

**NATIONAL ASSEMBLY 7<sup>TH</sup> PARLIAMENT**

**REPORT ON THE NAMIBIAN STUDENT FINANCIAL ASSISTANCE FUND FOR  
THE FINANCIAL YEARS ENDED 2011-2013 AND 2014-2019**

**PARLIAMENTARY STANDING COMMITTEE ON PUBLIC ACCOUNTS**

**REPORT NO. 2 OF 2024**

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## **1. MANDATE OF THE COMMITTEE**

- (1) In terms of Rule 69 of the Standing Rules and Orders of the National Assembly, the Committee has the duty to examine, consider and report on:
  - a) The accounts showing the appropriation of the sums granted by Parliament to meet public expenditure of the Republic;
  - b) Such other accounts, reports and any other matter or task as may be referred to the Committee by the House, or under any other law;
  - c) All reports of the Auditor- General on any such accounts;
  - d) All accounts and reports of accounts where the state has interest and;
  - e) All State-Owned Enterprises and Parastatals.
- (2) The Committee reports on its findings and makes recommendations to the National Assembly for consideration and debate.
- (3) Upon adoption of the report and recommendations by the National Assembly, the Committee has a duty to report on the implementation of the recommendations adopted.

## **2. COMMITTEE COMPOSITION**

### **MEMEBERS OF COMMITTEE**

1. Hon Dudu Murorua	Chairman
2. Hon. Helaria Mukapuli	Deputy Chairlady
3. Hon. Julieta Kavetuna	Member
4. Hon. Hamunyera Hambyuka	Member
5. Hon. Josef Kauandenge	Member
6. Hon. Vincent Mareka	Member
7. Hon. Leevi Katoma	Member
8. Hon. Emilia Nuyoma-Amupewa	Member
9. Hon. Mathias Mbundu	Member
10. Hon. Elma Dienda	Member
11. Hon. Nico Smit	Member
12. Hon. Bernadus Swartbooi	Member
13. Hon. Kennedy Shekupakela	Member
14. Hon. Charmaine Tjirare	Member
15. Hon. Koviao Hengari	Member
16. Hon. Fenni Nanyeni	Member

### **SECRETARIAT TO THE COMMITTEE:**

1. Mr. Protasius Nghileendele	Deputy Director
2. Mr. Norbert Uuyuni	Chief Parliamentary Clerk
3. Mr. Geoffrey Muhinda	Parliamentary Clerk
4. Ms. Gracious Mwiya	Parliamentary Clerk

### **OFFICE OF THE AUDITOR-GENERAL:**

1. Mr. Elias Tuaire
2. Mr. Shali Kapepo
3. Mr. Batholomeus Mogotsi

### 3. ACRONYMS

a) PAC	Public Accounts Committee
b) OAG	Office of the Auditor- General
c) NSFAF	Namibia Student Financial Assistance Fund
d) IPSAS	International Public Sector Accounting Standards
e) IFRS	International Financial Reporting Standards
f) MoE	Ministry of Education (herein referred to as “The Ministry”)
g) CEO	Chief Executive Officer
h) BIPA	Business and Intellectual Property Authority
i) IAS	International Accounting Standards
j) SME	Small-Medium Enterprise

#### **4. INTRODUCTION**

The Standing Committee on Public Accounts of the National Assembly was established in terms of Article 59 of the Namibian Constitution, has statutory duties to examine, consider and report on the audit reports of the Auditor- General (AG) tabled in the National Assembly.

The Public Accounts Committee together with the Office of the Auditor-General reviewed the reports and subsequently conducted public hearings on questions which were not adequately answered in the audit reports, management letters as well as the letters of enquiry which were on occasion sent to NSFAP in order to obtain written responses and supporting documents to substantiate the answers. The written responses were also reviewed and when found unsatisfactory or inadequate, the Committee would then also further conduct public hearing for further clarifications.

Taxpayers' money that was managed through the government funding provided to NSFAP had to be accounted for, as is the case with any other ministry or government entity. In light of this, the report presents the Committee's review and examination of the audited reports of the Auditor-General on NSFAP for the financial years ended 2011-2013, 2014-2019 and 2020/2021.

The report includes all concerns raised during the review and public hearings process as well as written responses received from the Acting Chief Executive Officer.

The Committee expresses its heartfelt thanks for issues that have been attended to which emanated from the AG's recommendations.

#### **5. TERMS OF REFERENCE**

The Committee was tasked to investigate and report on the management of public funds that were appropriated to the Namibian Student Financial Assistance Fund (NSFAP) for the financial years ending 2011-2013 and 2014-2019.

#### **6. METHODOLOGY**

The Committee adopted the use of letters and questions in order to receive written responses from the Acting Chief Executive Officer. In addition, public hearings were held on issues that required further clarification and scrutiny.

During the public hearings, Members of the Committee posed questions to the Acting Chief Executive Officer who answered them or gave an opportunity to one of the senior management staff in his delegation (and who also took the oath) to answer questions.

In some instances, issues under discussions and findings were not contained in the audit reports because they were brought under the attention of the office of the AG and the Committee through a whistle-blower.

It is imperative to note that the Acting Chief Executive Officer indicated in public hearings that the Committee should ignore answers previously provided in writing by the Fund because the answers the Fund provided at the hearings were apparently the correct answers.

## **7. PURPOSE OF REPORT**

The purpose is to report on the findings of the Committee on NSFAF, its administration and use of public funds that had been allocated to it through the Ministry of Higher Education, Technology and Innovation as well as the Ministry of Finance (2011-2013), and later through the Fund itself as a separate public entity (2014-2019).

## **8. MAIN CONCERNS AND DISCUSSIONS**

The crucial issues to which the Committee could not receive clarity and surety of responses are discussed below:

### **8.1 AUDIT OPINION [2011-2013 and 2014-2019]**

#### **Background**

NSFAF received a Disclaimer audit opinion for the financial years ended 2011-2013 and for the financial years ended 2014-2019, the Fund received an adverse audit opinion.

#### **Committee evaluation**

The Committee noted that the institution's audit opinion was not improving over the years. To date the Fund still has not submitted complete records to substantiate their financial statements for the financial years 2011-2013. Although some improvements were recorded in the 2014-2019 financial years, the Fund still had an unfavourable audit opinion.

#### **Committee recommendation**

The Committee recommends that the Ministry of Higher Education, Technology and Innovation should implement stricter measure to ensure that proper financial records are kept to improve its future audit opinions.

### **8.2 FINANCIAL REPORTING FRAMEWORK [2011-2013 and 2014-2019]**

#### **Background**

In the financial years ended 2011-2013, the Fund did not use a Financial Reporting Framework to prepare its financial statements. While during the 2014-2019 financial years, the Fund prepared its financial statements in accordance with the Small and Medium- Sized Entities, International Financial Reporting Standards (IFRS). The use of the above mentioned reporting frameworks were contrary to the IAS, which prescribes the use of IPSAS (International Public Sector Accounting Standards) for public entities.

#### **Committee question**

The Committee enquired if the recruited personnel in the finance department have the competencies to prepare the financial statements of the entity. In addition, the Committee also wanted to know why the Acting Chief Executive Officer had not adopted the correct reporting framework.

### **Accounting Officer's response**

In a letter to the Committee, the Fund responded that they had recruited qualified personnel on their establishment including a chartered accountant. In addition, during the public hearing of November 2021, the Acting Chief Executive Officer responded that the financial reporting framework the Fund was using was incorrect and the Board had resolved to rather use IPSAS. The Acting Chief Executive Officer stated further that the Fund was in the process of adopting and applying IPSAS.

### **Committee evaluation**

The Committee took note of the Acting CEO's response. However, the Fund only adopted the correct reporting framework in 2022.

### **Committee recommendation**

The Committee recommends the Ministry of Higher Education, Technology and Innovation should ensure the Fund submits to PAC a Board resolution that gave them the directive to adopt IPSAS.

## **8.3 CASH FLOW STATEMENT**

### **Background**

IAS 7 requires the Fund to prepare a cash flow statement based on either a direct or an indirect method. However, the cash flow statement prepared by the Fund mixed the two methods for the years ended 2014 - 2019. Hence, the cash flow statements provided do not meet the requirements of IAS 7 [2014-2019].

### **Committee question**

The Committee asked the Acting Chief Executive Officer to explain which method was used to provide the cash flow statement.

### **Acting Chief Executive Officer's response**

The Acting Chief Executive Officer responded that prior to 2014 there were no cash flow statements provided. Thereafter, the Fund prepared cash flow statements using the direct method because it was deemed appropriate given the nature of the type of funding it provided. He further stated that the Fund had envisaged using the proposed method in the future in line with IPSAS (as recommended by the auditors).

### **Committee evaluation**

The Committee took note of the Acting Chief Executive Officer's response. However, the reporting framework for SME adopted at the time required that cash flow statements were prepared in that manner.

### **Committee recommendation**

The Committee recommends that the Fund in future should continue to prepare its financial statements as per IPSAS 1 (presentation of financial statement).



## **8.4 NON-SUBMISSION OF SUPPORTING DOCUMENTS [2011-2013]**

### **Background**

When the Fund became a separate entity from the Ministry of Education, an inventory list of all records that were under the care of the Ministry was requested to be handed over to NSFAF and then to the OAG for auditing. Supporting documents not provided by the Fund included: award letters, loan book which include debtors' ledger/age analysis, cash books, bank reconciliation, cash flow statements, undisclosed debtors, opening balances in income statement accounts, provision for unrecoverable student funding amounting to N\$ 99 081 998 (2011), N\$ 589 149 685 (2012), and N\$ 571 729 840 (2013).

It is of uttermost importance to mention that, the CEO of the Fund is a former Under-Secretary of the Ministry of Education. At the 25 November 2021 public hearing, the CEO had been on suspension due to allegations laid against her (on maladministration and failure to maintain a loan book) and was thus not present at the hearing. The hearing proceeded with the Acting CEO in attendance.

### **Committee question**

The Committee asked the Acting Chief Executive Officer to confirm whether they received an inventory list from the Ministry. In addition, the Committee asked the Acting Chief Executive Officer to mention what the Fund received from the Ministry and to submit the inventory list of all records that the Fund requested from the Ministry. The Committee also asked the Acting Chief Executive Officer to explain what measures were implemented to recover the missing records.

### **Acting Chief Executive Officer's response**

The Acting Chief Executive Officer indicated that a letter was written to the Ministry to handover the records, however no hand over of records was done, except for files (on student disbursements).

The Acting Chief Executive Officer reported that in the effort to update all its missing documents requested by the OAG, it went to the extent of requesting institutions of higher learning as well as financial institutions for records of students who received funding since 2011. In addition, the Fund's Secretariat also launched what they termed "project 300 million".

It was also under the same notion that the Fund had to do something "unconventional in terms of accounting", and produced financial statements from bank statements because he claimed that the Ministry did not hand over financial statements to the Fund.

### **Committee evaluation**

The Committee took note of the Acting Chief Executive Officer's response. However, the Committee is not satisfied about the efforts made by the Fund to obtain missing information from the Ministry. The Committee noted that there was no proper handover of financial records from the Ministry to the Fund, for one or the other reason not known to the Fund and the Committee

### **Committee recommendation**

The Committee recommends that future transfers between the Fund and the Ministry should follow proper handover procedures. In addition, every effort should be made by the Fund to obtain all missing records. The Ministry need to be more transparent and supportive to the Fund.

## **8.5 ACCOUNTING SYSTEM [2014-2019]**

### **Background**

The auditors found that the Fund migrated from Pastel Express to Pastel Evolution during the period 2014-2015. Although the auditors were provided with two different general ledgers and the trial balance, they found that some general ledger accounts balance was different from the trial balance. Furthermore, the general ledger for the 2014 financial year was incomplete and did not include transaction details for subsistence and travelling allowances amounting to N\$ 1 228 359.

### **Committee question**

The Acting Chief Executive Officer was asked to provide proof of the journals that the Fund had passed in order to merge the two general ledgers in one. The Committee also asked the Acting Chief Executive Officer to explain how the financial statements were arrived at from the two different systems and to explain which one of the two systems eventually produced the financial statements that were submitted for audit purposes.

### **Acting Chief Executive Officer's response**

The Acting Chief Executive Officer responded: "as previously mentioned, the information was migrated from the pastel express system onto pastel evolution. Transactions were recorded on an individual basis and then that general ledger was then used to come up with the trial balance which was then used to compile financial statements for that year."

### **Committee evaluation**

The Committee noted the Acting Chief Executive Officer's response. However, his response did not answer.

### **Committee recommendation**

The Committee recommends through the Ministry of Higher Education, Technology and Innovation that the Fund should ensure that proper financial records are kept and ensure that proper checks are carried out by senior managers to ensure accurate recording and reporting.

## **8.6 PREPARATION OF ACCURATE FINANCIAL STATEMENTS [2011-2013]**

### **Background**

Financial statements for the years ended March 2011 — 2013 were presented for audit purpose however, the following shortcomings were found:

- The financial statements were merely based on transactions from the bank statements;
- The financial statements did not take closing balances of 2010 into consideration;

- There were a number of unexplained income and expenditure from the details presented;
- There was no general ledger for the 2011-2013 financial years;
- Trial balances presented for 2011 and 2012 did not balance;
- No trial balance presented for 2013 financial year; and
- No audit trail of transactions for the 2011-2013 financial years.

### **Committee question**

The Committee asked the Acting Chief Executive Officer to explain why accurate financial statements were not prepared. In addition, the Committee enquired on the type of records/documents that received when the Fund left the Ministry. The Fund was also requested to explain to the Committee what measures put in place to ensure that closing balances were correctly brought forward.

### **Acting Chief Executive Officer's response**

The Acting CEO maintained that the Fund had not received financial statements on administration and operations from the Ministry of Education when it transitioned in 2013, and for this reason the financial statements of 2014 did not have a balance brought forward from the previous years.

The Acting CEO also reported at the November 2021 hearing that it was complicated for the Fund to furnish the required financial statements to the OAG because there were no audit reports and financial statements for the period 2010/2011 and 2011/2012. In 2013 the Fund had to do something “unconventional in terms of Accounting” as quoted by the Acting CEO and constructed financial statements from bank statements

He further stated that the Fund had received files in hard copy, information on the Lex system and bank statements, which were obtained from various banking institutions.

### **Committee evaluation**

The Committee took note of the Acting Chief Executive Officer response. However, the Committee is not satisfied with the response because the “unconventional” accounting method used to construct financial statements from bank statements is in contravention of accounting practices.

### **Committee recommendation**

The Committee recommends that the Fund should ensure that proper financial records are kept and proper checks are carried out by senior managers to ensure accurate recording and reporting.

## **8.7 STUDENT LOAN BOOK [2014-2019]**

### **Background**

It was found that student loans amounting to N\$ 3 330 771 558 were disclosed and impaired by N\$ 370 085 729 in the Fund's annual financial statement for the years ended 2014 until 2019, but the amounts for student loans and impairment could not be verified since the Fund did not have a loan book in place.

### **Committee question**

The Committee asked the Acting Chief Executive Officer to provide names of debtors that were obtained from the bank's statements and the files that they traced (since the Fund said they received no documents from the Ministry). The Committee also wanted to know if after all the efforts the Fund had made, whether the Fund could then have had a loan book in place, a loan book which also took into account money that was disbursed since the inception of the Fund.

### **Acting Chief Executive Officer Response**

At the public hearing held on 06 July 2023, the Acting CEO gave a definition of what the Fund considered to be a loan book. He said that it is a document containing information on the identities of debtors by whom an amount is owed with the principle amount of the loan standing on a certain date. He said there should be an indication of how long the amount has been standing. It must also reflect the interest rate applicable on the loan amount, accrued interest on the loan, interest capitalization and the frequency thereof, the payment terms and transaction history.

The Acting CEO also stated that in the case of the Fund, they further went on to add the indication as to whether that particular loan had matured or not. In other words, whether the loan was due or not, as well as the institution where the debtor had studied. Despite the Acting CEO's broad definition of what constitutes a loan book, to the Committee's dismay, he still could not provide such a document.

The Acting Chief Executive Officer further insisted that the Fund was in possession of a loan book although it might appear to the auditors to be an incomplete loan book.

### **Committee evaluation**

The Committee realised that the Fund was not in possession of a loan book. Despite this, the Fund entered and continued to enter into various Service Level Agreements (SLAs) with multiple companies for the purpose of creating a loan book. By the time of this report, the Committee had through numerous investigations found at least 11 companies in the Funds records that were involved in the creation of the loan book.

It was only after multiple letters and numerous public hearings with some persistence from the OAG that the Fund indicated in a letter to the OAG that the loan book would be submitted to the OAG in March 2024.

### **Committee recommendation**

The Committee recommends that the Fund submit to it and the OAG an updated Loan Book, indicating the balance, maturity, and interest accrued by each debtor.

## **8.8 STATEMENT OF CHANGE IN EQUITY [2014]**

### **Background**

The statements of changes in equity for the 2014 financial year did not include the opening balance as at 01 April 2013 to the amount of N\$ 118 240 027.

### **Committee question**

The Committee asked the Acting Chief Executive Officer to explain why the statement of changes in equity for the year ended 2014 did not include the opening balance of N\$118 264 780 and to explain to the Committee why this amount was not disclosed.

### **Acting Chief Executive Officer's response**

The Accounting Officer said that due to the financial statements of 2013 having been constructed from bank statements (because of the transition from the Ministry). The financial statements in this case were therefore unreliable due to a lack of information and a lack of data from the time of transition and that was why the amount could not be disclosed.

### **Committee evaluation**

The Committee took note of the Acting Chief Executive Officer's response. However, it is dissatisfied with his response and considered the query not addressed.

### **Committee recommendation**

The Committee recommends that the Fund should continue in future to prepare its financial statements as per IPSAS 1 (presentation of financial statement).

## **9. CONCLUSION**

The Namibian Student Financial Assistance Fund is an effort by the Namibian Government to empower an educated and knowledgeable workforce through higher education funding. Over the years, it has assisted thousands of Namibians to acquire post-secondary qualifications when under any other circumstances it would have been difficult if not impossible for some of its recipients to further their studies.

The importance of the institution cannot be overemphasised. It is for this reason that the management of this Fund must be free of misuse and maladministration. The PAC and the OAG's Office being responsible for examining, assessing and auditing their functions respectively, encourage the Fund to pursue accountable and transparent use of public funds to enhance the livelihood of the Namibian public.

The Committee hopes that through its efforts in the reporting process, the Fund can become a function whose main priority is that of serving the public in a fair manner.

## 10. COMMITTEE MEMBER'S SIGNATURE

Hon Dudu Murorua

Hon. Helaria Mikapuli

Hon. Julieta Kavetuna

Hon. Hamunyera Hambyuka

Hon. Josef Kauandenge

Hon. Vincent Mareka

Hon. Leevi Katoma

Hon. Emilia Nuyoma-Amupewa

Hon. Mathias Mbundu

Hon. Elma Dienda

Hon. Nico Smit

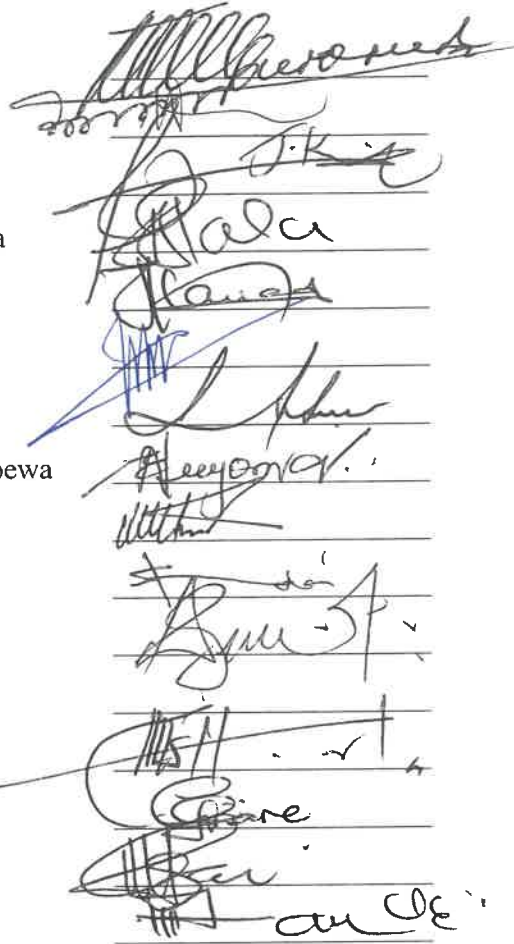
Hon. Bernadus Swartbooi

Hon. Kennedy Shekupakela

Hon. Charmaine Tjirare

Hon. Koviao Hengari

Hon. Fenni Nanyeni

A column of handwritten signatures corresponding to the names listed on the left. The signatures are written in various colors (black, blue, purple) and styles, some with initials or full names. The names are: Dudu Murorua, Helaria Mikapuli, Julieta Kavetuna, Hamunyera Hambyuka, Josef Kauandenge, Vincent Mareka, Leevi Katoma, Emilia Nuyoma-Amupewa, Mathias Mbundu, Elma Dienda, Nico Smit, Bernadus Swartbooi, Kennedy Shekupakela, Charmaine Tjirare, Koviao Hengari, and Fenni Nanyeni.