be permitted to exceed the prescribed minimum duration/minimum remaining duration of the Course by a period as determined by the Cabinet.
 - (iii) I shall continue to be subject to the provisions of this undertaking during such period of suspension; and

- (iv) the Cabinet may at any time thereafter continue the payment of my bursary moneys if the Cabinet is, in its sole discretion, of the opinion that I have made satisfactory progress with the Course;
- (b) the Cabinet may at any time withdraw my bursary if I have failed to comply with the provisions of clause 2(b), (c) or (d) or if the Cabinet is, in its sole discretion, of the opinion that I have not made satisfactory progress with the Course, that I did not attend lectures and/or practical classes regularly or that it is not in the interests of the State that the bursary continue to be granted. In such an event the provisions of clause 2(g) shall apply; and
- (c) notwithstanding anything mentioned in this undertaking, if the Cabinet withdraws my bursary or if I abandon the Course the Cabinet may, in its sole discretion and on the conditions it may determine, permit me to fulfil by means of the service to the employer, a service obligation in respect of one or more years of study which has/have been successfully completed, that is, years of study in respect of which I have no subjects outstanding which will cause me to exceed the prescribed minimum duration/prescribed minimum remaining duration of the Course, as the case may be: Provided that where a thesis or dissertation has been laid down as the chief requirement for the Course, the Cabinet may similarly allow me to redeem by service to the employer in respect of one or more years to study, on condition that I am able to submit the Cabinet documentary evidence which indicates to its satisfaction that I have progressed satisfactorily with such thesis or dissertation during the year(s) of study concerned.

4, I accept and agree further that -

- (a) as far as my absence due to leave from my normal duties during the Contract Period is concerned, only vacation leave on full pay (with the exception of vacation leave granted to me for purposes of study), sick leave on full pay or partly on pay and special sick leave, which may be granted as a result of an injury on duty, shall count as service for completing the Contract Period;
- (b) periods of duty during official hours of duty with retention of salary with the object of obtaining an entrance qualification, will not count as service fulfilment of a service obligation in terms of any agreement/undertaking which I have entered/may enter into with the State. Should any such agreement(s) undertaking(s) contain provisions to the contrary they shall be regarded as amended accordingly;
- (c) if I leave or am discharged from, the service of the employer, any moneys due to me by the employer, including any pension moneys, may be withheld and set off against any moneys due to the Cabinet in terms of this undertaking;
- (d) irrespective of the amount involved in terms of this undertaking, any action which may arise from this undertaking may be instituted in a magistrate's court which may otherwise have jurisdiction;

- (e) it my obligations in terms of this undertaking cannot be fulfilled owing to my death or if such obligation cannot, in the, discretion of the Cabinet, be fulfilled owing to the fact that I have become totally incapacitated by any mental or physical disability, any liability for the refund of any moneys which may be due in terms of this undertaking shall lapse. This concession shall be applicable only where the provisions of clause 2(g) have not taken effect;
- (f) this undertaking shall not absolve me from any obligations in terms of any other undertaking(s)/agreement(s) which I have entered/may enter into with the State. Periods of compulsory service. resulting from and in terms of more than one undertaking/agreement, shall be served consecutively and in the order in which such undertaking(s) agreement(s) were/are entered into. Should any such agreement(s)/undertaking(s) contain provisions to the contrary, they shall be regarded as amended accordingly;
- (g) this undertaking may be amended only with the written approval of the Cabinet; and
- (h) a document issued by the Ministry shall serve as irrefutable evidence of the amount due by me to the Cabinet in terms of this undertaking.

5. I elect as my domicilium citandi et executandi and for the purpose of any notice or for the service of any legal process arising out of this undertaking, the following address in Namibia:

Postal addres

Residential addres

.....	
.....	
.....	
.....	
.....	

Tel. Number

SIGNED AT.....THIS.....DAY OF.....19.....

.....
SIGNATURE OF STUDENT

WITNESSES:

(a).....

(b).....

(if the Student is a minor, this undertaking must be countersigned by his/her father or legal guardian).

Assisted by me,

.....
COUNTERSIGNED BY FATHER OR LEGAL GUARDIAN
OF THE STUDENT

WITNESS:

(a).....

(b).....0

Full name of father or legal guardian:.....

Relationship:

Address:.....

For office use only

SIGNED AT THISDAY OF19....

.....

FOR CABINET

WITNESS:

(a).....

(b).....