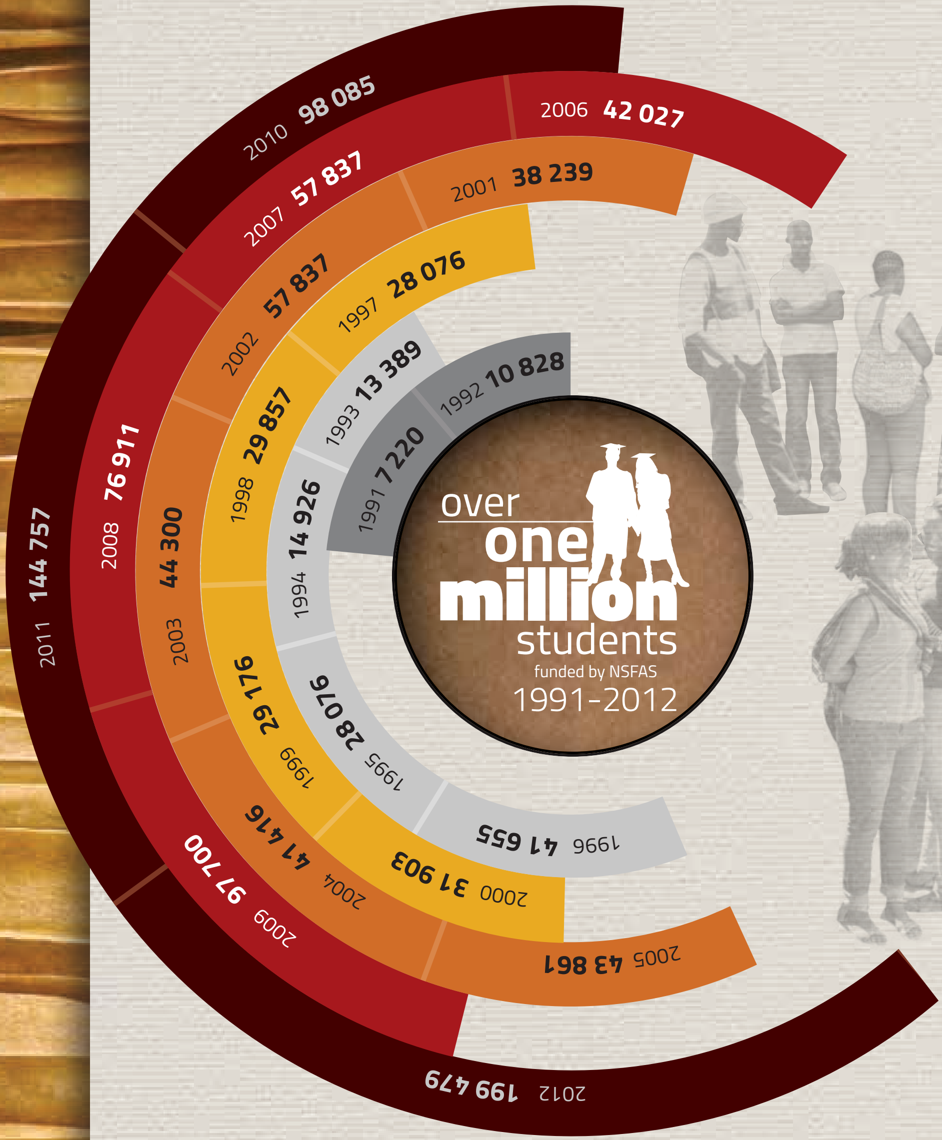
Tomorrow starts now



NSFAS
National Student Financial Aid Scheme

ANNUAL REPORT 2013

NATIONAL STUDENT FINANCIAL AID SCHEME

Established by NSFAS Act (Act 56 of 1999)

ANNUAL REPORT
for the year ended 31 March 2013

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FOREWORD BY THE MINISTER

DR BLADE NZIMANDE
Minister of Higher Education and Training

The Ministry of Higher Education and Training's main responsibility is to produce a skilled, capable and flexible workforce which is able to support the needs of a 21st century developing economy.

One of the key challenges is to ensure that those most marginalised in society – poor, rural and black young men and women – are able to access training and higher education opportunities. This is not an easy task as the Ministry has to oversee the activities of all public post-school institutions including universities, further education and training (FET) colleges, National Institutes, Adult Education and Training (AET) Centres, Sector Education and Training Authorities (SETAs) and a number of public institutions.

The advantage of having all these institutions under the auspices of one administration is that it allows for better coordination and the efficient use of government resources, particularly in the quest to increase access and training in scarce and critical skills.

The National Student Financial Aid Scheme (NSFAS) is one such entity. NSFAS started its life in 1991 as the Tertiary Fund of South Africa (TEFSA), whose main objective was to serve as a conduit for funding historically disadvantaged students with academic ability.

NSFAS is without a doubt one of the most successful schemes established by government. Approximately 1,4 million students have been assisted by the entity since its inception and R32.8 billion has been allocated to assist these financially needy students. A key challenge is to ensure that these marginalised students not only access training and higher education opportunities, but also succeed.

NSFAS offers unsecured loans to students and does not require any surety from parents or legal guardians.

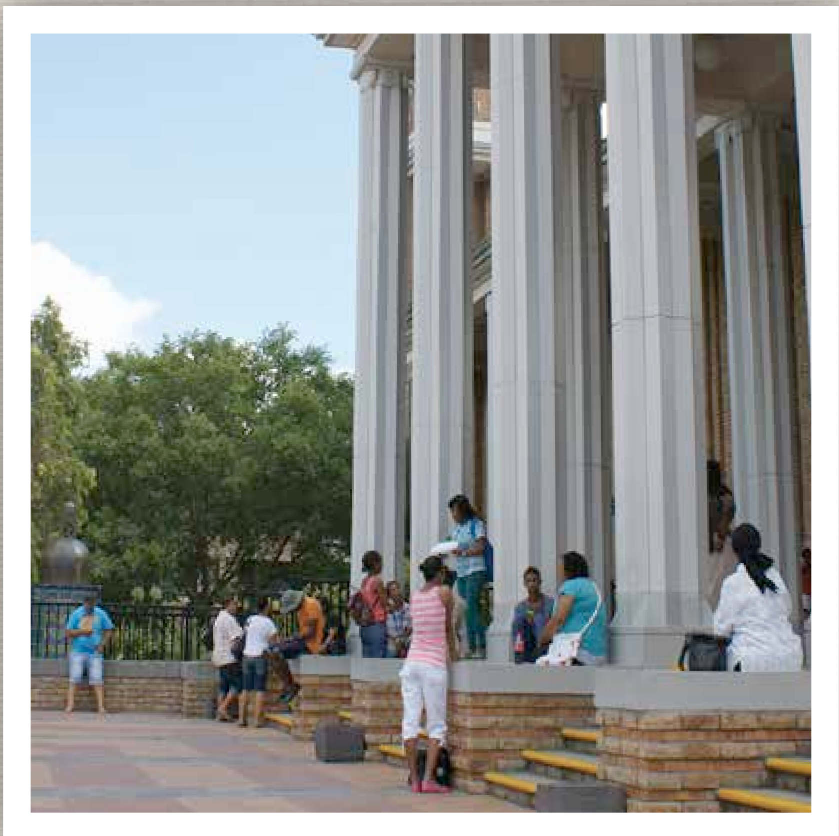
Because NSFAS largely serves students from poorer backgrounds who are usually first generation university students, the success of the entity in assisting students' progress through the higher education system is remarkable. Over the last few of years, funding provided by government for student financial assistance has grown significantly, especially for the FET college sector. In addition, a number of new initiatives such as the Final Year Programme and post-graduate funding have been successfully introduced and are now part of the entity's mandate.

I would like to congratulate the NSFAS Board, Management and all employees on achieving yet another unqualified audit report. I wish NSFAS success in the implementation of its far-reaching transformation programme, through which the entity will take full and complete control of its student financial aid processes and where "the money will follow the student". There have already been a number of engagements and consultations with key stakeholders, including the Portfolio Committee on Higher Education and Training, Higher Education South Africa (HESA), universities, financial aid practitioners, FET colleges and student organisations.

I trust that NSFAS will implement this new approach with care and will ensure our poor and marginalised students are provided with the best possible services to ensure not only access to higher education opportunities, but also success.

B Nzimande

Dr B E Nzimande, MP
Minister of Higher Education and Training
July, 2013



A General Information

1 GENERAL INFORMATION

REGISTERED NAME	National Student Financial Aid Scheme (NSFAS)
REGISTERED ADDRESS	18 Court Road, Wynberg, Cape Town, 7801
BUSINESS ADDRESS	2nd Floor, House Vincent Wynberg Mews 10 Brodie Road Wynberg Cape Town, 7700
POSTAL ADDRESS	Private Bag X1, Plumstead, Cape Town, 7800
TELEPHONE NUMBER	021 763 3200
EMAIL ADDRESS	info@nsfas.org.za
WEBSITE ADDRESS	www.nsfas.org.za
EXTERNAL AUDITORS	Auditor-General of South Africa
BANKERS	First National Bank

2 ABBREVIATIONS AND ACRONYMS

AGSA	Auditor-General of South Africa
ASB	Accounting Standards Board
BBBEE	Broad Based Black Economic Empowerment
BTech	Bachelor of Technology
CAMS	Corporate Access Management Services
CAP	Central Application Process
CFO	Chief Financial Officer
COBIT	Control Objectives for Information and Related Technology
CPD	Corporation for Public Deposits
DHET	Department of Higher Education and Training
EO	Executive Officer
FET	Further Education and Training
FETC	Further Education and Training College
GRAP	Generally Recognised Accounting Practices
HR	Human Resources
ICT	Information and Communication Technology
LMS	Loan Management System
MEC	Member of the Executive Council
MTEF	Medium Term Expenditure Framework
NCA	National Credit Act
NCR	National Credit Regulator
NCV	National Certificate (Vocational)
NSFAS	National Student Financial Aid Scheme
PACS	Payment and Collections Services
PCHET	Parliamentary Portfolio Committee on Higher Education and Training
PFMA	Public Finance Management Act
PIC	Public Investment Corporation
PPPFA	Preferential Procurement Policy Framework Act
SAICA	South African Institute of Chartered Accountants
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SETA	Sector Education and Training Authority
SMME	Small, Medium and Micro Enterprises
TR	Treasury Regulations

3 STRATEGIC OVERVIEW

3.1 VISION

By 2014 NSFAS is a model public entity that provides financial aid to all eligible public university and FET college students from poor and working class families.

3.2 MISSION STATEMENT

To transform NSFAS into an efficient and effective provider of financial aid to students from poor and working class families in a sustainable manner that promotes access to, and success in, higher and further education and training in pursuit of South Africa's national and human resource development goals.

The mission statement is made up of three distinct elements which describe why NSFAS exists, what it does, and its impact on its constituency.

- NSFAS exists to provide financial aid to eligible students at public further education and training colleges and universities
- NSFAS identifies eligible students, grants loans and bursaries and collects student loan repayments to replenish the funds available for future generations of students
- NSFAS supports access to, and success in, higher education and training for students from poor and working class families who would otherwise not be able to afford to study.

NSFAS is responsible for:

- Receiving student financial aid funds from government and other sources
- Distributing loans to qualifying students at public universities
- Distributing bursaries to qualifying students at public universities
- Distributing bursaries to qualifying students at public further education and training colleges.

3.3 VALUES

External Values for our Students and Stakeholders

Accessibility	We create an environment that allows efficient, effective and direct access to NSFAS and the funding it provides to eligible students
Transparency	We are open and honest with all students and stakeholders
Affordability	We offer affordable solutions for students to study at universities and FET colleges
Reliability	We honour our commitments and strive to deliver on all that we do
Authenticity	We protect our students and stakeholders by offering genuine and quality services and information.

Internal Values for our staff and organisation

Integrity	We act with integrity towards all stakeholders, and support clients that uphold the same values
Accountability	We take responsibility for our actions and drive performance management
Respect	We treat all our people with respect
Innovation	We strive to innovate in communicating with and serving students.

Xolisa Peter
Chief Information Officer NSFAS

I am originally from King Williams Town, Eastern Cape. I matriculated at All Saints Senior College in Bisho. My mother, a bursary from Nedbank and Sales House contributed towards my first two years of study. I wanted the exposure the city of Johannesburg offered in information technology so I studied Information Technology at the University of Johannesburg and made use of NSFAS funding in my final year.

As a student I never imagined I would end up as CIO of NSFAS. I am now involved in the biggest, most exciting IT project of my career - the impact will mean a radical change in how students are serviced all over the country.

In small ways we can all do great things.

4 LEGISLATIVE AND OTHER MANDATES

The National Student Financial Aid Scheme (NSFAS), was established in terms of the NSFAS (Act 56 of 1999), as amended. In terms of the Act, NSFAS is responsible for the allocation of student financial aid funds to the 23 public universities and 50 Further Education and Training (FET) colleges and for the administration of loans and bursaries to students at these public institutions. The Act also mandates the entity to recover such loans and to raising additional funding for student loans and bursaries.

In addition to managing funds granted by the Department of Higher Education and Training (DHET), NSFAS administers funding on behalf of the Department of Basic Education and the Department of Social Development, amongst other national and provincial government departments.

CONSTITUTIONAL MANDATE

The Bill of Rights in section 29 states:

EDUCATION

(1) Everyone has the right -
- to a basic education, including adult basic education; and
- to further education, which the state, through reasonable measures, must make progressively available and accessible.

(2) Everyone has the right to receive education in the official language or languages of their choice in public educational institutions where that education is reasonably practicable. In order to ensure the effective access to, and implementation of, this right, the state must consider all reasonable educational alternatives, including single medium institutions, taking into account -

Equity, practicability, and the need to redress the results of past racially discriminatory laws and practices.

In ensuring that students from poor and working class families are afforded the opportunity of obtaining financial aid, NSFAS contributes to the attainment of the rights contained in section 29 of the Constitution by assisting these students to access post-school education and training, thereby redressing the results of past racially discriminatory laws and practices.

In addition to its own legislation, NSFAS is required to comply with the following laws and regulations
- the PFMA (Act 1 of 1999)
- National Credit Act (Act 34 of 2005)
- Treasury Regulations for departments, trading entities, constitutional institutions and public entities.

"Through NSFAS I've been able to achieve and exceed my dreams."

Dr Vuyane Mhlomi
Medical Doctor at
Chris Hani Baragwanath Academic Hospital

There are many challenges facing higher education in South Africa, but one can never take away the success of NSFAS and the opportunity it's given people in this country.

I know this personally. Coming from a single-parent household my dreams of studying medicine at UCT were always coloured by the concerns of how we would afford it. However, through NSFAS I've been able to achieve and exceed my dreams. My time at UCT was one of the most influential in my life.

Like many of my peers, the ultimate indicator of achievement and success was the ability to study towards the career of my choice and through it create positive changes in my community.

Without financial barriers I've been able to reach my full potential. I've had the opportunity to meet and work with some of the leading minds in the world. I shudder to think that a little over 20 years ago equally talented people were denied the opportunity of higher education due to a lack of financial support.

5 ORGANISATIONAL STRUCTURE

Board of NSFAS
Chairperson
Mr Zamayedwa Sogayise

Executive Officer
Mr Msulwa Daca

Chief Information Officer
Ms Xolisa Peter

Chief Operations Officer
Vacant

Chief Financial Officer
(Acting)
Mr Eugene Johannes

NSFAS attends a variety of career exhibitions each year in order to communicate its message of student financial aid to learners and young people interested in post-school education.

6 FOREWORD BY THE CHAIRPERSON

ZAMAYEDWA SOGAYISE
Board Chairperson

It is a great pleasure for me as Chairperson of the Board of the National Student Financial Aid Scheme (NSFAS) to present the Annual Report for 2012/13. Last year I reported that NSFAS was embarking on its journey to transform into a model public entity that would make a significant contribution to addressing our national challenges of poverty, unemployment and inequality. I am pleased to report that in the 2012/13 financial year the transformation of NSFAS has begun. This will have a huge impact on how NSFAS disburses funds to students at public universities and further education and training colleges.

NSFAS has developed into an organisation with good governance and financial accountability. There is nothing that can stop NSFAS from achieving clean audits in future. This has been made possible by the collective efforts of the Board and its committees working together with the staff and service providers of NSFAS, supported by the Minister and Department of Higher Education and Training. I would like to express my sincere thanks to all those who have worked hard in the past year to achieve this progress under what were at times very trying circumstances.

Three vacancies on the Board occurred due to the expiry of members' terms, and the Minister of Higher Education and Training, Dr Blade Nzimande, filled these vacancies following a public process. The full complement of Board members was in place in the first quarter of the 2013/14 financial year.

The Board has worked hard to achieve implementation of the NSFAS transformation plan. The five committees of the Board, namely the Executive; Finance; Audit and Risk; Human Resources and Remuneration; and Information, Communication and Technology Committees, continued their work throughout the year.

The Board has also made significant progress in adopting new NSFAS policies, especially in information technology.

The Board has met its commitment to put in place policies, strategies, operational plans and leadership that will transform NSFAS into a model public entity capable of delivering financial aid to students. These student recipients in turn will not only succeed in attaining their own educational goals, but will also be able to contribute to the development of South Africa.

The year ahead will see NSFAS fully implementating the transformation plan, supported by relevant policies and procedures and using modern and appropriate information technology and other resources. NSFAS will be well placed to ensure that eligible students from poor and working class families receive financial aid that supports the constitutional right of all South Africans to access education. In this way NSFAS enables these students to get the education, training and skills that will contribute to breaking the cycle of poverty, unemployment and inequality.

Zamayedwa Sogayise
Chairperson
15 August 2013

7 EXECUTIVE OFFICER'S OVERVIEW

MSULWA DACA
Executive Officer

The National Student Financial Aid Scheme (NSFAS) is a Public Finance Management Act schedule 3A public entity reporting to the Department of Higher Education and Training (DHET).

The mandate of NSFAS revolves around four broad pillars: to provide loans and bursaries to students in post-school education according to agreed criteria; to raise funding for loans and bursaries; to collect all loans that are due; and to advise the Minister of Higher Education and Training on matters related to student financial aid.

The entity received funding from various sources during the course of the year under review. The major contributor was the DHET followed by the Department of Basic Education and the National Skills Fund. Various other government departments and agencies also provided loans and bursaries through NSFAS.

NSFAS is undergoing a major transformation that will change the way funding is provided to students starting in 2014 with a pilot phase. Under the current model, NSFAS disburses funding to universities and colleges, which in turn pay out allowances to students. The new model will be student-centred, which means that NSFAS will disburse tuition and residence fees to the universities and FET colleges and will pay allowances directly to students. In the new system, NSFAS will pay student allowances for books, travel, meals and private accommodation by vouchers on cellphones. This system will also allow NSFAS to have an audit trail of the funds disbursed to each student.

SPENDING TRENDS

Loans and bursaries

During the year under review, NSFAS continued to increase spending on loans and bursaries based on increased funding made available by the DHET and other funders. Disbursements increased by R1,8 billion from R5,9 billion to R7,7 billion.

This year has seen NSFAS spending all of the money that was made available from various sources. An allocation was also made from recovered funds to cover a projected shortfall in the various funding categories.

The number of students assisted also increased in line with the increased funding. In 2012 there were 382 943 students who received financial aid against 289 172 supported in 2011. The number of students funded at universities in 2012 rose to 194 504, while the number of students funded at FET colleges was 188 182, making a total of 382 686.

The number of students funded is expected to increase steadily in the next few years. For the first time in the 2013 academic year, the number of FET college students funded by NSFAS is expected to exceed the number of university students funded.

Administration grant

Spending on the administration grant continues to track the budget more closely. There is a reported surplus in the financial year under review, mainly as a result of projects and spending plans that have been committed but not yet undertaken.

Forecast

Total expenditure, including administration and student funding, for the 2013/14 financial year is R8,2 billion.

A request to roll over these committed funds has been submitted to National Treasury through the DHET.

Capacity constraints and challenges

The major capacity constraint affecting NSFAS relates to human capital. This constraint has been particularly pronounced as a result of implementation of the transformation project, which requires increased skills in order to effectively manage the increased funds under management. Various interventions have been undertaken to recruit skills from technical up to executive level, and significant progress has been made in filling new positions.

New or proposed activities

NSFAS continues to drive new projects together with the DHET that will result in more funding being available to needy students. These interventions emanate from the report of the Ministerial Review Committee on NSFAS, and include a plan to obtain funding for BTech students, the 'missing middle' or gap market students, and increasing funds for FET college students. In addition, NSFAS is engaging with Sector Education and Training Authorities (SETAs) to establish sustainable links between NSFAS students and available SETA funding.

The Supply Chain Management (SCM) systems and processes of NSFAS have been found to be inadequate by both the internal and external auditors. Management has adopted a plan to strengthen and improve the internal control environment, not only in the supply chain but throughout the organisation. NSFAS continues to work on a plan to reduce irregular expenditure to zero.

Various initiatives were implemented during the year under review, including appointment of a consulting firm to issue tenders for all services where there was a backlog, and appointment of a senior manager in charge of the SCM unit. There has been a marked improvement as a result of these initiatives.

Audit report matters

An audit improvement plan was drawn up under the guidance of the Board and its subcommittees in order to address issues raised by the Auditor-General during the previous financial year audit. The action plans are monitored by management, internal audit and the Audit and Risk Committee. There has been a notable improvement in the areas of concern as a result of strengthening the external audit environment.

Appreciation

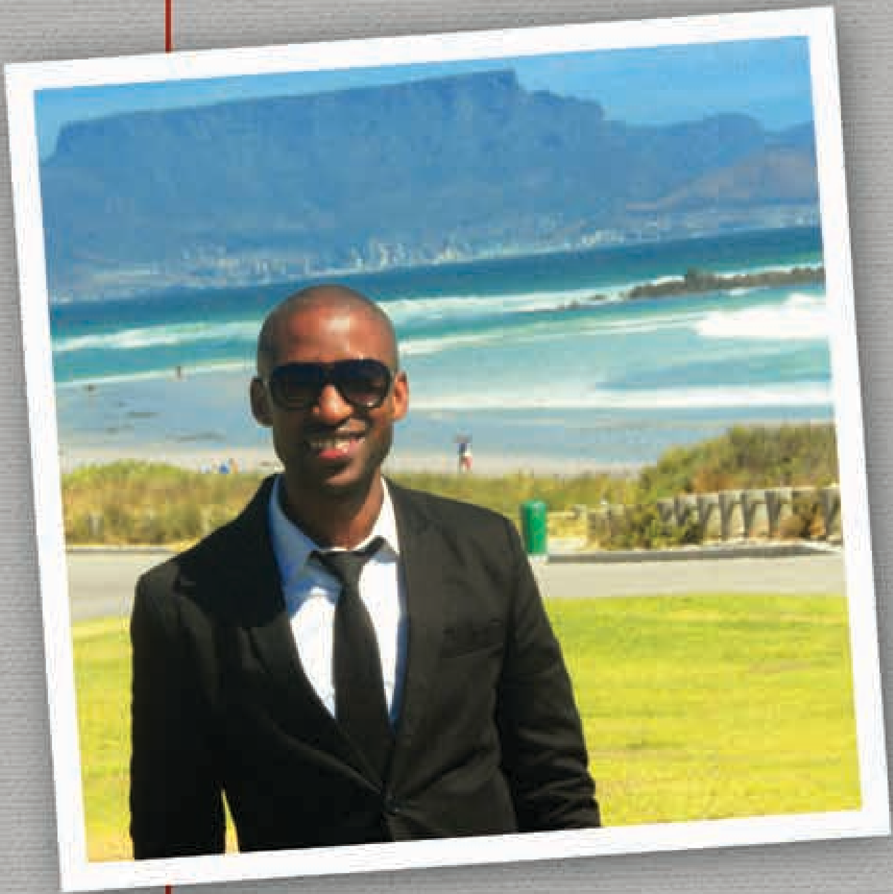
I would like to extend a word of appreciation to all employees of NSFAS who strive to ensure that all our students receive a quality service. I would also like to thank the Board under the guidance of the Chairperson, Mr Zamayedwa Sogayise, for the counsel they continue to give as we break new ground during our transformation.

Lastly, I would like to thank Mr Nathan Johnstone, who acted as NSFAS Executive Officer for 6 months during the year under review, for putting together the building blocks of a successful organisation.

Msulwa Daca
Executive Officer
15 August 2013

"NSFAS helped me pay for my studies at university and now I am helping NSFAS, which is cool!"

Nobby Mandla Mabale,
Software Developer, Deloitte Consulting



My name is Nobby Mandla Mabale and I am 30 years old. I grew up and matriculated in Soweto at Thutolore Secondary School.

I pursued a Bachelor of Science Degree at Wits University and throughout my studies I received the bulk of my much needed financial help from NSFAS as my parents couldn't afford to put me through university. At Wits I also received some academic scholarships awarded on merit and I was later awarded an all-expenses paid scholarship in Information and Communication Technology concepts and practices.

I am now part of the NSFAS Transformation Programme. I am working in the Deloitte Consulting team that is responsible for the development of the new core banking system on which NSFAS will administer all future student loans and bursaries from 2014 onwards. NSFAS helped me pay for my studies at university and now I am helping NSFAS, which is cool!

My inspiration comes from my desire to excel in life and an underlying passion and will to succeed fuels me.

B Performance Information

1 STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

Statement of Responsibility for Performance Information for the year ended 31 March 2013

In my opinion, the performance information fairly reflects the actual achievements against planned objectives, indicators and targets as per the strategic and annual performance plan of the public entity for the financial year ended 31 March 2013.

The NSFAS performance information for the year ended 31 March 2013 has been examined by the Auditor-General whose report is presented on page 65 to page 68.

The performance information of the entity set out on page 12 to page 42 was approved by the Board of NSFAS.

Msulwa Daca
Executive Officer
15 August 2013

2 OVERVIEW OF PERFORMANCE

2.1 SERVICE DELIVERY ENVIRONMENT

NSFAS is mandated by the NSFAS Act, No. 56 of 1999 to provide financial assistance, in the form of loans and bursaries, to eligible students enrolled in full-time study programmes at public universities and further education and training colleges.

The NSFAS service delivery environment is comprised of 23 public universities, two National Institutes of Higher Education and 50 FET colleges. These institutions provide post-school education and training to students across 312 campuses spread across the country's nine provinces.

Demand for NSFAS loans and bursaries is directly affected by the number of students enrolling at universities and FET colleges. As the number of students of enrolled increases, there is an accompanying increase in the number of students who are eligible for financial aid. Despite significant increases in grants for student loans and bursaries from the DHET and other national government departments, the available funds are not sufficient to provide financial assistance to all eligible students.

Loans and bursaries are granted to students after a loan agreement form or schedule of particulars, in the case of bursaries, is forwarded to NSFAS by the institution at which the student is registered. NSFAS is therefore dependent on the financial aid offices at universities and student service centres at FET colleges for all the pre-approval administration processes relating to loans and bursaries. While NSFAS provides procedure manuals to the institutions, the actual administration of loans and bursaries is dependent on the capacity of individual institutions. The financial aid administration capacity across the universities and FET colleges is very varied and ranges from very good to very poor.

During the year under review, the Department of Higher Education and Training (DHET) continued implementation of initiatives to improve the administration of institutions. In the FET college sector this has included a partnership with the South African Institute of Chartered Accountants for the secondment of chief financial officers to colleges. These initiatives to improve the administration of institutions include increasing the capacity of financial aid offices and student service centres.

In order to assist universities and FET colleges with the processing of financial aid applications, NSFAS provided institutional support teams at various campuses, at the request of institutions, where assistance was required during the registration process at the beginning of the academic year. Support was also provided during the year   at the request of individual institutions.

For the 2012 academic year, loans and bursaries to the value of R7 710 870 823 were awarded to a total of 194 504 university students, 188 182 FET college students, and 428 students at other institutions including the National Institute for Higher Education (Northern Cape), and agricultural colleges and schools. The table below provides details of student loans and bursaries by funding category.

FUNDING CATEGORY	RAND VALUE (R)	NUMBER OF STUDENTS
DHET General	2 534 320 355	99 938
DHET Final Year Programme	1 084 588 823	29 203
DHET Teacher	113 971 186	4 198
DHET Students with disabilities	44 531 539	1 176
National Skills Fund	858 443 434	38 987
SAICA Thuthuka Fund partnership	32 377 605	807
FET College bursaries	1 806 418 772	186 903
DBE Funza Lushaka bursaries	666 782 495	11 702
Sector Education and Training Authorities	56 518 088	3 071
Other funding categories	512 918 525	26 946

Table: Student loans and bursaries by funding category

The NSFAS Act requires NSFAS to recover loans from debtors who have graduated, stopped studying or who are employed and earn above the threshold of R30 000 per annum. The efficiency of recovery is dependent on NSFAS having reliable data on debtors to be able to contact them regarding payment of their accounts. Due to the nature of the NSFAS target market for loans, the debtor contact details are highly likely to change when the recipients exit the higher education sector and again when they take up permanent employment. This requires NSFAS to implement measures to ensure that debtor contact information is up to date.

A debtor tracking service was contracted in November 2012 to assist NSFAS with updating debtor contact information.

During the year under review NSFAS recovered R444,4 million in loan repayments directly from repaying debtors. A total of R95,2 million was received from funders in settlement of outstanding loans in respect of debtors who met the funders' settlement criteria. Universities returned a total of R173,3 million arising from credit balances on student accounts to NSFAS. These are processed as the first repayment to reduce the original loan capital amount.

2.2 ORGANISATIONAL ENVIRONMENT

The Executive Officer, who had been appointed on 1 December 2011, resigned with effect from 30 June 2012. The Board seconded an acting Executive Officer from 1 August 2012 to 31 January 2013. A permanent Executive Officer was appointed on 1 February 2013.

A permanent Chief Information Officer was appointed on 1 January 2013. The acting Senior Manager: Loans and Bursaries, was permanently appointed on1 December 2012.

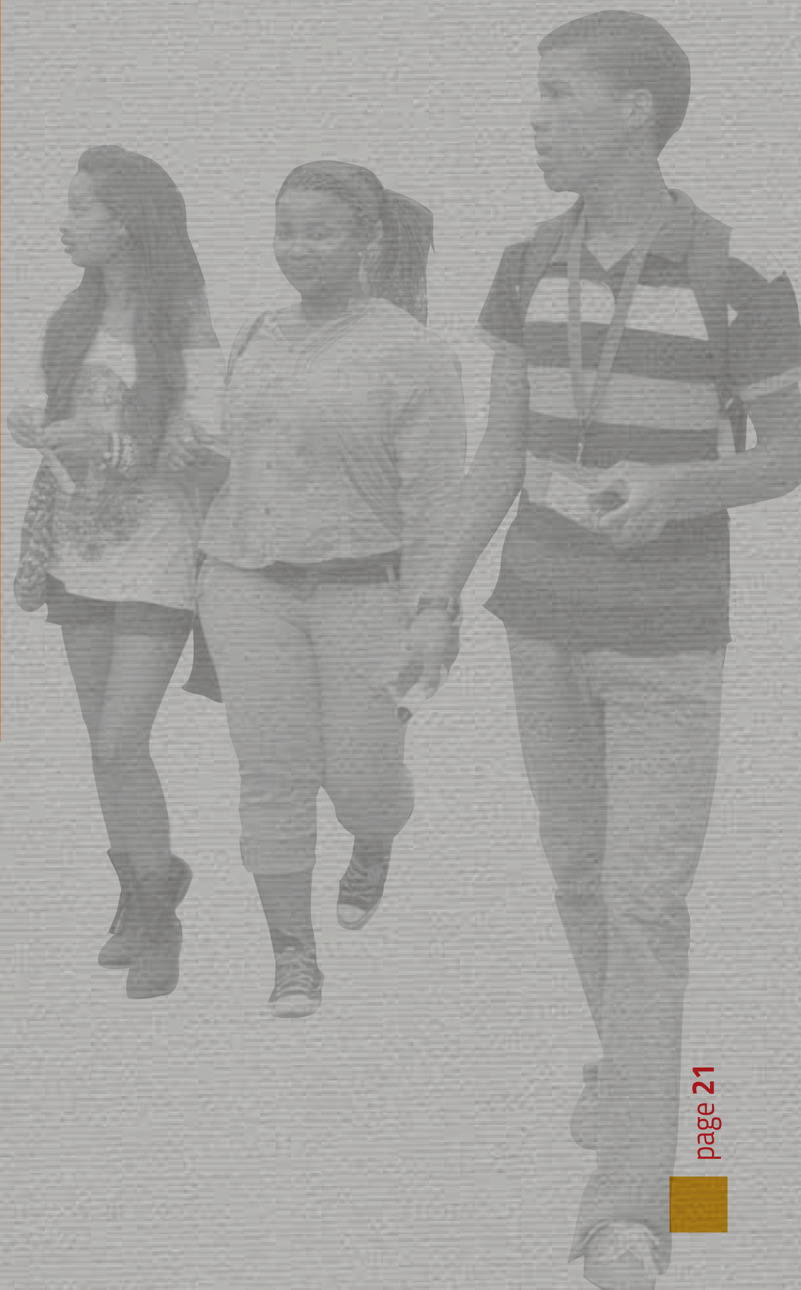
A Senior Financial Manager: Debtors was appointed on 1 January 2013. A Senior Financial Manager: Supply Chain Management was appointed on 1 February 2013. A Senior Financial Manager: Financial Reporting was appointed on 14 February 2013.

An IT Security Manager and a Business Support Manager were appointed on 1 February 2013. An IT Applications Support Manager was appointed on 1 March 2013.

A Board Committee Officer and a Research and Policy Officer were appointed on 1 January 2013.

All fixed-term contracts in the Loans and Bursaries, and Finance Department were converted to permanent contracts.

During the year under review a competency-based skills audit, comprising a self-assessment and psychometric assessment component, was conducted for all staff. The purpose of the audit was to identify competency gaps for both the current and the new operating model. A training plan has been developed and a training manager appointed to ensure a smooth transition to the new operating model.



2.3 STRATEGIC OUTCOME ORIENTED GOALS

STRATEGIC OUTCOME ORIENTED GOAL 1	AN EFFICIENT AND EFFECTIVE PUBLIC ENTITY IN STUDENT FINANCIAL AID AND ADMINISTRATION
GOAL STATEMENT	Develop a comprehensive policy, procedure and governance framework (in line with the ministerial review of 2009) to support the new transformation strategy by 30 June 2012 and implement by 31 March 2013
	Achieve a competency-based people model that attracts, develops and retains appropriate talent by 31 March 2013 through a comprehensive skills audit and gap analysis
	Implement an agile, fully integrated information technology and organisational systems architecture by 31 March 2013 to support NSFAS's new operating model and loan management system
	Plan and implement effective and efficient processes and operations to ensure stakeholder objectives are achieved by 31 March 2013
PERFORMANCE INDICATOR	NSFAS RECEIVES AN UNQUALIFIED AUDIT REPORT ANNUALLY

STRATEGIC OUTCOME ORIENTED GOAL 2	ACCESS, SUCCESS AND PROGRESSION TO CONTRIBUTE TO IMPROVING BOTH THROUGHPUT AND PASS RATE
GOAL STATEMENT	Increase access to funding for eligible students by creating a student-centred loans and bursaries model through improved marketing and communications support for students and a central applications process via regional offices by 31 March 2013
PERFORMANCE INDICATOR	INCREASED TOTAL NUMBER OF STUDENT LOANS AND BURSARIES

STRATEGIC OUTCOME ORIENTED GOAL 3	IMPROVED STUDENT FINANCIAL AID ENVIRONMENT
GOAL STATEMENT	Increase the pool of funds available for student loans and bursaries and maximise the recovery of outstanding loans from all eligible debtors by 30 June 2012
	Expand the number of eligible students by developing policy recommendations for new student segments and other related financial aid innovations by 30 June 2012
PERFORMANCE INDICATOR	AUGMENTED CAPITAL AVAILABLE FOR DISBURSEMENT

3 PERFORMANCE INFORMATION BY PROGRAMME

3.1 PROGRAMME 1: Administration

Purpose: To conduct the overall management of the entity and to provide efficient and effective support to service delivery departments/functions.

STRATEGIC OBJECTIVES:

1.1	Improve NSFAS governance to comply with government legislation and regulations
1.2	Ensure each functional unit has a congruent policy and procedures manual so that individual roles and delegations are firmly instilled
1.3	Improve the governance system to provide a smooth transition from the old to new policy framework
1.4	Integrate the new policy into the performance management framework so that executive management and employees are accountable for delivering on the policy
1.5	Ensure staff have the appropriate skills and competency base to fulfill its vision and mission
1.6	Assess the current level of staff skills and competencies to ensure the newly developed operating model is appropriately supported
1.7	Develop a skilled and trained workforce to provide sustainable delivery
1.8	Develop an organisational IT reference architecture to support and enable the new operating model
1.9	Procure and implement an improved IT system for efficient and effective delivery of services
1.10	Develop and implement processes and procedures for the new operating model to ensure NSFAS fulfills its mandate to students and stakeholders

STRATEGIC GOAL 1 :
DEVELOP AN EFFICIENT PUBLIC ENTITY IN STUDENT FINANCIAL AID AND ADMINISTRATION

	Strategic Objective	Objective Statement	Performance Indicator	Annual Target	Reporting Period
1.1	Improve NSFAS governance to ensure full compliance with Government legislation and regulations.	Establish a policy and related governance framework (informed by ministerial review of 2009, as guided and directed by the new Board and by the new strategy framework).	Comply with all the Acts that govern NSFAS. Receive no adverse reports with respect to any of the above-mentioned.	100% Compliance.	Annually

**PROGRAMME 1:
ADMINISTRATION**

Annual Performance Result	Reason for variance	Status indicator
Target partly met. **PFMA Compliance:** All requirements in terms of submission of the Audited Financial Statements and Annual Report for the financial year ended 31 March 2012 were met. The ICT Governance Framework and ICT Risk Framework were approved by the Board on 31 May 2012. **PFMA and Treasury Regulations Compliance:** A new Supply Chain Management Policy was approved by the Board on 30 May 2012. Irregular expenditure to the value of R6,6 million was incurred. R5,3 million in irregular expenditure related to services procured from historic service providers under existing contracts. The majority of these services were regularised through compliant procurement processes during the year.	Existing supplier contracts concluded in previous financial years in respect of which competitive bidding had not been applied and/or three quotations had not been obtained.	Partly met
R1,3 million in irregular expenditure was incurred due to non-compliance with SCM requirements during the current year.	New procurement in the current financial year in respect of which SCM requirements were not consistently applied. Due to: a) Inadequate planning resulting in actual expenditure exceeding planned expenditure, urgent procurement without the required supporting documentation; b) Poor filing and document retention, resulting in documentation not being available for internal audit review; c) Inadequate monitoring by SCM to ensure that all required documents from suppliers had been obtained.	

Target met
Partly met
Target not met

STRATEGIC GOAL 1 :
DEVELOP AN EFFICIENT PUBLIC ENTITY IN STUDENT FINANCIAL AID AND ADMINISTRATION

	Strategic Objective	Objective Statement	Performance Indicator	Annual Target	Reporting Period
1.1					

PROGRAMME 1: ADMINISTRATION

Annual Performance Result	Reason for variance	Status indicator
Compliance with National Treasury Framework for Strategic and Annual Performance Planning: The first draft of the Annual Performance Plan for 2013/14 was submitted by the due date of 31 August 2012. The second draft of the Annual Performance Plan for 2013/14 was submitted by the due date of 30 November 2012. The Annual Performance Plan for the 2013/14 financial year was submitted by the due date of 31 January 2013.		
NCA Compliance: NCR Statistical return Form 39 was submitted. In terms of an external audit report on NCR compliance in September 2011, the submission of Form 15 is no longer a requirement for NSFAS. Written confirmation from the NCR has been requested and is awaited. NSFAS is not in compliance with the NCA in terms of the requirement for positive consent for debtor payroll deductions. The contract with the call centre service provider for the project to obtain positive consent from debtors ended on 31 December 2012. Procurement processes were under way in the 3rd quarter to appoint a new call centre service provider. These processes continued into the 4th quarter. A total of 8 443 debtors have been contacted for positive consent and 99% of those contacted have given positive consent for payroll deductions. No new deductions have been implemented without the prior positive consent of debtors.	Following the repeal of Section 23 of the NSFAS Act in December 2011, NSFAS had to obtain the approval of the Office of the Accountant-General for new business rules for the NSFAS Persal deduction code, before implementing the project to obtain positive consent from debtors. The Office of the Accountant-General approved the new business rules in July 2012.	Partly met
NSFAS has not sent quarterly debtor statements as required by the National Credit Act. The first statements for the financial year were sent at the end of the 3rd quarter.	The debtor statement process was delayed due to incorrect interest calculation in the loan management system and the need to undertake a data cleansing exercise to correct debtor contact details. The latter process was delayed by a protracted procurement process.	

Target met
Partly met
Target not met

STRATEGIC GOAL 1 :
DEVELOP AN EFFICIENT PUBLIC ENTITY IN STUDENT FINANCIAL AID AND ADMINISTRATION

	Strategic Objective	Objective Statement	Performance Indicator	Annual Target	Reporting Period
1.1					
1.2	Ensure each functional unit has a congruent policy and procedures manual so that individual roles and delegations are firmly instilled.	Define new policies, refine existing policies in line with the stated policy and related governance model and develop an appropriate delegations matrix that is informed by the policies.	Procedure manuals developed and training delivered by conclusion of new LMS implementation March 2013.	Complete procedure manual and competent and capable staff trained to support the new operating model.	Bi-annually
1.3	Improve the governance system to provide a smooth transition from the old to new policy framework.	Approve and implement the new policies, including the communication and education thereof through a series of workshops and formal communications.	New policy per functional unit to be developed, implemented and adopted by March 2013. Continuous improvement process will be ongoing.	Completed new policy per functional unit implemented.	Bi-annually

**PROGRAMME 1:
ADMINISTRATION**

Annual Performance Result	Reason for variance	Status indicator
Skills Development Act Compliance: The Workplace Skills Plan and Annual Training Report were submitted to the relevant SETA by 30 June 2012.		
Target partly met. Development of procedure manuals included in Statement of Work1 for implementation of the new loans and bursaries management system. The procedure manuals will be developed as the new system is implemented. *1. The Statement of Work (SoW), together with the Master Services Agreement, concluded with the appointed service provider for the implementation of the new operating model, forms the contract for the delivery on the transformation project. The SoW details all the deliverables for the project.*	New procedures to be based on the new operating model processes. Processes and procedures are currently in the design phase.	Partly met
Target partly met. Complete set of 110 policies developed for all functional units in accordance with the requirements of the new target operating model. A priority list has been developed per functional unit for processing of policies for approval. The following policies were approved by the Board on 30 May 2012: Supply Chain Management, Predetermined Objective Management, ICT Governance Charter, ICT Risk Framework, ICT Disaster Recovery Plan, ICT Security Policy. The Internship Policy and Risk Management Policy were approved by the Board on 1 March 2013. The following ICT policies were approved by the Board in March 2013: Governance Policy Framework, Service Level Agreements, Service Desk Management, Change Control, Project Management, Incident and Problem Management, Configuration and Release Management, Capacity Management, Availability Management and Service Continuity, Information Management, Vendor Management.	Policies were prioritised for approval. Project team in process of designing procedures to support the new operating model. Policies to be revised as required by new operating procedures.	Partly met

Target met
Partly met
Target not met

STRATEGIC GOAL 1 :
DEVELOP AN EFFICIENT PUBLIC ENTITY IN STUDENT FINANCIAL AID AND ADMINISTRATION

	Strategic Objective	Objective Statement	Performance Indicator	Annual Target	Reporting Period
1.4	Integrate the new policy into the performance management framework so that executive management and employees are accountable for delivering on the policy.	Create and design policy metrics to be built into the organisational and staff contracts so that accountability can be assigned.	Performance framework developed, implemented and adopted by March 2013.	Performance framework developed, implemented and adopted.	Bi-annually
1.5	Ensure staff have the appropriate skills and competency base to fulfill its vision and mission.	Develop a new competency and skills based framework to support the newly defined processes and related operating model by 31 December 2012.	Gap analysis and relevant training programmes assessed and developed based on new operating model (during user training of LMS implementation).	Competency and skills assessment of staff and relevant training completed by 30 September 2012.	Quarterly
1.6	Assess the current level of staff skills and competencies to ensure the newly developed operating model is appropriately supported.	Conduct competency and skills assessment against the newly defined framework and conduct a gap analysis so that any shortcomings and vacancies may be addressed.	"AS IS" assessment completed by January 2012.	Monitor and evaluate staff performance and necessary staff interventions made.	Bi-annually

**PROGRAMME 1:
ADMINISTRATION**

Annual Performance Result	Reason for variance	Status indicator
Target partly met. Performance agreements in accordance with the approved policy and framework as follows: **Finance** ▪ 24 of 26 completed ▪ 2 not finalised **Loans & Bursaries** ▪ 51 of 53 completed ▪ 2 not finalised **Customer Care** ▪ 17 of 20 completed ▪ 3 not completed **Resources Management** ▪ 14 of 14 completed **IT** ▪ 8 of 8 completed	2 newly appointed staff members which will be prepared for the 2013/14 Financial Year. Review required for 1 recently appointed senior manager, and 1 not completed due to pending termination. 3 newly appointed staff members which will be prepared for the 2013/14 Financial Year.	Partly met
Target partly met. The staff training requirements for the new operating model have been included in the tender specifications for the procurement of the new loans and bursaries management system. Skills audit completed and final report received. Personal development areas identified for individual employees. Training plan developed. Yearly review not performed.	Skills audit final report received at the end of November 2012. Change manager appointed in December 2012. Gap analysis and training plan to meet requirements of the new operating model developed in 4th quarter.	Partly met
Target met. Psychometric assessments, manager validation and feedback to individual employees completed in October 2012. Final report on "as is" skills audit received at the end of November 2012. See 1.5 above.		Target met

Target met
Partly met
Target not met

STRATEGIC GOAL 1 :
DEVELOP AN EFFICIENT PUBLIC ENTITY IN STUDENT FINANCIAL AID AND ADMINISTRATION

	Strategic Objective	Objective Statement	Performance Indicator	Annual Target	Reporting Period
1.7	Develop a skilled and trained workforce to provide sustainable delivery.	Develop and implement a workforce transition plan including re-skilling and training of employees to support the framework and gap analysis.	Continuous training programme developed by functional unit for ongoing training by March 2013; this would include an internship programme.	Training programme developed.	Bi-annually
1.8	Develop an organisational IT reference architecture to support and enable the new operating model.	Develop a logical reference IT architecture by 30 November 2012 to support the additional requirements of the new operational model.	New operating model and reference architecture approved by February 2012.	Design and implement model.	Annually
1.9	Procure and implement an improved IT system for efficient and effective delivery of services.	Identify, select and implement the IT components as defined in the IT reference architecture, which includes a student relationship management and loan management solution.	Complete process design by March 2013, procure solution by April 2012, and implement new LMS by March 2013.	Design and implement model.	Bi-annually

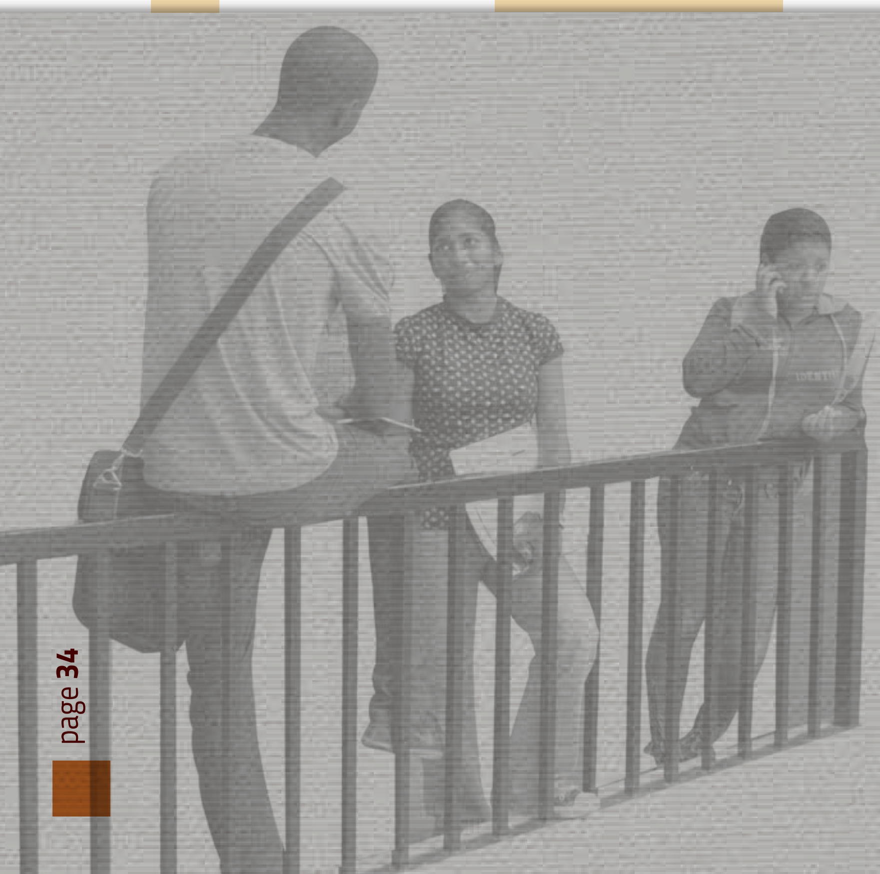
PROGRAMME 1:
ADMINISTRATION

Annual Performance Result	Reason for variance	Status indicator
Target met. Workforce transition and training plan developed based on personal development requirements identified in the skills audit as reported in 1.5 and 1.6 above. The Internship Policy was approved by the Board on 1 March 2013. Interns will be appointed in the Finance and Human Resources Departments.		Target met
Target met. Operating model and logical IT reference architecture approved by the Board in May 2012. Tender awarded on 28 September 2012. Master Services Agreement signed in December 2012. Statement of Work completed as reported in 1.2 above.		Target met
Target not met. Agreements in place with implementation partner and software and hardware have been installed. Project teams are now designing the detail processes and the associated technical configuration required to support this. Organisational design to support the new operating model is also under way.	Revised implementation of new LMS agreed as 30 September 2013 in project charter.	Target not met

Target met
Partly met
Target not met

STRATEGIC GOAL 1 :
DEVELOP AN EFFICIENT PUBLIC ENTITY IN STUDENT FINANCIAL AID AND ADMINISTRATION

	Strategic Objective	Objective Statement	Performance Indicator	Annual Target	Reporting Period
1.10	Develop and implement processes and procedures for the new operating model to ensure NSFAS fulfills its mandate to students and stakeholders.	Re-engineer existing processes and procedures by implementing a central application process for loans and bursaries by 30 September 2012. Document new competencies, roles and responsibilities in support of the new processes and procedures by 30 September 2012. Develop and implement a new structure in support of the new processes by 31 July 2012. Develop and implement new facilities and infrastructure by 28 February 2013.	Developed during LMS implementation and workforce transition plan deployed during user training phase November 2012.	Roll out new policies and procedures and initiate workforce training.	Annually



PROGRAMME 1:
ADMINISTRATION

Annual Performance Result	Reason for variance	Status indicator
Target not met. Project team has started designing the detailed policies and procedures that support the new operating model. Key positions required in the new organisational structure are being filled.	Revised implemenation date of 30 September 2013 agreed in project charter.	Target not met

Target met
Partly met
Target not met

Bonga Zamisa

Student, False Bay College, Khayelitsha Campus

I am currently a student at False Bay College, Khayelitsha Campus, in Cape Town, studying Office Administration. NSFAS is helping me to pay for my studies - they help many students like me who are hungry for education.

I attended Salt River High School in Cape Town. In my family, we are four children. My mother works hard to support the family and my father passed away in 2006, so it is difficult to pay for school fees for all of us.

Organisations like NSFAS inspire me; they are willing to assist people who cannot pay their study fees. When NSFAS was testing its new sBux system for giving students their money on a cellphone voucher at our college, I was one of the students who helped them and I appeared in the video they made to show how sBux works. I was very happy when the video was on YouTube.

My dream is to become an entrepreneur so that I can help create job opportunities for South Africans.

3.2 PROGRAMME 2: Student-Centred Financial Aid

Purpose: To achieve the vision and mission of NSFAS by implementing the approved centralised financial aid systems and to provide funding to eligible students whilst maximising recoveries and striving to increase the funds available for loans and bursaries.

STRATEGIC OBJECTIVES:

2.1	Improve marketing, communications and support for students and prospective students
2.2	Develop a student value proposition per segment to service student needs more effectively
2.3	Create a central applications process through regional offices and other appropriate channels of delivery
3.1	Raise new funding for undergraduate study, for targeted student programmes, including the 'missing middle'.
3.2	Maximise recovery of outstanding loans from all eligible debtors employed in both the formal and informal sectors of the economy
3.3	Develop a new programme for unfunded courses of study
3.4	Develop a new product for specific targeted student segments

STRATEGIC GOAL 2:
ACCESS, SUCCESS AND PROGRESSION TO CONTRIBUTE TO IMPROVING BOTH THROUGHPUT AND PASS RATE

	Strategic Objective	Objective Statement	Performance Indicator	Annual Target	Reporting Period
2.1	Improve marketing, communications and support for students and prospective students.	Conduct a socio-economic student segmentation analysis by 31 March 2012 to improve marketing, communications and support for students and prospective students through the preparation of a multi-tier segmentation model. Develop a clearly defined marketing plan supported by a communications strategy to increase the number of students that NSFAS offers financial aid to by 31 March 2012.	Consult with digital media provider by January 2012. Tender issued for new digital media programme February 2012. Appointment of service provider by April 2012.	Media provider appointed and new media plan developed and implemented.	Quarterly
2.2	Develop a student value proposition per segment to service student needs more effectively.	Develop segmentation criteria and complete the segmentation strategy by defining what NSFAS intends to do and achieve per segment by 31 March 2012.	Research complete and proposed segments defined by March 2012.	Student value proposition developed per segment.	Annually
2.3	Create a central applications process (CAP) through regional offices and other appropriate channels of delivery.	Develop a student service delivery model (including a student relationship management model) through a central applications office to allow "direct to student channels" and increased transparency of internal systems and processes by 30 September 2012.	Design of CAP aligned with detailed process design for LMS. Pilot for CAP will be aligned with DHET central admissions pilot in KZN. Other provinces will follow as per rollout plan.	CAP piloted on KZN model.	Annually

**PROGRAMME 2:
STUDENT-CENTRED FINANCIAL AID**

Annual Performance Result	Reason for variance	Status indicator
Target met. Request for proposals for communications outsourcing, including media plan development, closed in mid-December 2012. Internal communications and marketing resource appointed in January 2013. New media plan developed and implemented. Refreshment of branding completed. Website in progress. Social media campaign developed. Marketing material developed.		Target met
Target not met. Research on student segmentation not yet finalised.	The research that was to inform the funding policy did not take place as the Research Officer who commenced duty in January 2013 was tasked with focusing on research that informed the organisational transformation project.	Target not met
Target partly met. CAP phases realigned with detailed process designs for LMS. CAP assessment and definition phases completed. Design Phase under way. Pilot CAP to be decided following completion of design phase.	CAP being designed for implementation in line with new LMS implementation date of 30 September 2013.	Partly met

Target met
Partly met
Target not met

STRATEGIC GOAL 3:
IMPROVED STUDENT FINANCIAL AID ENVIRONMENT

	Strategic Objective	Objective Statement	Performance Indicator	Annual Target	Reporting Period
3.1	Raise new funding for undergraduate study, for targeted student programmes, including the 'missing middle'.	Increase the pool of funds (by 20% of existing capital) available to NSFAS by 30 June 2012 through formal discussions with donors and feedback of performance and needs.	PIC/GEPF funding by March 2012. Additional Private sector education investment by March 2013.	Initial 20% of existing funding for 'missing middle' secured by 30 June 2012.	Bi-annually
3.2	Maximise recovery of outstanding loans from all eligible debtors employed in both the formal and informal sectors of the economy.	Increase the capital recoveries from 5% to 10% by 31 March 2013 through implementation of the new operating model and debtor tracking project to ensure recoveries are maximised.	Establishment of new credit management function headed up by a senior credit practitioner January 2012. Development of a tracking and collecting initiative by February 2012.	Recoveries of R1bn achieved.	Annually
3.3	Develop a new programme for unfunded courses of study.	Develop a new programme and recommend to the DHET by June 2012.	New BTech funding programme by June 2012	New BTech funding programme by June 2012.	Bi-annually
3.4	Develop a new product for specific targeted student segments.	Develop a new product offering and recommend to the DHET by June 2012.	New funding model for report 191 and NCV by June 2012.	New funding model for report 191 and NCV by June 2012.	Bi-annually

PROGRAMME 2:
STUDENT-CENTRED FINANCIAL AID

Annual Performance Result	Reason for variance	Status indicator
Target not met. While funds available for loans and bursaries have increased by 24% on the prior year, additional funding for the 'missing middle' has not yet been secured. A request for BTech funding was included in the National Skills Fund proposal for the 2013 academic year. Funding was not approved.	The student segmentation research required to inform the 'missing middle' funding policy was not completed during the financial year due to the prioritisation of research for the organisational transformation project as reported in 2.2 above.	Target not met
Target not met. Credit management function established in Finance Department under Finance Manager. The position was filled in January 2013. The designated manager subsequently resigned in March 2013. Debtor tracking service provider appointed in November 2012. 4 780 Debtors who were contacted during the positive consent project agreed to an increase in deductions to the value of R1 622 887 per month. Total recoveries: R712.8 million, detailed as follows: - Repayments from debtors: R444.4 million. - Credit balances received from institutions: R173.3 million. - Debtor settlements by donors: R95.2 million.	Following the repeal of Section 23 of the NSFAS Act in December 2011, NSFAS had to obtain the approval of the Office of the Accountant-General for new business rules for the NSFAS Persal deduction code, before implementing the project to obtain positive consent from debtors. The Office of the Accountant-General approved the new business rules in July 2012.	Target not met
Target not met. BTech funding included in National Skills Fund proposal submitted in January 2013 for the 2013 academic year. Funding not approved	BTech funding not approved due to prioritisation of existing funding programmes.	Target not met
Target partly met. The NSFAS Board approved upfront payments to FETCs at its meeting in January 2013.	The proposal was not approved by June 2012 due to there not having been sufficient research done to allow the Board to make an informed decision.	Partly met

Target met
Partly met
Target not met

4 SUMMARY OF FINANCIAL INFORMATION

4.1 REVENUE COLLECTION

	2012/2013			2011/2012		
Sources of revenue	Estimate Amount R'000 Actual	Amount Collected R'000	(Over)/Under Collection R'000	Estimate Amount R'000 Actual	Amount Collected R'000	(Over)/Under Collection R'000
Collections	547 122 580	444 355 789	102 766 791	560 850 422	538 748 823	22 101 599
Total	**547 122 580**	**444 355 789**	**102 766 791**	**560 850 422**	**538 748 823**	**22 101 599**

During the period under review, total recoveries amounted to R444,4 million.

Under-collection is due to the repeal of Section 23 of the NSFAS Act in December 2011, which has caused NSFAS to amend its recoveries approach. NSFAS expects the recoveries amount to increase in the following years, as new processes are put in place.

4.2 PROGRAMME EXPENDITURE

2012/2013				2011/2012		
Programme Name	Budget R'000 (Revenue)	Expenditure R'000 (Excl. non-cash expenditure)	(Over)/ Under R'000	Budget R'000 (Revenue)	Expenditure R'000 (Excl. non-cash expenditure)	(Over)/ Under R'000
1 Administration	89 273	84 286	4 987	77 384	70 760	6 624
2 Student-Centred Financial Aid	8 012 808	4 943 914	3 068 894	5 231 148	5 722 280	-491 132
Total	**8 102 081**	**5 028 200**	**3 073 881**	**5 308 532**	**5 793 040**	**-484 508**

PROGRAMME 1

The NSFAS revised administration budget for the 2012/2013 financial year amounted to R89,273 million. Total expenditure for the period under review amounted to R84,286 million resulting in the under-expenditure of R4,987 million. The underspend should be viewed in the light that NSFAS does not budget for a surplus or deficit. The underspend in the period under review is as a consequence of a later than expected award of the new operating model tender and therefore the related expenditure was delayed.

PROGRAMME 2

The budget for the student-centred model for the period under review amounted to R8,013 billion. The underspend should be viewed in the light that NSFAS does not budget for a surplus or deficit. The R3,067 million shown as a surplus in the original budget of R8,013 billion largely relates to the loan portion of the student awards.

"I was the top student in my first year and my loan was converted into a bursary."

Veronica Motloutsi
Group Manager:
IT Strategy, Sun International Group

I grew up in Soshanguve, North Pretoria where I was raised by my grandparents and single mother.

I matriculated in 1998 and applied to Tshwane University of Technology to study IT. After successfully getting a loan from NSFAS, I was the top student in my first year and my loan was converted into a bursary.

I always knew I was destined for great things. I got my Bachelor's and Master's Degrees in IT and I'm now Group Manager: IT Strategy for the Sun International Group.

NSFAS helped me realise my dreams by giving me the funding I needed to further my education and continue on my journey to success.

Now my dream is that all young boys and girls get a good education and understand its value. As a former part-time lecturer, I'm passionate about improving the quality of education, especially in the field of technology.

C Governance

1 GOVERNANCE

1 INTRODUCTION

NSFAS corporate governance embodies the processes and systems by which it is directed, controlled and held to account. In addition to the legislative requirements based on the National Student Financial Aid Scheme Act (Act 56 of 1999), corporate governance is applied through the precepts of the Public Finance Management Act (PFMA) (Act 1 of 1999) and takes into account the principles contained in the King Report on Corporate Governance.

2 PORTFOLIO COMMITTEES

The Parliamentary Portfolio Committee on Higher Education and Training (PCHET) exercised its oversight role by evaluating the performance of NSFAS. The PCHET interrogated the 2012 annual financial statements, the annual performance plan and budget, the NSFAS Transformation Programme proposals and other relevant documents during the financial year under review.

The key issues raised by the portfolio committee were utilisation of funds provided for student financial aid; the numbers of students assisted in the granting of student loans and bursaries; the breakdown of funding between universities and further education and training colleges; and the NSFAS plans for its transformation into a student-centric financial aid scheme.

NSFAS was not required to appear before the Standing Committee on Public Accounts (SCOPA) during the year under review.

The National Council of Provinces Standing Committee on Education and Recreation invited NSFAS to appear before it on one occasion during the year to present its annual report.

3 EXECUTIVE AUTHORITY

Oversight by the Executive Authority was exercised throughout the year in line with the prescripts of the PFMA. The Minister of Higher Education and Training, Dr Blade Nzimande, appointed the NSFAS Board in 2011, for the four-year term prescribed in the NSFAS Act.

Regular engagements took place on the utilisation of funds by universities and colleges. Interventions in the system to address issues such as the shortage of funding for loans at particular universities and the provision of allowances to students at FET colleges resulted from these engagements.

4 THE BOARD

The accounting authority of NSFAS is the Board. In terms of the NSFAS Act, the Board must consist of 13 members appointed by the Minister and the Executive Officer who may not vote on matters being considered by the Board. The Board may co-opt four additional members. The maximum number of Board members is 18.

NSFAS BOARD MEETINGS ATTENDANCE

Name	Total
Zamayedwa Sogayise (Chairperson)	6
Collette Caine	4
Rob Dorrington	6
Spencer Janari	4
Nathan Johnstone	4
Nkisinathi Khena	1
Shai Makgoba	6
Sibongile Masinga	5
Dumisani Mathonsi	6
Kirti Menon	4
Kelebogile Mohajane	3
Themba Mosia	3
Thami Ncokwane	2
Ntombizodwa Ndhlovu	6
Floyd Shivambu	2
Zozo Siyengo	5
Stephen Smith	5

Nathan Johnstone,	
Thami Ncokwane,	
Floyd Shivambu	End of Term - 30 June 2012
Nkosinathi Khena	Resigned - 30 June 2012
Collette Caine	Resigned - 31 January 2013

Board Committees

The NSFAS Act requires the Board to establish a minimum of two committees, namely an Executive Committee and a Finance Committee. In order to exercise its fiduciary duties effectively, the Board established a further three committees: an Audit and Risk Committee; a Human Resources and Remuneration Committee; and an Information and Communications Technology Committee.

NSFAS BOARD EXECUTIVE COMMITTEE MEETINGS ATTENDANCE

Name	Total
Zamayedwa Sogayise (Chairperson)	11
Collette Caine	10
Kelebogile Mohajane	6
Kirti Menon	2
Shai Makgoba	11
Nathan Johnstone	5

NSFAS BOARD FINANCE COMMITTEE MEETINGS ATTENDANCE

Name	Total
Zamayedwa Sogayise (Chairperson)	5
Spencer Janari	4
Nathan Johnstone	6
Shai Makgoba	4
Kirti Menon	5

NSFAS AUDIT AND RISK COMMITTEE MEETINGS ATTENDANCE

Name	Total
Rob Dorrington	6
Nathan Johnstone	4
Shai Makgoba	6
Ntombizodwa Ndhlovu	6
Stephen Smith	5
Theuns Tredoux	5
Gavin Woods	4

NSFAS HUMAN RESOURCE AND REMUNERATION COMMITTEE MEETINGS ATTENDANCE

Name	Total
Sibongile Masinga	4
Dumisani Mathonsi	4
Thami Ncokwane	4
Zozo Siyengo	1

NSFAS BOARD ICT COMMITTEE MEETINGS ATTENDANCE

Name	Total
Tim Brown	2
Quenten Friday	2
Nathan Johnstone	2
Themba Mosia	0

REMUNERATION OF BOARD MEMBERS

	Salary or Fee R'000	Other	Total package 2013	Total package 2012
Meeting fees	216,00	-	216,00	304,00
Per diem allowance	-	-	-	52,00
Travel and accommodation	-	499,00	499,00	967,00
Exit strategy	-	1 451,00	1 451,00	101,00
	216,00	**1 950,00**	**2 166,00**	**1 424,00**

No remuneration was made for bonuses and performance related payments, retirement fund contributions and medical contributions.

The NSFAS Board was graded for remuneration purposes by the National Treasury Central Evaluation Committee, which recommended that remuneration be determined at Sub-category B1 of the Service benefit packages for office bearers of certain statutory and other institutions.

The approval of the Minister of Higher Education and Training, in concurrence with the Minister of Finance, for remuneration of Board members at this level with effect from 1 April 2011 was received on 29 March 2012.

5 COMPLIANCE WITH LAWS AND REGULATIONS

NSFAS is required to comply with the following laws and regulations

- the PFMA (Act 1 of 1999)
- NSFAS Act (Act 56 of 1999)
- National Credit (Act 34 of 2005)
- Treasury Regulations for departments, trading entities, constitutional institutions and public entities.

All the relevant legislation was considered and the entity was found to be in substantive compliance.

6 FRAUD AND CORRUPTION

NSFAS has a fraud prevention plan which has been approved by the Audit and Risk Committee of the Board. No cases of fraud or corruption have been reported or investigated.

7 MINIMISING CONFLICT OF INTEREST

In order to minimise conflict of interest in supply chain management, NSFAS adopted revised SCM policies and procedures. A new organisational structure to manage the SCM function was established and resourced during the year. We appointed an experienced SCM manager at a senior management level and have improved SCM compliance in monitoring and minimising any potential conflicts of interest. No cases of conflict of interest were identified.

8 CODE OF CONDUCT

NSFAS does not yet have a Code of Conduct or ethics but is in the process of developing the Code as part of its Transformation Programme. The Code will be in effect for the new financial year and will provide details of the process to be followed for a breach of the code of conduct.

9 HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

NSFAS occupies premises in Wynberg, Cape Town, which presented a health and safety risk to the entity in that they were inadequate for the number of personnel required to carry out the operations, and did not provide adequate sanitation facilities. The Board approved the acquisition of new head office premises and refurbished them in compliance with the relevant health, safety and environmental standards.

10 BOARD SECRETARY

NSFAS does not employ a company secretary as it is not required to lodge reports or returns in terms of the Companies Act. The post of Board Committee Officer, which serves as the secretariat of the Board and its committees, was created and filled during the year under review.

11 SOCIAL RESPONSIBILITY

NSFAS has not yet developed a social responsibility policy but intends to do so as part of its Transformation Programme, which is currently being designed and which will be implemented in the coming year.

12 AUDIT AND RISK COMMITTEE REPORT

1. The Audit and Risk Committee of the National Student Financial Aid Scheme (NSFAS) is pleased to present its report for the year ended 31 March 2013.

2. Terms of reference

The Audit and Risk Committee is an independent committee appointed by the Board of NSFAS. The Committee has adopted and complies with formal terms of reference that have been approved by the Board. The terms of reference are available on request.

The Audit and Risk Committee reports that it has complied with its responsibilities arising from section 51(1)(a) of the PFMA. Section 51(1)(a)(ii) of the PFMA states the following:

(a) The Accounting Authority must ensure that the public entity has and maintains:

(i) effective, efficient and transparent systems of financial and risk management and internal control;

(ii) a system of internal audit under the control and direction of an audit committee complying with and operating in accordance with regulations and instructions prescribed in terms of sections 76 and 77; and

(iii) an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective.

3. Membership, meeting attendance and assessment

In terms of the Public Finance Management Act No. 1 of 1999 (PFMA), the Committee must consist of at least three persons of whom,

(i) one must be from outside the public service;

(ii) the majority may not be persons in the employ of the department, except with the approval of the relevant treasury; and

(iii) the chairperson may not be in the employ of the department;

In terms of the PFMA, the Committee must meet at least twice a year. During the year under review, 8 meetings were held.

The Chairperson of the Board, Executive Officer, Chief Financial Officer, external auditors and other assurance providers (actuarial, legal, compliance, risk) attend meetings by invitation only.

The effectiveness of the Committee and its individual members are assessed on an annual basis. Mr Nathan Johnstone completed his term on the Board and subsequently resigned from the Committee. We are grateful for his diligent service and support. Mr Philip Benade, retired Chief Financial Officer of the then Department of Education, was appointed to the Committee in January 2013. His public sector knowledge and compliance skills further strengthen the Committee.

4. Governance

During the year, the Committee continually assesses the governance landscape of the entity. In line with its mandate, the Board embraces the principles of the King III Code. Relevant legislation under which the Board operates includes:

- Public Finance Management Act No. 1 of 1999
- National Student Financial Aid Scheme Act, 1999
- National Credit Act 34 of 2005
- Treasury Regulations for departments, trading entities, constitutional institutions and public entities

All the relevant legislation was considered and the entity was found to be in substantive compliance. Governance related reviews conducted by the internal auditors include Predetermined Objective performance, PFMA and Treasury Regulation compliance review, King III Maturity assessment, engagement with funders, a Board effectiveness review, an Audit Committee Effectiveness Review, a ethics and culture review via survey and a Declaration of Interest on the NSFAS website by Board members. All employees are in the process of having to make Declarations of Interest under supervision of the internal auditors.

Following the last audit by the Auditor-General, a detailed workshop was conducted by the Committee with the Board Exco, Finance Committee and management to ensure integration of issues across the entity's governance framework. Audit improvements were prioritised and agreed with management. Progress against these plans has been actively monitored by the internal auditors and the Committee. Significant policy framework progress has been made with the formulation and approval of IT policies and procedures, Supply Chain Management and Predetermined Objective Policies approved by the Board. A CIO has been appointed and the ICT function strengthened significantly through recruitment. The procurement function has been strengthened with the appointment of a senior manager.

A Human Resources and Remuneration Board Committee has been appointed by the Board, following the appointment of additional Board members. A full skills audit was conducted by KPMG during the year and the governance for appropriate equity and skilling now rests with this committee. The work of this committee should guide management following the findings by the Auditor-General on vacancies.

The Board ICT Committee operates within the principles of Chapter 5 of the King Report and ICT governance framework from COBIT. The Committee has adopted the use of the COBIT Governance Framework as the NSFAS ICT governance framework. The following additional policy frameworks were drafted and approved by the Board under recommendation of the ICT Committee:

001 ICT Governance Charter
002 ICT Governance Framework
003 ICT Policy Framework
004 ICT Risk Management Framework
005 ICT Service Level Agreements
006 ICT Service Desk Management
007 ICT Incident and Problem Management
008 ICT Change Control
009 ICT Configuration and Release Management Policy
010 ICT Capacity Management
011 ICT Availability Management and Service Continuity
012 ICT Disaster Recovery
013 ICT Security Management and Acceptable Use
014 ICT Information Management
015 ICT Vendor Management
016 ICT Project Management

The Transformation Steering Committee oversees the design and implementation of the revised operating model. This has included workshops with the Board to review and approve the proposed architecture as well as presentations to Parliament and the Executive Authority.

5. Financial statements and accounting practices

The Committee has reviewed the accounting policies and the financial statements of the entity and is satisfied that they are appropriate, comply with generally recognised accounting practice standards and fairly represent the affairs of NSFAS.

KPMG were appointed in 2011 to develop an actuarial valuation model to determine 'fair value' for loans in accordance with IAS 39 (GRAP 104). The finalisation of the methodology and assumptions were agreed with the external auditors before being applied last year and this has been repeated for 2012 and 2013. Actuarial refinements suggested by the Auditor-General in the 2012 audit have been made. We expect the adjustment to increase in future years as both the effects of improved credit management and the repeal of Section 23 of the NSFAS Act, effective December 2011, take effect.

6. Internal controls

The internal control system must provide reasonable assurance that the goals and objectives of NSFAS are achieved, including:

1. effective and efficient strategic and operational processes;
2. providing useful information to users;
3. ensuring compliance with laws and regulations;
4. safeguarding against loss, fraud, misuse and damage;
5. safeguarding the availability, confidentiality and integrity of the information systems.

The growth in awards from R441 million when the NSFAS Act was promulgated in 1999, to R7,7 billion in 2012/13 has necessitated a complete transformation of the operating systems of the entity. Following the Ministerial Review of NSFAS in 2010 and the consequent interventions which began in 2011, the Board, in concurrence with the Minister of Higher Education and Training, approved R98,2 million for the development of a student-centric operating model. Its accompanying infrastructure, implementation, as well as the formulation of policies, procedures and training to give effect thereto are included in the budget. The ethos of this model is not only vital to NSFAS's developmental mandate, but essential to the efficient funding and recovery of loan monies. The former remains a complaint by students, for which NSFAS is often blamed. However, the dependencies that NSFAS is exposed to in the distribution of funds limits its ability to have effective control over its mandate. The systems and resources to give effect to this were procured in the current year, after a detailed design phase. Management plan to have new loan management system operative in time for the 2014 academic year. Recruitment of 29 staff to fill positions in the new structure is in progress.

During the year the Committee has overseen a process by which internal audit performed various assessments of the effectiveness of the entity's system of internal control, including internal financial controls. This included a full Strategic and Business Risk Assessment, cyclical reviews on predetermined objectives, a compliance review, Supply Chain Management quarterly reviews and various ICT reviews. Extensive fieldwork at universities and FET colleges was conducted on a risk assessment basis.

While weaknesses in historic systems and controls still result in unsatisfactory internal audit findings, these will improve as the operating environment changes.

The Committee has reviewed the Auditor-General's management report and management's response thereto. We are of the opinion that the issues raised are correctly identified. The Committee has also met with the Auditor-General to ensure that there are no unresolved issues from the audit.

Despite the improvements still needed in the system of financial controls, the Committee is of the opinion that management has taken the necessary steps to ensure reliable reporting for 2013. Additional accounting and financial management staff have been employed to reduce the reliance on insourced staff in prior years. The Chief Financial Officer was promoted to the role of Executive Officer in February 2013. A new Chief Financial Officer is being recruited.

7. Risk Management

The system of enterprise risk management during the transition process must ensure that a comprehensive mapping and implementation of control activities to mitigate identified risks is in place. The Board has consequently approved a Risk Management Policy and the procurement of an external firm to assist with systematic and objective risk evaluation and monitoring during the transition period. A risk register for the entity is in force as prepared by the internal auditors, which includes an impact assessment and inherent risk metric. The

Audit and Risk Committee monitors and assesses risk for the entity.

8. Sustainability

The funding of the entity is principally dependent on grants from the Department of Higher Education and Training. While total awards grew from R5,96 billion (2011) to R7,71 billion for 2012, the larger share of FET College finance from R1,12 billion to R1,82 billion and loan to grant conversions for final year students has had an impact on the funding profile of the entity. Fair value and impairment adjustments to student loans were R1,71 billion. While most of the adjustment is required in terms of fair value accounting standards, R0,3 billion is due to the change in the interest rate policy effective 1 April 2011.

The repeal of Section 23 of the National Student Financial Aid Scheme Act 51 of 1999, on 14 December 2011, requires the entity to amend its credit collection policy and practices. Management has been obtaining consents from debtors, where previously Section 23 was relied on. A Credit Committee of the Board will be established and a credit collection policy implemented, with appropriate senior management.

9. Internal audit

In line with the requirements of the PFMA, the Committee is responsible for ensuring that the entity's internal audit function is independent and has the necessary resources, standing and authority within the entity to enable it to discharge its duties. Furthermore, the Committee oversees co-operation between the internal and external auditors, and serves as a link between the Board and these functions. The internal auditors, who were appointed in March 2010 for a three-year term as co-sourced audit partners, have performed extensive work in the year under review, guided by a risk-based auditing approach. The term of the contract has been extended by the Board for a further six months, after which it will be placed to open tender.

D Human Resource Management

1 HUMAN RESOURCE MANAGEMENT

1 INTRODUCTION

The Human Resources (HR) department has responsibility to ensure efficient and effective utilisation of NSFAS human resources and impacts within the following core HR services:

- Consultation and advice on HR to management and staff as appropriate
- Employee relations
- Remuneration and employee benefits administration
- Recruitment and selection of staff
- HR and organisation development.

The department interacts with others within NSFAS in order to consider capacity requirements on an ongoing basis. NSFAS has gone through some changes with implementation of its new operating model. This has impacted on the overall human capital, with a number of vacancies in senior management and in middle management, where additional positions were created.

2 HR PRIORITIES AND IMPACT

Some of the key strategies which received focus this year included:

1. Alignment of staff benefits and conditions of service with the provisions of the Department of Public Service and Administration, and the Public Service Co-ordinating Bargaining Council.
2. Implementation of a revised Performance Management framework for all staff, which includes performance contracts.
3. Development of an Employment Equity Plan and Employment Equity targets.
4. Review of the skills of all staff by means of a scientific competency assessment.
5. Drafting and approval of an Internship Policy. In addition, a first draft of a Succession Planning, Retention & Progression Policy was also reviewed. This will be finalised in the next financial year for approval by the Board.

The implementation of the above key focus areas had a significant impact on the organisation in that it set revised baselines for the HR department and the organisation as a whole.

As part of the strategy to manage NSFAS resources holistically, a policy framework is being developed to ensure that highly skilled individuals are attracted and retained. The first draft of the policy was submitted to the HR and Remuneration Committee of the Board in September 2012.

Employee performance management framework
NSFAS implemented a Performance Management framework in 2012 which saw the development of performance contracts for staff. These contracts are linked to the annual performance framework of the organisation. This year, the first comprehensive performance appraisals are being conducted based on the performance contracts or agreements for 2012/13.

HR oversight statistics
The organisation made use of staff in the approved structure, as well as additional staff required as part of implementation of the transformation programme. Variances in the offset between total posts, number of employees and total vacancies are due to utilisation of such staff in addition to the approved structure.

Personnel cost

Programme	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Administration	35 777 428,60	91%	137	234 810,58
Transformation	3 138 944,00	9%	13	241 457,23
Total	**38 916 372,60**	**100%**	**150**	**235 386,62**

Personnel cost by salary band

Level	Personnel Expenditure (R)	% of total personnel cost	No. of employees	Average personnel cost per employee (R)
Top Management	4 253 271,69	11.70%	6	688 441,00
Senior Management	5 002 167,22	13.76%	14	346 996,00
Professional qualified	2 542 443,73	6.99%	8	308 643,00
Skilled	8 996 013,02	24.74%	36	242 685,00
Semi-skilled	15 103 675,22	41.54%	97	151 219,00
Unskilled	458 625,11	1.26%	5	89 080,00
Total	**36 356 196,00**	**100%**	**166**	**212 699,00**

Provisions	2 560 176,60
	38 916 372,60

Training Costs

Directorate/ Business Unit	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	No. of employees trained	Avg training cost per employee
Executive Office	4 090 370,00	35 599,00	1.05%	4	8 899,00
Loans & Bursaries Department	9 829 277,00	49 764,00	0.05%	12	4 147,00
Customer Care Department	4 010 207,00	94 890,00	2.45%	15	6 326,00
Finance Department	7 806 130,54	104 397,00	1.47%	10	10 439,00
ICT Department	4 795 038,32	136 898,00	3.12%	8	17 112,00
Resources Management	2 686 229,00	48 780,00	1.38%	4	12 195,00
Transformation Programme	3 138 944,14	-	0%	-	-
Total	**36 356 196,00**	**470 328,00**	**1.29%**	**-**	**-**

Provisions	2 560 176,60
	38 916 372,60

Employment and vacancies

Programme	2011/2012 No. of Employees	2012/2013 Approved Posts	2012/2013 No. of Employees	2012/2013 Vacancies	% of vacancies
Administration	132	166	138	37	100
Transformation			12		
Total	**132**	**166**	**150**	**37**	**100**

Programme	2011/2012 No. of Employees	2012/2013 Approved Posts	2012/2013 No. of Employees	2012/2013 Vacancies	% of vacancies
Top Management	2	4	4	2	5
Senior Management	4	14	12	4	11
Professional qualified	3	5	8	1	3
Skilled	25	27	34	5	14
Semi-skilled	93	111	87	25	68
Unskilled	5	5	5	0	0
Total	**132**	**166**	**150**	**37**	**100**

The organisation utilised a number of staff members additional to the approved headcount, and these account for the variation between the approved posts, number of employees and vacancies. In addition, the high percentage indicated in the semi-skilled group accounts for seasonal employees' vacancies which are filled between May and December each year as part of a strategy to manage peak workloads within operations.

Various attempts were made during the past year to fill executive and senior management positions. These included open adverts in the media, sourcing via recruiters, as well as headhunting initiatives. Current vacancies in this category are receiving high priority as part of the recruitment and selection strategy.

Employment changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	2	4	2	4
Senior Management	4	10	2	12
Professional qualified	3	5	0	8
Skilled	25	11	2	34
Semi-skilled	93	9	14	88
Unskilled	5	-	0	-
Total	**132**	**39**	**20**	**150**

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	-	-
Resignation	15	75
Dismissal	-	-
Retirement	-	-
Ill health	-	-
Expiry of contract	5	25
Other	-	-
Total	**20**	**100**

Labour relations: Misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warnings	-
Written warnings	3
Final written warning	-
Dismissal	0
Total	**3**

Equity target and employment equity status

MALE								
Levels	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	2		-	-		1	1
Senior management	2	4	3	3	1	1	1	1
Professional/ middle management	2	3	3	3	-	1	-	-
Skilled	8	5	5	5	-		2	2
Semi-skilled	13	16	4	5	-	1	1	2
Unskilled	1	1			-	-	-	-
Total	**22**	**31**	**15**	**16**	**1**	**3**	**5**	**6**

FEMALE								
Levels	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	2			-		1	1
Senior management	1	3	2	2	-		2	2
Professional/ middle management	1	3	2	2	-	-	-	-
Skilled	8	8	13	13	-	-	3	3
Semi-skilled	37	37	30	30	1	1	1	1
Unskilled	-	-	4	4	-	-	-	-
Total	**48**	**53**	**51**	**51**	**1**	**1**	**7**	**7**

STAFF WITH DISABILITIES				
Levels	MALE		FEMALE	
	Current	Target	Current	Target
Top management	-	-	-	-
Senior management	-	-	-	-
Professional/middle management	-	-	-	-
Skilled	-	-	-	-
Semi-skilled	1	2	1	1
Unskilled	-		-	-
Total	**1**	**2**	**1**	**1**

E Financial Information

Since **1991,** NSFAS has awarded

R32,8 billion

in loans and bursaries

2012-2013

NSFAS **assisted**

382 943
students

NSFAS **issued**

460 623
loans and bursaries

For the year under review, NSFAS assisted 382 943 students with 460 623 loans and bursaries.

2013	**FUNDING RECEIVED** loans and bursaries	7 326 998 000
2013	**STUDENT LOAN RECOVERY** & interest reinjected	296 401 532
2013	**TOTAL LOANS & BURSARIES** before bursary conversion	7 710 870 823
2012	**NEW GRANTS** loans and bursaries	5 110 403 000
2012	**STUDENT LOAN RECOVERY** & interest reinjected	719 434 760
2012	**TOTAL LOANS & BURSARIES** before bursary conversion	5 965 550 653

2012	Universities	FET colleges	Agricultural colleges and other institutions
Rand value	5 871 489 880	1 822 497 265	16 883 677
Students	194 504	188 182	428

GENERAL INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	The nature of the activities of the entity is to provide financial assistance in the form of loans or bursaries to eligible students at public higher education institutions and further education and training (FET) colleges, to administer such loans and bursaries, and to recover the loans from the students once they are employed and earning in excess of R30 000 per annum.
NSFAS BOARD	Zamayedwa Sogayise (Chairperson) Tim Brown Rob Dorrington Spencer Janari Shai Makgoba Sibongile Masinga Dumisani Mathonsi Kirti Menon Kelebogile Mohajane Themba Mosia Ntombizodwa Ndhlovu Zozo Siyengo Stephen Smith
EXECUTIVE OFFICER	Nkosinathi Khena (appointed 1 December 2011- resigned 30 June 2012) Nathan Johnstone (seconded 1 August 2012 - 31 January 2013) Msulwa Daca (appointed 1 February 2013)
REGISTERED OFFICE	18 Court Road Wynberg, Cape Town 7801
BUSINESS ADDRESS	2nd Floor, House Vincent Wynberg Mews 10 Brodie Road Wynberg, Cape Town 7700
POSTAL ADDRESS	Private Bag X1 Plumstead, Cape Town 7800
AUDITORS	Auditor-General of South Africa
WEBSITE ADDRESS	www.nsfas.org.za

NATIONAL STUDENT FINANCIAL AID SCHEME

Established by NSFAS Act (Act 56 of 1999)

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013

The reports and statements set out below comprise the Annual Financial Statements presented to Parliament

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NSFAS BOARD'S APPROVAL AND STATEMENT OF RESPONSIBILITY

The NSFAS Board is required by the Public Finance Management Act (No. 1 of 1999) as amended, to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Board to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The Auditor-General is engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with standards of Generally Recognised Accounting Practice (GRAP). The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The NSFAS Board acknowledges that it is ultimately responsible for the system of internal financial control established by the entity and places considerable importance on maintaining a strong control environment. To enable the NSFAS Board to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Board is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against misstatement or deficit.

The Board has reviewed the entity's cash flow forecast for the year to 31 March 2014 and, in the light of this review and the current financial position, it is satisfied that the entity has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

The entity is dependent on the Department of Higher Education and Training for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the Department of Higher Education and Training has neither the intention nor the need to liquidate or materially curtail the scale of the entity.

Although the Board is primarily responsible for the financial affairs of the entity, it is supported by the entity's internal audit function for assessing the adequacy of controls. The Auditor-General is responsible for independently reviewing and reporting on the entity's annual financial statements.

The annual financial statements set out on pages 69 to 124, which have been prepared on the going concern basis, were approved by the Board on 15 August 2013 and were signed on its behalf by:

Zamayedwa Sogayise
Chairperson
Cape Town
15 August 2013

Msulwa Daca
Executive Director

1 AUDITOR-GENERAL'S REPORT

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE NATIONAL STUDENT FINANCIAL AID SCHEME

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the National Student Financial Aid Scheme set out on pages 63 to 124, which comprise the statement of financial position as at 31 March 2013, the statement of financial performance, statement of changes in net assets, the cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the National Student Financial Aid Scheme Act of South Africa, 1999 (Act No. 56 of 1999) (NSFASA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. 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 judgement, 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Student Financial Aid Scheme as at 31 March 2013, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the PFMA and NSFASA.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

8. As disclosed in note 2 to the annual financial statements, the corresponding figures for 31 March 2012 have been restated as a result of an error discovered during the 2012-13 financial year in the financial statements of the National Student Financial Aid Scheme at, and for the year ended, 31 March 2013.

Significant uncertainty relating to recoveries by institutions

9. With reference to note 29 to the financial statements, the entity has entered into agreements with various donors and educational institutions to fund students. This arrangement has resulted in a contingent liability of R76,7 million being disclosed in the financial statements.

Material fair value and impairment adjustments

10. As disclosed in note 8 to the financial statements, the public entity had student loans receivable with a nominal value of R15,8 billion as at 31 March 2013, which are reflected in the financial statements at R7,64 billion, after cumulative fair value and impairment adjustments of R8,16 billion.

Additional matters

11. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited supplementary schedules

12. The supplementary information set out on pages 125 to 127 does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion thereon.

Corporate governance

13. As disclosed in the report of the Board members on page 71 of the annual report, the chairperson of the Board and one other Board member were requested by the executive authority to assist the entity with the transition to a normal governance regime following the turnaround strategy undertaken in the 2011-12 financial year. This assistance was for the period 1 April 2012 to 31 March 2013.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

14. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

15. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report against predetermined objectives as set out on pages 12 to 42 of the annual report.

16. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability for the strategic objectives selected for auditing. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned selected strategic objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information.*

17. The reliability of the information in respect of the selected strategic objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

18. There were no material findings on the annual performance report against predetermined objectives concerning the usefulness and reliability of the information.

Additional matter

19. Although no material findings concerning the usefulness and reliability of the performance information were identified in the annual performance report against predetermined objectives, I draw attention to the following matter below.

Achievement of planned targets

20. Of the total number of 17 targets planned for the year, 13 targets were not fully achieved during the year under review. This represents 76% of total planned targets that were not achieved during the year under review. For further details on the extent and reasons for deviations between planned targets and actual performance refer to reasons documented on pages 16 - 41 of the annual performance report.

Compliance with laws and regulations

21. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the general notice issued in terms of the PAA are as follows:

Annual financial statements, performance and annual reports

22. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the PFMA. Material misstatements of non-current assets, revenue and expenditure and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

23. Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1.

Expenditure management

24. The accounting authority did not take effective steps to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA.

Internal control

25. I considered internal control relevant to my audit of the financial statements, annual performance report against predetermined objectives and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on compliance with laws and regulations included in this report.

Leadership

26. Leadership did not exercise sufficient oversight responsibility regarding compliance with laws and regulations relating to supply chain management and the related controls to prevent irregular expenditure, as actions committed to by management to address the internal control deficiencies reported in the prior year were not adequately implemented, which resulted in the entity incurring irregular expenditure in the current year.

Financial management

27. Management did not adequately monitor compliance with laws and regulations relating to supply chain management as committed to in the prior year audit, and as a result deviations from obtaining the requisite number of quotes for goods and services procured were not adequately documented.

28. Management did not implement adequate processes to ensure that credible financial statements in compliance with the reporting framework are prepared, as the internal review procedures were inadequate to identify and correct material misstatements in the financial statements before being submitted for audit.

OTHER REPORTS

Agreed-upon procedures engagements

29. An agreed-upon procedures engagement was completed in respect of the utilisation of funds received from various donors for student loans/ bursaries during the year. There were no findings reported.

30. An agreed-upon procedures engagement was completed in respect of the Form 40 Annual Financial Statement Return to the National Credit Regulator during the year. There were no findings reported.

Assurance engagement

31. An assurance engagement was completed in terms of Regulation 68 of the Regulations to the National Credit Act 2005 (Act no. 34 of 2005) (NCA) during the year. There were two findings reported as non-compliance with the NCA.

Auditor-General

Cape Town

15 August 2013

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

REPORT OF THE BOARD MEMBERS

The NSFAS Board submits its report for the year ended 31 March 2013.

1. GENERAL REVIEW

Main business and operations

The National Student Financial Aid Scheme is a statutory entity acting in terms of the National Student Financial Aid Scheme Act (No. 56 of 1999) as amended.

The activities of the Scheme for the accounting period under review are clearly reflected in the attached financial statements. The results are summarised below.

Results	2013	2012
New grants for student loans and bursaries*	7 326 998 000	5 110 403 000
Student loan recovery and interest reinjected	296 401 532	719 434 760
Total loans and bursaries awarded before bursary conversion	7 710 870 823	5 965 550 653
Operational expenses	(101 758 000)	(72 838 000)
Administration expenses to awards ratio	1,32%	1,22%
University bursaries**	3 118 514 924	2 521 348 000
FET Colleges 100% bursaries***	1 807 927 076	1 101 638 000
Percentage of courses passed****	75,78%	75,71%

* During the year under review grants were received from the South African Government via the Department of Higher Education and Training, the Department of Basic Education, the Department of Agriculture Forestry and Fisheries, the National Skills Fund, the Department of Social Development, the Eastern Cape Provincial Government, the Bank SETA, the Media Information and Communication Technology SETA, the Wholesale and Retail SETA and various other donors.

** Final Year Programme loans are converted to a 100% bursary if the student meets the academic requirements for graduation. Up to 40% of all other loans may be converted to a bursary based on academic performance. Certain funding categories provide 100% bursaries for university students.

*** Bursaries awarded to FET college students less credit balances returned to NSFAS.

**** This is not an indication of the graduation rate for NSFAS beneficiaries, but of the number of courses/modules passed.

2. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

REPORT OF THE BOARD MEMBERS

3. BOARD

The members of the Board during the year and to the date of this report are as follows:

Zamayedwa Sogayise (Chairperson)	Appointed	15 December 2010	
Tim Brown	Co-opted	1 March 2013	
Collette Caine	Co-opted	15 December 2010	- Resigned 31 January 2013
Rob Dorrington	Appointed	24 June 2011	
Spencer Janari	Appointed	30 January 2007	
Nathan Johnstone	Appointed	1 July 2008	- 30 June 2012 (Term ended)
Shai Makgoba	Appointed	15 July 2011	
Sibongile Masinga	Appointed	24 June 2011	
Dumisani Mathonsi	Appointed	24 June 2011	
Kirti Menon	Co-opted	28 July 2011	
Kelebogile Mohajane	Appointed	24 June 2011	
Themba Mosia	Appointed	24 June 2011	
Thami Ncokwane	Appointed	1 July 2008	- 30 June 2012 (Term ended)
Ntombizodwa Ndhlovu	Appointed	24 June 2011	
Floyd Shivambu	Appointed	1 July 2008	- 30 June 2012 (Term ended)
Zozo Siyengo	Appointed	24 June 2011	
Stephen Smith	Co-opted	15 December 2010	
Nkosinathi Khena (Executive Officer)	Resigned	30 June 2012	
Nathan Johnstone (Executive Officer - Acting)	Appointed	1 August 2012	- 31 January 2013
Msulwa Daca (Executive Officer)	Appointed	1 February 2013	

REPORT OF THE BOARD MEMBERS

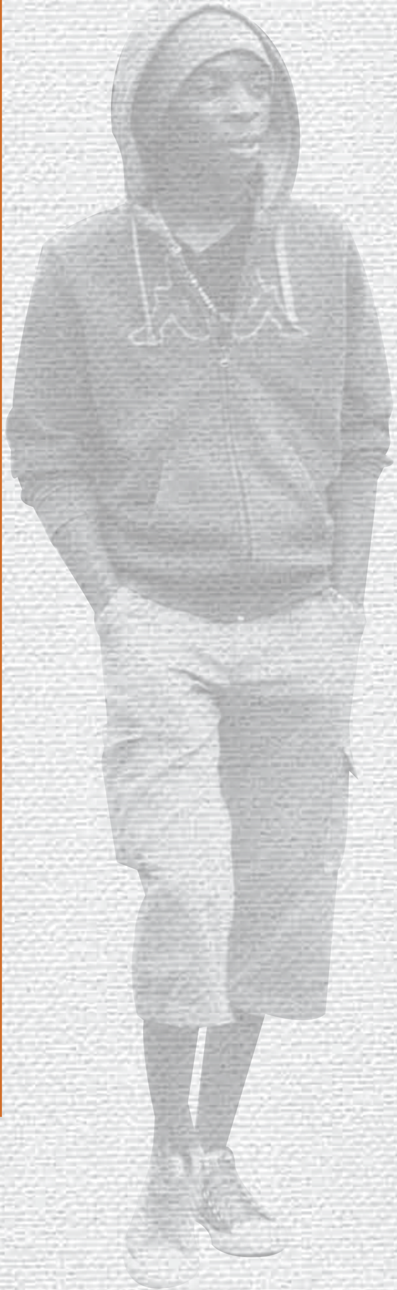
4. CORPORATE GOVERNANCE

The Board exercises effective control over the entity, its plans and strategy, acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity in accordance with the NSFAS Act as amended.

In order to ensure the effective exercise of its functions in terms of the Act, the Board has established committees comprising Board members as well as co-opted experts who are not members of the Board, where required. The Executive Committee and Finance Committee are established in terms of NSFAS Act as amended. The Audit and Risk Committee is established in terms of the Public Finance Management Act, as amended. The Board has also established a Human Resources and Remuneration Committee and an Information and Communication Technology Committee. Meetings of Board committees are held in accordance with approved terms of reference.

During the year under review, the Chairperson and one other Board member were requested by the Executive Authority to make themselves available beyond that required in the ordinary course of Board commitments to assist with the transition to a normal governance regime following the turnaround strategy undertaken during the prior year. The involvement of the designated members in the "Exit Strategy" was for the period 1 April 2012 to 31 March 2013 with NSFAS being responsible for their remuneration and operational expenses.

The Minister of Higher Education and Training appointed three Board members, after the end of the financial year, to fill vacancies that arose from the terms of office of three members ending on 30 June 2012.



REPORT OF THE BOARD MEMBERS

5. BOARD EXPENSES, EXECUTIVE AND SENIOR MANAGERS' EMOLUMENTS

(expressed in R'000)

5.1. Board Expenses

	Salary or Fee	Bonuses and performance related payments	Retirement Fund contributions	Medical contributions	Other	Total package 2013	Total package 2012
Meeting fees	216	-	-	-	-	216	304
Per diem allowances	-	-	-	-	-	-	52
Travel and accommodation	-	-	-	-	499	499	967
Exit strategy *	-	-	-	-	1 451	1 451	101
	216	**-**	**-**	**-**	**1 950**	**2 166**	**1 424**

*Expenses for the Exit strategy comprise the following:

Exit strategy Remuneration	Cell phone	Travel and Accommodation	Total
R953 700	R 61 825	R435 910	R 1 451 441

5.2. Executive Managers

Executive Officer*	494	-	48	4	5	551	98
Executive Officer**	510	-	-	-	6	516	498
Executive Officer***	204	-	30	4	2	240	-
Chief Financial Officer****	1 009	-	150	19	11	1 189	21
Chief Financial Officer*****	81	-	12	3	47	143	940
Chief Financial Officer	-	-	-	-	-	-	349
Chief Information Officer******	188	-	23	9	2	222	145
	2 486	**-**	**263**	**39**	**73**	**2 861**	**2 051**

REPORT OF THE BOARD MEMBERS

5.3. Senior Managers

	Salary or Fee	Bonuses and performance related payments	Retirement Fund contributions	Medical contributions	Other	Total package 2013	Total package 2012
Manager: Information Technology*******	400	-	-	-	-	400	765
Manager: Information Technology ********	357	5	36	-	5	403	-
Manager: Human Resources and Administration	431	50	-	46	20	547	-
Manager: Communications	-	-	-	-	-	-	967
Manager: Legal and Governance	-	-	-	-	-	-	167
Manager: Loans and Bursaries	348	29	-	53	88	518	434
	1 536	**84**	**36**	**99**	**113**	**1 868**	**2 333**

*	Nkosinathi Khena	Resigned	30 June 2012
**	Nathan Johnstone	Acting	1 August 2012 - 31 January 2013
***	Msulwa Daca	Appointed	1 February 2013
****	Msulwa Daca	Appointed	1 January 2012 - 31 January 2013 (Accounting officer 1 July 2012 to 31 July 2012)
*****	Eugene Johannes	Acting	1 February 2013
******	Xolisa Peter	Appointed	1 January 2013
*******	Gregg Scaife	Resigned	31 July 2012
********	Arno Esterhuizen	Appointed	13 August 2012

REPORT OF THE BOARD MEMBERS

6. EFFECTIVENESS OF INTERNAL CONTROLS

Based on the results of the formally documented review of the entity's system of internal financial controls conducted by the internal audit function during the 2012/2013 year, the Audit and Risk Committee's consideration of information and explanations given by management, the Board is of the opinion that the entity's system of internal controls forms a sound basis for the preparation of reliable financial statements. The Board's opinion is supported by the Audit and Risk Committee.

7. NATURE OF ACTIVITIES

NSFAS is mandated to provide financial assistance in the form of loans and bursaries to eligible students at public higher education institutions. Eligible students are students who do not have the financial means to fund their studies and/or cannot access commercial bank funding, study loans or bursaries. NSFAS also disburses bursaries to students at further education and training (FET) colleges. The activities include administration of student loans and bursaries and the recovery of loans from students once they are employed and earning in excess of R30 000 per annum. Up to 40% of a student loan award can be converted into a bursary dependent upon the number of courses a student passes. From the 2011 academic year, students who qualified for DHET Final Year Programme funding have 100% of their loan converted to a bursary where the requirements for graduation have been met.

Student loans are granted to individual students after an application has been submitted to NSFAS by the university at which the student is registered. The repayment of student loans is dependent upon the employment and income level of the debtor. For the year under review, the NSFAS interest rate on student loans was pegged at 80% of the Repo rate, as at 1 April 2012, and was fixed for the year at 4,4%. This is consistent with the way in which the interest rate was determined in the prior year. The rate at which interest is charged on student loans and non-market repayment terms contributes to the material losses recorded as impairment losses and social benefit component on the valuation of the loan book.

Full bursaries are earmarked for, amongst others, scarce skills and may carry conditions specified by different donors, mainly national government departments. Some of these bursaries may become repayable if the conditions are not fulfilled by the beneficiaries.

8. MODIFICATIONS OF LOAN TERMS

In May 2011, the Minister of Higher Education and Training changed the terms of the student loans for all students who were still studying on and after 1 April 2011. For students registered for full-time studies as at 1 April 2011, interest would only be charged on existing and new loans 12 months after their exit date from the higher education system. For students registering for full-time studies after 1 April 2011, interest would only be charged on new loans 12 months after their exit date. Previously, contractual interest was accrued from the effective date of the loan, which was 1 April of each year, except for certain loans issued in 1998 which only accrued interest from October that year.

The effect of the modification on the financial statements for the prior year was that all previously calculated contractual interest on loans for students as at 1 April 2011 had decreased the debtors loan book by R570 844 016. The decrease in debtors loan book resulted in a decrease in the prior year surplus which was reflected in the statement of financial performance.

9. PRIOR PERIOD ERROR

Student loans

As part of the audit process a matter was identified with respect to the valuation of the student loan book that required the valuations of the prior two years to be re-performed. The methodology change relates to the treatment of changes in the South African Reserve Bank Repurchase (Repo) rate as applied in the valuation. The combination of the complexity of the IAS 39 and GRAP 104 standards and the uniqueness of the NSFAS loans resulted in the prior methodology being applied and

REPORT OF THE BOARD MEMBERS

audited before this matter was identified in the current year.

The interest rate charged on the student loans is adjusted at 1 April each year if there has been a change in the Repo rate. Previously the original effective interest rate had been applied to measure the student loans subsequent to initial recognition instead of revising the effective interest rate each time there is a change in the Repo rate.

The net effect of the correction of the prior period error is an increase in the carrying amount of the student loan book and a corresponding increase in the accumulated surplus due to the revised rates currently being lower than the original effective interest rate previously used. Comparative figures have been restated as a result of the correction of the error.

10. STUDENT AWARDS AND REPAYMENTS

ACADEMIC YEARS						
		2012		2011		To date
Student awards by institution category	Rand value	Number of students*	Rand value	Number of students*	Rand value	Number of students*
Universities	5 871 489 880	194 504	4 833 866 379	216 874	28 882 029 870	978 361
FET colleges	1 822 497 265	188 182	1 116 590 548	114 968	3 840 346 196	391 393
Other institutions**	16 883 677	428	15 093 726	345	121 487 465	386 496
	7 710 870 823	**-**	**5 965 550 653**	**-**	**32 843 863 532**	**1 756 250**

FINANCIAL YEARS			
Repayments	**2013**	**2012**	**1992 - 2013**
Loan recoveries ***	712 800 993	689 448 082	5 279 570 822
Less Credit Balances ****	(173 294 375)	(150 669 259)	(903 943 172)
Repayments	**539 506 618**	**538 778 823**	**4 375 627 650**

Since its inception in 1991, the entity has awarded approximately R32,8 billion to students (2012: R25,1 billion) in loans and bursaries. For the year under review, NSFAS assisted 382 943 students with 460 623 awards. Loan repayments, excluding donor settlements and credit balances on fee accounts, were at a monthly average of R37 million (2012: R45 million).

* Students are allowed to register at more than one institution in the same year.
** These are awards designated by certain funders for students/learners at specific agricultural colleges and/or schools, the National Institute for Higher Education, and other colleges.
*** Includes debtors settlements by donors of R95,2 million.
**** Credit balances on student fee accounts returned by institutions are processed as the first repayment to reduce the original loan amount.

REPORT OF THE BOARD MEMBERS

STUDENT AWARDS BY FUNDING CATEGORY

ACADEMIC YEARS		2012		2011
	Rand value	Number of students*	Rand value	Number of students*
Department of Higher Education and Training (DHET)				
General allocation	2 534 320 355	99 938	2 422 959 153	126 557
Final Year Programme	1 084 588 823	29 203	851 309 391	28 464
Teacher allocation	113 971 186	4 198	104 913 449	5 099
Students with Disabilities	44 531 539	1 176	32 849 021	1 104
Historic debt relief	-	-	52 475 367	3 521
National Skills Fund	858 443 434	38 987	509 553 182	54 491
SAICA partnership - Thuthuka Fund	32 377 605	807	29 164 149	837
FETC Bursaries	1 806 418 772	186 903	1 116 590 548	165 274
Department of Basic Education (DBE)				
Funza Lushaka teacher bursaries	666 782 495	11 702	442 846 392	8 893
SETAs	56 518 088	3 071	-	-
Other funding categories	512 918 525	26 946	402 890 001	26 467
	7 710 870 823	**-**	**5 965 550 653**	**-**

*Students may be funded from more than one funding category.

STATEMENT OF FINANCIAL POSITION

Figures in Rand thousand	Note(s)	2013	Restated 2012
Assets			
Current Assets			
Investments	5	186 410	444 706
Trade and other receivables (non-exchange)	6	1 678	380
Prepayments to institutions (non-exchange)	7	797 310	236 249
Student loans (exchange)	8	619 767	983 179
Amounts owing by institutions (non-exchange)	9	221 941	149 029
Cash and cash equivalents	10	433 608	855 638
		2 260 714	**2 669 181**
Non-Current Assets			
Property, plant and equipment	3	8 124	8 002
Intangible assets	4	15 551	6 654
Investments	5	-	55 056
Student loans (exchange)	8	7 021 056	5 756 247
		7 044 731	**5 815 959**
Non-Current Assets		7 044 731	5 815 959
Current Assets		2 260 714	2 669 181
Total Assets		**9 305 445**	**8 485 140**
Liabilities			
Current Liabilities			
Trade and other payables (exchange)	14	28 468	20 566
Provisions	11	61 534	72 923
Amounts due to institutions (non-exchange)	12	1 618	156
Deferred income	13	248 864	799 586
		340 484	**893 231**
Current Liabilities		340 484	893 231
Total Liabilities		**340 484**	**893 231**
Assets		9 305 445	8 485 140
Liabilities		(340 484)	(893 231)
Net Assets		**8 964 961**	**7 591 909**
Net Assets			
Capital Fund		8 964 961	7 591 909

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand thousand	Note(s)	2013	Restated 2012
Revenue			
Administration grants (non-exchange)	15	82 925	77 384
Administration fees (non-exchange)	15	17 324	2 537
Grants received for student awards (non-exchange)	16	7 326 998	5 110 403
Interest revenue (exchange)	25	678 087	524 249
Unallocated debtors receipts (non-exchange)	24	16	54
Other Income (exchange)		124	14
Total Revenue		**8 105 474**	**5 714 641**
Expenditure			
Personnel costs (exchange)	17	(38 917)	(28 730)
Asset management fees (exchange)	18 & 25	(585)	(880)
Recoveries and unspent grants paid (non-exchange)	39	(147)	(4 036)
Depreciation and amortisation	3 & 4	(4 539)	(2 078)
Irrecoverable debts written off (non-exchange)	19 & 34	(1 584)	(4 354)
Movement in provision	11	11 382	(9 730)
Transfer to Fundisa Fund		(20 000)	-
Bursaries - Other funding sources (non-exchange)		(3 134 579)	(2 521 348)
Bursaries - DHET FET Colleges funding source (non-exchange)		(1 791 863)	(1 101 638)
General Expenses (exchange)		(23 555)	(23 094)
Consulting and professional fees (exchange)	26	(23 257)	(4 869)
Broader communications strategy (exchange)		(886)	(1 520)
Postage (exchange)		(1 666)	(3 396)
Audit fees (exchange)	21	(8 938)	(9 151)
Total Expenditure		**(5 039 134)**	**(3 714 824)**
Loss on disposal of assets		-	(4)
Social benefit component on student loans issued (non-exchange)	8	(1 388 978)	(1 255 778)
Impairment reversal/(loss) (non-exchange)	8 & 32	(330 537)	599 360
Model adjustments (non-exchange)	8 & 32	28 080	138 084
Realised profit/(loss) on funds invested		(111)	334
Modification of loan terms (non-exchange)	8 & 32	-	(570 844)
Fair value gain/(loss) on investments		(1 742)	(972)
Finance costs (exchange)	20	-	(2)
Revenue		8 105 474	5 714 641
Expenditure		(5 039 134)	(3 714 824)
Other		(1 693 288)	(1 089 822)
Surplus for the year	38	**1 373 052**	**909 995**

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand thousand	Fair value adjustment reserve	Capital fund	Total reserves	Accumulated surplus/(deficit)	Total net assets
Opening balance as previously reported	4 464	5 936 271	5 940 735	-	5 940 735
Prior period error correction (refer to note 2)	-	741 179	741 179	-	741 179
Change in accounting policy (refer to note 33)	(4 464)	4 464	-	-	-
Balance at 01 April 2011 as restated	**-**	**6 681 914**	**6 681 914**	**-**	**6 681 914**
Changes in net assets					
Surplus for the year	-	-	-	909 995	909 995
Transfer to Capital Fund	-	909 995	909 995	(909 995)	-
Net income (losses) recognised directly in net assets	-	909 995	909 995	-	909 995
Total changes	-	909 995	909 995	-	909 995
Balance at 01 April 2012	**-**	**7 591 909**	**7 591 909**	**-**	**7 591 909**
Changes in net assets					
Surplus for the year	-	-	-	1 373 052	1 373 052
Transfer to Capital Fund	-	1 373 052	1 373 052	(1 373 052)	-
Total changes	-	1 373 052	1 373 052	-	1 373 052
Balance at 31 March 2013	**-**	**8 964 961**	**8 964 961**	**-**	**8 964 961**
Note				38	

STATEMENT OF CASH FLOWS

Figures in Rand thousand	Note(s)	2013	Restated 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Grants for capital fund and administration costs		6 876 648	5 824 621
Student loan repayments - capital		422 809	538 749
		7 299 457	**6 363 370**
Payments			
For student awards		(7 503 477)	(5 820 719)
To employees and suppliers		(112 934)	(62 255)
Amounts due (from)/to institutions		(538 416)	-
Refunds and recoveries paid		-	(18 667)
		(8 154 827)	(5 901 641)
Total receipts		7 299 457	6 363 370
Total payments		(8 154 827)	(5 901 641)
Net cash flows from operating activities	22	**(855 370)**	**461 729**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	(2 264)	(998)
Purchase of other intangible assets	4	(11 298)	(2 900)
Net movement in financial assets		311 500	77 987
Interest Income		135 402	107 055
Net cash flows from investing activities		**433 340**	**181 144**
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance costs		-	(2)
Net increase/(decrease) in cash and cash equivalents		**(422 030)**	**642 871**
Cash and cash equivalents at the beginning of the year		855 638	212 767
Cash and cash equivalents at the end of the year	10	**433 608**	**855 638**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Figures in Rand thousand	Note(s)	Actuals	Approved budget	Final budget	Variance: Final budget and actual amounts	Variance
STATEMENT OF FINANCIAL PERFORMANCE						
Revenue						
Administration grants (non-exchange)		82 925	81 954	88 773	5 848	6.59%
Administration fees (non-exchange)	36.1	17 324	-	500	-16 824	-3364.80%
Grants received for student awards (non-exchange)		7 326 998	6 619 082	7 357 070	30 072	0.41%
Interest revenue (exchange)		678 087	655 738	655 738	-22 349	-3.41%
Unallocated Debtors Receipts (non-exchange)		16	-	-	-16	
Other Income (exchange)		124	-	-	-124	
Total revenue		**8 105 474**	**7 356 774**	**8 102 081**	**-3 393**	**-0.04%**
STATEMENT OF FINANCIAL PERFORMANCE						
Expenditure						
Personnel costs (exchange)		-38 917	-35 920	-39 656	-739	1.86%
Asset management fees (exchange)		-585	-	-	585	
Recoveries paid (non-exchange)		-147	-	-	147	
Depreciation and amortisation		-4 539	-3 845	-4 435	104	-2.34%
Irrecoverable debts written off (non-exchange)		-1 584	-	-	1 584	
Movement in provision		11 382	-	-	-11 382	
Transfer to Fundisa Fund		-20 000	-	-	20 000	
Bursaries - Other funding sources (non-exchange)	36.2	-3 134 579	-3 122 873	-3 726 767	-592 188	15.89%
Bursaries - DHET FET Colleges funding source (non-exchange)		-1 791 863	-1 734 834	-1 734 834	57 029	-3.29%
General Expenses (exchange)		-23 555	-22 079	-24 585	-1 030	4.19%
Consulting and professional fees (exchange)	36.3	-23 257	-3 800	-14 988	8 269	-55.17%
Broader communications strategy (exchange)		-886	-8 239	-998	-112	11.22%
Postage (exchange)		-1 666	-3 701	-1 536	130	-8.48%
Audit fees (exchange)		-8 938	-6 000	-8 938	0	-0.01%
Total expenditure		**-5 039 134**	**- 4 941 291**	**-5 556 736**	**517 602**	**-9.31%**
Surplus for the year		**3 066 340**	**2 415 482**	**2 545 345**	**-520 995**	**-20.47%**

NSFAS does not budget for a surplus. The R2 415 482 shown as a surplus in the original budget and the R2 545 345 shown in the final budget largely relate to the loan portion of student awards.

ACCOUNTING POLICIES

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The National Student Financial Aid Scheme is a statutory body established by the National Student Financial Aid Scheme Act (Act 56 of 1999) as amended, and is listed as a Schedule 3A public entity in terms of the Public Finance Management Act (Act 1 of 1999) as amended. The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention except for available-for-sale financial instruments measured at fair value and unless specified otherwise. They are presented in South African Rand and prepared on the going concern basis.

Except for the adoption of all new and revised standards effective at reporting date, accounting policies have been consistently applied and are set out below.

1.1 BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with the Public Finance Management Act (Act 1 of 1999) as amended.

The cash flow statement has been prepared in accordance with the direct method. The amount and nature of any restrictions on cash balances are disclosed.

GRAP Standards issued but not yet effective

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the entity:

GRAP 18 Segment Reporting

This Standard requires additional disclosures on the various segments of the business in a manner that is consistent with the information reported internally to the management of the entity. This standard does not yet have an effective date.

GRAP 20 Related Party Disclosure

The objective of this Standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. Preliminary investigations indicate that the impact on the financial statements will be minimal.

GRAP 25 Employee Benefits

This Standard prescribes similar requirements to those in terms of IAS 19: Employee Benefits. Since IAS 19 has been applied in developing the current accounting policy, and since there are no post-employment benefits, no significant impact on the financial statements of the entity is expected. This standard does not yet have an effective date.

GRAP 105 Transfer of Functions Between Entities Under Common Control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. No significant impact is expected as the entity does not participate in such business transactions.

GRAP 106 Transfers of Functions Between Entities Not Under Common Control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. No significant impact is expected as the entity does not participate in such business transactions.

GRAP 107 Mergers

The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger. No significant impact is expected as the entity does not participate in such business transactions.

Standards not applicable to the entity include:

GRAP 18 Segment Reporting (not required by Accounting Standards Board).

GRAP 103 Heritage Assets (NSFAS does not hold any heritage assets).

All the above standards, where applicable, will be complied with in the financial statements once the effective date has been set.

Adoption of new and revised standards

In the current year the Entity has adopted all new and revised standards and interpretations issued by the Accounting Standards Board (ASB) that are relevant to its operations, and effective. The adoption of these new and revised standards and interpretations has resulted in changes to the accounting policies.

A number of new standards are effective for the year ended 31 March 2013, and are presented below:

Annual periods commencing on or after 1 April 2012

GRAP 21	**Impairment of non-cash-generating assets**
GRAP 23	**Revenue from non-exchange transactions (taxes and transfers)**
GRAP 24	**Presentation of budget information**
GRAP 26	**Impairment of cash-generating assets**
GRAP 103	**Heritage assets**
GRAP 104	**Financial instruments**

1.2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the annual financial statements, management is required to make judgements, estimates and assumptions that affect the amounts presented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that may have a significant risk of resulting in a material adjustment within the next financial year include:

Initial recognition of student loans at fair value

Student loans are recognised initially at fair value plus any directly attributable transaction costs.

Market and client specific actuarial assumptions are used in the estimate of the fair value of the student loans at initial recognition.

Subsequent to initial recognition, student loans are measured at amortised cost using the effective interest method, less any impairment allowances.

NSFAS has been granting loans since 1991 and therefore has a detailed repayment profile for its debtor database in terms of historic loss experience.

The following parameters have been applied effective 1991:

- Transition from being a registered student to graduation or exit does not exceed 10 years.
- Period to first repayment is based on a 15-year analysis of commencement of repayment by students. Graduates and students who exited for other reasons are assessed independently.
- The cash flow or repayment profile is calculated as a percentage of the outstanding balance at each month.
- The interest rate used to discount the projected cash flows is referenced to long term government bond yields as a proxy for the risk free rate.
- The mortality of borrowers has been included in forecasting the cash-flow profile of the loans.
- Assumptions regarding future mortality experience in South Africa are set, based on published South African actuarial information.
- Although the entity does write off loans in the event of permanent disability, this has not been included in the model. The effect was not considered material.

Deferred Income

The entity has a number of fund administration agreements with donors. The entity believes that the transferor could enforce a requirement to return the asset or unspent monies in the event that the funds are not used for the intended purposes. The entity also believes that the transferor would enforce the stipulation in the agreements in the event of a breach. The stipulations in the agreement therefore meet the definition of a condition.

Contingent Liabilities

The entity has a number of fund administration agreements with donors which include the under-mentioned clause:

"The entity will retain all funds recovered from all institution borrowers from time to time, in order to re-lend these funds to further institution borrowers selected by the institution from time to time in the manner contemplated in the agreement, or to refund the funds to the institution at the request of the institution."

The entity believes that the recovered funds should as a result of the above clause be treated as a contingent liability.

Budget Information

Variances between budget and actual amounts are regarded as material when a 15% difference exists. All material differences are explained in the notes to the annual financial statements.

1.3 PROPERTY, PLANT AND EQUIPMENT

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be reliably measured.

Property, plant and equipment is initially measured at cost or its fair value where acquired at no or nominal cost.

Cost includes costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the assets are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, it is regarded as repairs and maintenance, and is expensed. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment, except for land, is depreciated on the straight line basis over its expected useful life to its estimated residual value. Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where appropriate, the term of the relevant lease, and are recognised in the Statement of Financial Performance.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Buildings	50 years
Furniture and equipment	5 years
Motor vehicles	5 years
IT equipment	3 years

All NSFAS property, plant and equipment are considered to be non-cash-generating assets.

The carrying amounts of assets are reviewed at each reporting date to determine whether there is an indication of impairment. If there is an indication that an asset may be impaired, its recoverable service amount is estimated. The estimated recoverable service amount is the higher of the asset's fair value less cost to sell and its value in use. When the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. The reduction is an impairment loss.

The impairment loss is recognised immediately in the Statement of Financial Performance. After the recognition of an impairment loss, the depreciation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value if any, on a systematic basis over its remaining useful life.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in the prior periods.

The residual value and the useful life of each asset, where significant, are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 INTANGIBLE ASSETS

An intangible asset is identified when:

- it is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- it arises from contractual rights or other legal rights, except for rights arising from legislation, regardless whether those rights are transferable or separate from the entity or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are carried at cost or its fair value where acquired at no or nominal cost less any accumulated amortisation and any impairment losses.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software, internally generated	3 years
Computer software, other	3 years

Intangible assets are considered to have finite useful lives. The depreciable amount of an intangible asset with a finite useful life is allocated on a systematic basis over its useful life. Amortisation begins when the asset is available for use and ceases at the earlier of the date that the asset is classified as held for sale, or included in a disposal group that is classified as held for sale, and the date that the asset is derecognised.

Computer software

Expenditure on internally developed software is recognised as an asset when the entity is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life.

Internally developed software is stated at capitalised cost less accumulated amortisation and impairment. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in Statement of Financial Performance on a straight line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

1.5 FINANCIAL INSTRUMENTS

Classification

The entity classifies financial assets and financial liabilities into the following categories:

– Loans and receivables are measured at amortised cost

- Fair value financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition.

(i) Non-derivative financial assets

The entity initially recognises loans and receivables on the trade date, which is the date when the entity becomes a party to the contractual provisions of the instrument.

The entity derecognises financial assets using trade date accounting. The entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire, are settled or waived, or it transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or the entity, despite having retained significant risks and rewards of ownership of the financial asset has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on transfer. Newly created rights and obligations shall be measured at their fair values at the date of derecognition.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received, including any new asset obtained less any new liability assumed, is recognised in the surplus or deficit.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the entity has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables

Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Cash and cash equivalents comprise cash balances, money market accounts and call deposits with original maturities of three months or less.

Loans and receivables are non-derivative financial assets with fixed or determinable payments, excluding those that the entity designates at fair value on initial recognition, or are held for trading that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment.

Cash and cash equivalents comprise cash on hand and demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially measured at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost. Fixed deposits that mature within three months after reporting date are recognised as cash equivalents.

Investments

Investments are designated at fair value and are initially recognised at fair value with transactions costs directly attributable to the acquisition being expensed.

Subsequent to initial recognition, all changes to fair value are recognised through the statement of financial performance.

(ii) Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date at which the entity becomes a party to the contractual provisions of the instrument.

The entity derecognises a financial liability when its contractual obligations are discharged or cancelled or expire or are waived. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in surplus or deficit.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the entity has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Trade and other payables

Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Finance income and costs

Finance income comprises interest on funds invested and interest income on financial instruments measured at amortised cost.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in surplus or deficit using the effective interest method.

Interest on student loans is recognised using the effective interest method over the estimated life of the loan.

Impairment of financial assets

At each reporting date the entity assesses whether there is objective evidence that financial assets not carried at fair value are impaired. A financial asset or a group of financial assets is/are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the entity on terms that the entity would not otherwise consider, indications that a borrower or issuer will enter bankruptcy or other observable data relating to an entity or assets such as adverse changes in the payment status of borrowers or issuers in the entity, or economic conditions that correlate with defaults in the entity.

The student loans offered by the entity are impaired on the basis of mortality, actual transition from student state and changes in payment experience. Mortality is assessed on an annual basis on those deaths assumed to have occurred, but not yet recognised and is included in impairment.

The entity writes off a student loan and any related allowances for impairment losses, when the entity determines that the loan is uncollectable. This determination is made after notification of the death or permanent disability of the borrower. A list of identity numbers is sent to the Department of Home Affairs on an annual basis for verification of borrowers that are deceased. For disability, medical certification is required. The individual loans are then written off on approval by the Board.

The entity considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that may have been incurred but not yet identified. Loans and receivables, such as the student loans offered by the entity, that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate method. Impairment losses are recognised in the Statement of Financial Performance and reflected in an allowance account against loans and advances. Interest on impairment assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Statement of Financial Performance.

The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date that the impairment is reversed.

The entity writes off certain loans when they are deemed to be uncollectible.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Student loans

The student loans offered by the entity are unique within the market. The primary focus of these loans is not profit generation, but rather to provide affordable financing for university students from low income households. The loans have no fixed repayment terms and the debt is only due and payable one year after exit and if the student has become employed, and earning more than R30 000 per annum. Repayments are calculated on a sliding scale based on the debtor's annual salary.

A student may apply for a new loan for each year of study which, if granted, results in the student having multiple loans payable.

The student loans are recognised initially at fair value at inception. The fair value of the loans on initial recognition is estimated by using an actuarial discounted cash flow model which includes assumptions that are supported by observable market inputs and others that are based on historical loan repayment data. The subsequent value is calculated based on amortised cost using the original effective yield of the loans, adjusted for impairment.

A model has been developed for, and in consultation with, the entity by actuaries. The model estimates the fair value at initial recognition as well as the ongoing amortised cost by estimating a cash flow profile for broadly homogenous groups of loans. The student loans are separated into smaller groups with similar characteristics such as age of loan, loan number and the gender and age of the borrower. The fair value of each these homogenous groups is calculated individually and then combined to calculate the aggregated value of the portfolio.

The key assumption parameters used in the discounting model are listed in the use of estimates and judgement note 1.2 above.

Social benefit component of student loans

A concessionary loan is a loan granted to or received by an entity on terms that are not market related. The primary focus of student loans is not profit generation, but rather to provide affordable financing for students from low income households studying in institutions of higher learning. As a result, these loans are granted on terms that are not market related. On initial recognition, the entity analyses these loans into their component parts and accounts for each component separately. The entity accounts for the component that is a social benefit in surplus or deficit. The component of the loan that is a social benefit is determined as the difference between the fair value of the loan and the expected loan proceeds to be paid. Subsequent to initial recognition, the entity measures the loan component at amortised cost using the effective interest method less impairment losses.

1.6 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the Statement of Financial Position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the entity's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Any contingent rental is expensed in the period in which it is incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts is recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 EMPLOYEE BENEFITS

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

An accrual is recognised for the amount expected to be paid under short-term cash benefits if the entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service.

The liability for employee entitlements to wages, salaries and annual leave represents the amount which the entity has a present obligation to pay as a result of employees' services provided to the Statement of Financial Position date. The liability has been calculated at undiscounted amounts based on current wage and salary rates.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

1.8 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

Obligations are classified as contingent liabilities where the existence of the entity's possible obligations depends on uncertain future events beyond the entity's control or when the entity has a present obligation that is not probable or which the entity is unable to measure reliably. Items are classified as commitments where the entity commits itself to future transactions or if the items will result in the acquisition of assets. All commitments are contractual.

Contingent assets and contingent liabilities are not recognised in the annual financial statements but disclosed as a note. Contingencies are disclosed in note 28.

1.9 REVENUE

Revenue consists of conditional grants received for student loans and bursaries, administration grants and fees, interest on student loans, irrecoverable debts recovered and interest on investments. Revenue is measured at the fair value of the consideration received or receivable. The entity recognises revenue when the amount can be reliably measured; it is probable that future economic benefits will flow to the entity and when specific criteria stated below have been met.

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount. Revenue from administration grants and grants received for student loans and bursaries are considered to be revenue from non-exchange transactions.

Exchange transactions are defined as transactions where the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to the other entity in exchange. Revenue from interest received on student loans and interest on investments is considered to be revenue from exchange transactions.

Deferred income

Conditional grants are classified as deferred income until such time as the conditions attached to the grant are met. Once the conditions have been met the liability is transferred to revenue.

Grants, transfers and donations received

Unconditional grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Irrecoverable debts recovered

Amounts received after student loans have been written off as irrecoverable debt are recorded as irrecoverable debt recovered.

1.10 TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions

Transactions in foreign currencies are accounted for at the rates of exchange ruling on transaction dates.

1.11 PREPAYMENTS

Payments are made to institutions during January, February and March of each year for initial student registration fees.

For the 2013 academic year, institutions were able to claim up to 30% of their annual NSFAS allocations as prepayments as approved by the NSFAS Board.

The institution academic year runs from 1 January to 31 December and is therefore different to the NSFAS financial reporting year that runs from 1 April to 31 March. Payments made to institutions during the financial reporting period 1 January to 31 March for the following academic year are initially recognised as prepayments at the end of the reporting period.

At the beginning of the subsequent reporting period, the prepayments to institutions are reclassified as amounts owing by institutions until awards are made to students against these amounts.

1.12 RESERVES

Capital fund reserve

The reserve comprises accumulated surpluses.

1.13 RELATED PARTIES

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. We regard all individuals from the level of Executive Officer and Executive Managers as key management per the definition of the financial reporting standard.

Close family members of key management personnel are considered to be those family members who may be expected to influence, or be influenced by key management individuals in their dealings with the entity.

Related party disclosures are provided in respect of transactions and balances with identified related parties, other than transactions that would occur within a normal supplier or client/recipient relationship, on terms and conditions no more or less favourable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances.

1.14 BUDGET INFORMATION

The annual budget figures have been prepared in accordance with the GRAP standards, and are consistent with the accounting policies adopted by the Board for the preparation of these financial statements. The amounts are presented as a separate additional financial statement, named the statement of comparison of budget and actual amounts. Explanatory comments are provided in the notes to the annual financial statements, firstly stating reasons for overall growth or decline in the budget, and, secondly, motivating overspending or under-spending on line items. The annual budget figures included in the financial statements are for the entity. These figures are those approved by the

Board both at the beginning and during the year.

The preparation of budget information which is performed on an accrual basis is the same as the accounting records.

1.15 IMPAIRMENT OF CASH AND NON-CASH-GENERATING ASSETS

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

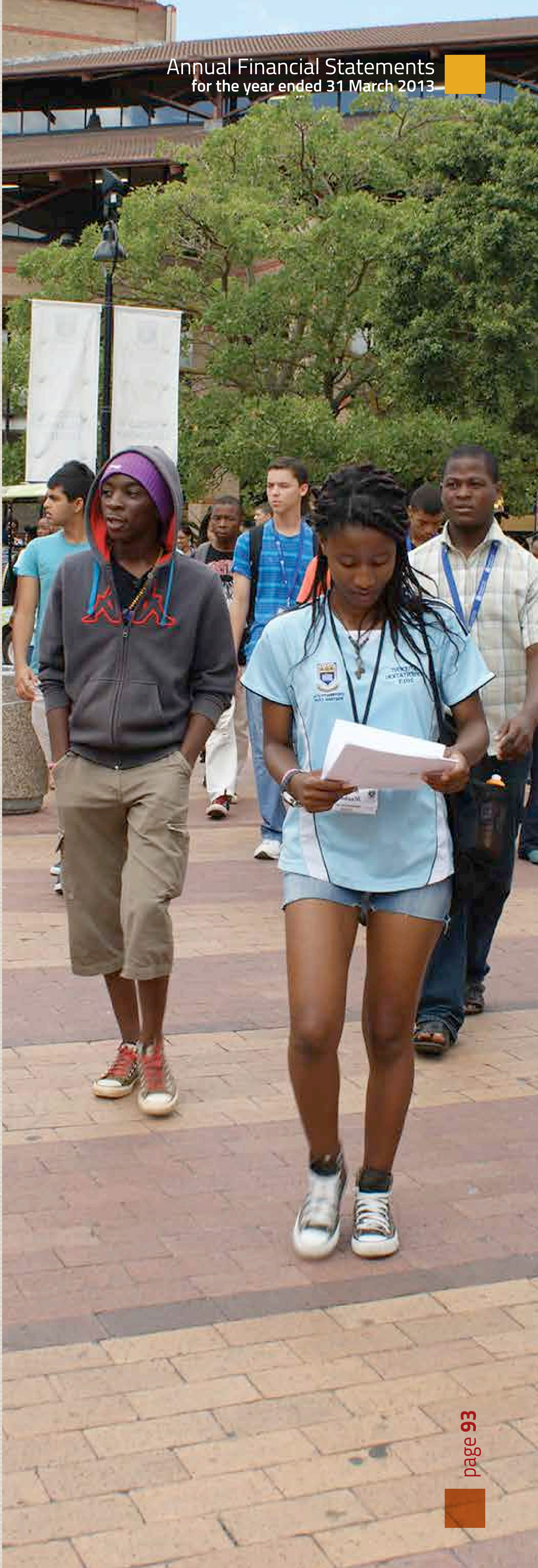
At the end of each reporting period, carrying amounts of cash-generating and non-cash-generating assets are reviewed to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount or recoverable service amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual cash-generating asset, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Cash-generating units shall be identified consistently from period to period for the same asset or types of assets, unless a change is justified.

Intangible assets with indefinite useful lives as well as intangible assets not yet available for use are tested for impairment annually at the same time every year, as well as whenever there is an indication that the asset may be impaired. The recoverable amount of a cash-generating asset is the higher of fair value less cost to sell and value in use. The value in use is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount or recoverable service amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	Restated 2012

2. PRIOR PERIOD ERROR

Correction of error on student loans

As a result of a detailed external evaluation of the student loan valuation model methodology it has been identified that the amortised cost method used in measuring the student loans subsequent to initial recognition has not been applied accurately. The interest rate charged on the student loans is adjusted at 1 April each year if there has been a change in the South African Reserve Bank Repurchase (Repo) rate. Previously the original effective interest rate had been applied to measure the student loans subsequent to initial recognition instead of revising the effective interest rate each time there is a change in Repo rate.

The net effect of the correction of the prior period error is an increase in the carrying amount of the student loan book closing balance for 2012 of R607 564 861, and a corresponding increase in accumulated surplus due to the revised rates currently being lower than the original effective interest rate used in the past. Comparative figures have been restated as a result of the correction of the error.

The prior year errors have been corrected retrospectively and the comparative figures have been restated. Presented below are only those Statement of Financial Performance and Position items that have been affected by the prior year adjustments:

(in Rand thousands)	As previously reported	Correction of errors	Restated
2011			
Statement of Financial Position			
Capital Fund	(5 936 271)	(741 179)	(6 677 449)
Student Loans (exchange)	5 034 647	741 179	5 775 826
2012			
Statement of Financial Position			
Current and Non-Current Student loans (exchange)	6 121 862	606 806	6 728 668
	-	-	-
Statement of Financial Performance	-	-	-
Impairment reversal/(loss)	362 862	236 498	599 360
Model Adjustments	165 049	(26 965)	138 084
Modification of loan terms	(315 257)	(255 587)	(570 844)
Interest revenue	611 809	(87 560)	524 249
Surplus for the year	**824 463**	**(133 614)**	**690 849**
Statement of Cash Flows*	-	-	-

*There is no cash flow impact from operating activities payments of R5 901 640

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	Restated 2012

3. PROPERTY, PLANT AND EQUIPMENT

	2013			2012		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land and Buildings*	4 817	(739)	4 078	4 817	(658)	4 159
Furniture and fixtures	3 845	(2 452)	1 393	3 281	(2 077)	1 204
Motor vehicles	119	(119)	-	119	(119)	-
IT equipment	7 674	(5 021)	2 653	5 973	(3 334)	2 639
Total	**16 455**	**(8 331)**	**8 124**	**14 190**	**(6 188)**	**8 002**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Depreciation	Total
Land and Buildings*	4 159	-	(81)	4 078
Furniture and fixtures	1 204	563	(374)	1 393
IT equipment	2 639	1 701	(1 687)	2 653
Other property, plant and equipment	-	-	-	-
	8 002	**2 264**	**(2 142)**	**8 124**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Depreciation	Total
Land and Buildings*	4 240	-	-	(81)	4 159
Furniture and fixtures	1 458	169	(2)	(421)	1 204
IT equipment	2 936	829	(2)	(1 124)	2 639
	8 634	**998**	**(4)**	**(1 626)**	**8 002**

* Depreciation is calculated on buildings only. Land and buildings comprise erven numbers 66447, 66458, 66459, 66460 and 66461 in Wynberg, Cape Town.

Pledged as security

As at the reporting date, NSFAS had no property, plant and equipment pledged as security.

Property, plant and equipment fully depreciated and still in use (Gross carrying amount)

	2013	2012
Furniture and equipment	1 519	1 264
IT hardware	2 463	2 004
Motor vehicles	119	119
	4 101	**3 387**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	Restated 2012

4. INTANGIBLE ASSETS

	2013			2012		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software, proprietary Loan management system (LMS)	9 318	(5 065)	4 253	9 318	(2 664)	6 654
LMS system enhancement Work In Progress* (WIP)	11 298	-	11 298	-	-	-
Total	**20 616**	**(5 065)**	**15 551**	**9 318**	**(2 664)**	**6 654**

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software, proprietary loan management system	6 654	-	(2 401)	4 253
LMS system enhancement WIP	-	11 298	-	11 298
	6 654	**11 298**	**(2 401)**	**15 551**

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software, proprietary loan management system	981	2 900	3 225	(452)	6 654
LMS system enhancement WIP	3 225	-	(3 225)	-	-
	4 206	**2 900**	**-**	**(452)**	**6 654**

*Expenditure of R11 298 000 has been incurred on the approved transformation project to acquire and implement a new core loans and bursaries management system.

Intangible assets fully depreciated and still in use (Gross carrying amount)

	2013	2012
IT software	1 262	675

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	Restated 2012

5. INVESTMENTS

Fair Value		
Commercial paper	11 815	70 290
Fixed deposits	11 620	15 516
Floating rate notes	83 642	229 895
Bonds	1 259	14 908
Non-coupon Negotiable Certificates of Deposit	78 066	163 221
Treasury bills	-	5 932
	186 410	499 761
	186 410	**499 762**
Non-current assets		
Designated at fair value	-	55 056
Current assets		
Designated at fair value	186 410	444 706
Non-current assets	-	55 056
Current assets	186 410	444 706
	186 410	**499 762**

See note 37 for the detail of the utilisation of financial assets.

6. TRADE AND OTHER RECEIVABLES (NON-EXCHANGE)

Prepayments	1 637	317
Operating lease asset	(9)	13
Sundry debtors	50	50
	1 678	**380**

7. PREPAYMENTS TO INSTITUTIONS (EXCHANGE)

Prepayments to institutions for initial student registration fees	797 310	236 249

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	Restated 2012

8. STUDENT LOANS (EXCHANGE)

Student Loan Nominal Value

The nominal balance is the total obligations that borrowers have including loan principal and interest. The change in nominal value from year to year reflects the net growth of the portfolio through new lending less repayments, bursary conversions and other adjustments such as irrecoverable debt write-off due to death and permanent disability. The nominal balance is the basis for the calculation of the 'Student Loan Carrying Value' as reflected in the Statement of Financial Position.

The nominal value was adjusted in the prior financial year to account for the modification of the interest terms made by the Minister of Higher Education and Training in May 2011. The Minister changed the terms of interest on student loans for all students who were still studying on 1 April 2011. In terms of the new policy interest would not be charged on outstanding loan amounts and new loans going forward for all students registered for full-time studies as at April 2011. Students registering as full-time students after 1 April 2011 would not be charged interest on new loans. Interest would only accrue 12 months after the date on which these students exit the higher education system. Previously, contractual interest was accrued from the effective date of the loan, which was 1 April of each year, except for certain loans in 1998 on which interest was accrued from October that year. The interest included in the carrying value prior to the 2011/2012 financial was reduced to remove any interest accrued in respect of the affected students in prior years.

Student Loan Carrying Value

Student loans are initially recognised at fair value, and subsequently measured at amortised cost using the effective interest rate method less any impairment loss.

The relationship between the Nominal Value and the Carrying Value is as follows:

Nominal Value	15 800 011	13 478 563
Carrying amount reconciliation:	-	-
Opening balance	6 728 668	5 776 047
Modification of loan terms	-	(570 844)
New loans	2 577 035	2 167 539
Social benefit component	(1 387 741)	(1 259 962)
Interest	542 685	417 193
Repayments	(422 809)	(538 749)
Model adjustments*	28 080	138 084
Impairment reversal/(loss)**	(330 537)	599 360
	7 735 381	**6 728 668**
Unallocated debtors receipts	(94 558)	758
Carrying value	**7 640 823**	**6 729 426**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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* See note 32.

** The impairment (loss)/reversal arise from actual experience differing from expectations and also reflect changes in data as the database improves. These factors change each year dependent on circumstances. For example, during the current year there were changes to the NSFAS Act which resulted in delays in commencement of loan repayments. This would have had a negative impact on values.

The balance on student loans includes a current portion of R619 766 558 (2012: R983 179 031). The current portion of the student loan is measured as the expected cash flows for the next twelve months based on the amortised cost calculation.

The social benefit component on student loans as disclosed in the table above differed from the social benefit component disclosed in the Statement of Financial Performance of R1 388 977 947 by R1 237 389 (2012: R1 255 778 369 by R4 183 416). This difference was due to the above table only including the social benefit component on student loans issued in the year under review for the reconciliation, whereas the Statement of Financial Performance figure included an adjustment relating to student loans issued in prior years as a consequence of model adjustments.

9. AMOUNTS OWING BY INSTITUTIONS (NON-EXCHANGE)

Credit balances on student fee accounts due by institutions.

Amounts owing by institutions	221 941	149 029

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:		
Bank and cash balances	3 682	3 325
Call and Money Market Accounts	423 774	836 987
Fixed deposits (maturing within 3 months of reporting date)	6 152	15 326
	433 608	**855 638**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	Restated 2012

11. PROVISIONS

Provision for credit balances to be refunded	61 534	72 923

During the 2010 Ministerial Review it was discovered that the NSFAS Loan Management System had not applied the legal principle of *in duplum* to accrued interest on student loans in compliance with the National Credit Act. As a result, some loan accounts have been overpaid and therefore effectively have credit balances. It was also discovered during the 2010 audit that the loan system had since inception been applying repayments incorrectly against student debt, by applying the student repayments against the outstanding capital balance first, rather than accrued interest. The net effect of these corrections has been incorporated into the 2009 retained earnings and an amount of R78 million provided for. The Board has resolved that where students have been advantaged, NSFAS will not attempt to recover the additional interest from students, as this was an error by NSFAS. However, where students have been charged interest in excess of *in duplum,* every attempt should be made to trace the respective students and to refund the credit balances. The table below details the movement for the current year of R11 382 (2012: R4 902), which is the net movement between opening balance and closing.

Opening balance	72 923	77 825
New credit balances	9 978	17 794
Amount paid as refunds	(21 360)	(14 632)
Debtor balances revised	-	(8 064)
Closing balance	**61 541**	**72 923**

12. AMOUNTS DUE TO INSTITUTIONS (NON-EXCHANGE)

Payments due to institutions for student loans and bursaries disbursed.

Amounts due to institutions	1 618	156

13. DEFERRED INCOME

This relates to grants received during the year under review, for utilisation in the following year and the unspent portions of current year grants including interest received, which represents a real liability.

These amounts are invested in a segregated investment account until utilised.

Grants received in advance	1 475	479 500
Deferred income	247 389	320 086
	248 864	**799 586**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	Restated 2012

14. TRADE AND OTHER PAYABLES (EXCHANGE)

Trade payables	10 138	3 605
Student credit balances received from institutions	5 229	7 967
Other clearing accounts	289	340
Accruals	9 320	7 541
Accrued leave pay due to employees	1 066	750
Accrued bonuses due to employees	2 426	355
Finance lease obligation*	-	8
	28 468	**20 566**

* The finance lease relates to the leasing of printers with an average lease term of 3 years. Interest rates are linked to prime at the contract date. The finance lease agreement came to an end during the current period, with payments made on a month to month basis. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

Minimum lease payments due		
- within one year	-	8

15. ADMINISTRATION GRANTS AND FEES (NON-EXCHANGE)

Administration grants			
Administration Grant	– Department of Higher Education and Training	82 925	77 384
Administration fees			
Administration Fees	– W&R SETA	8 300	-
Administration Fees	– MICT SETA	350	-
Administration Fees	– Dept of Agriculture	625	-
Administration Fees	– National Skills Fund	7 797	2 290
Administration Fees	– Nedbank	252	247
		100 249	**79 921**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	Restated 2012

16. GRANTS RECEIVED FOR STUDENT AWARDS (NON-EXCHANGE)

Department of Higher Education and Training*	6 037 402	4 390 836
Other South African government departments	288 692	274 259
Universities	227 835	139 392
Private sector	12 595	12 353
Department of Basic Education	687 579	465 107
Non-governmental organisations	198	229
Deferred income movement	72 697	(171 773)
	7 326 998	**5 110 403**

* Includes grants to provide for teacher training at universities and vocational training at further education and training colleges, received from the Department of Higher Education and Training and certain public entities reporting to it.

17. PERSONNEL COSTS (EXCHANGE)

Salaries and other employee benefits	27 275	25 469
Defined contribution plan	11 642	3 261
	38 917	**28 730**

The entity operates a defined contribution retirement plan for all employees.

During the year the entity contributed R2 535 227 (2012: R2 174 305) to the plan. In addition, employees contributed R1 322 472 (2012: R1 087 153).

18. ASSET MANAGEMENT FEES (EXCHANGE)

Administration and management fees - third party	585	880

19. DEBT IMPAIRMENT (NON-EXCHANGE)

Debt impairment	1 584	4 354

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	Restated 2012

20. FINANCE COSTS (EXCHANGE)

Finance leases	-	2

21. AUDIT FEES (EXCHANGE)

External audit fees	2 833	1 741
Internal audit fees and other services	6 105	7 410
	8 938	**9 151**

22. CASH UTILISED IN OPERATIONS

Surplus	1 373 052	909 995
Adjustments for:		
Depreciation and amortisation	4 539	2 078
Loss on sale on property, plant and equipment	-	4
Profit on funds invested	111	(334)
(Impairment loss) / reversal of impairment	330 537	(599 360)
Net interest income	(678 087)	(524 247)
Movements in provisions	(11 382)	(4 902)
Modification of loan terms	-	570 844
Social benefit component on student loans	1 387 741	1 259 962
Model adjustments	(28 080)	(138 084)
Fair value adjustments	1 742	972
Changes in working capital:		
Trade and other receivables (non-exchange)	(1 295)	10 176
Prepayments to institutions (non-exchange)	(561 061)	62 053
Student loans (exchange)	(2 577 036)	(2 167 539)
Student loans receipts	422 809	538 749
Amounts owing by institutions (non-exchange)	(72 912)	(78 423)
Trade and other payables (exchange)	7 896	3 564
Unallocated debtor receipts written back	95 316	(979)
Amounts due to institutions (non-exchange)	1 462	(17 083)
Deferred income	(550 722)	634 283
	(855 370)	**461 729**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	Restated 2012

23. OPERATING LEASE ASSET

Operating lease payments represent rental payable for the leasing of office space in Wynberg Mews. Two rental agreements were entered into in the prior year and a new agreement within the current period:

- Wynberg Mews first floor from 1 April 2010 for a period of three years ending 31 March 2013 with an annual escalation rate of 10% per annum.
- Additional office space in Wynberg Mews first floor from 1 October 2010 for a period of two and a half years ending 31 March 2013 with an annual escalation rate of 9% per annum.
- An additional lease agreement for the 2nd Floor Wynberg Mews for the period 1st March 2013 till 30 April 2016 was entered into with an escalation rate of 8.5% per annum.
- No contingent rent payable on both rental agreements.

Refer to note 6

24. UNALLOCATED DEBTORS RECEIPTS (NON-EXCHANGE)

Unallocated debtor receipts (Historical)	16	54

Amounts received by the entity without a valid reference to loan accounts are recorded in the financial statements against student loans. Every attempt is made with the relevant bank to establish the identity of the depositor. When these unidentified amounts have been outstanding for more than five years, they are written off to income. In the event that debtors subsequently claim and prove amounts which had previously been deposited by them, the amounts will at that stage be set-off against the students loan account as a payment and reflected as an expense in the financial statements. The amount written back to income is R15 547 (2012: R53 827).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	Restated 2012

25. INTEREST INCOME (EXCHANGE)

Interest on student loans*	542 685	417 193
Interest on funds invested**	135 402	107 056
Total	**678 087**	**524 249**

Asset management fees for the period ended 31 March 2013 of R585 000 (2012: R880 000) were incurred on the funds invested.

* Refer to note 17.

** Interest on funds invested relates to the following categories

Adminstration grants and fees	1 755 966	2 028 239
Donor funds	97 340 777	65 246 117
Recovered funds	36 305 293	39 782 057
Total	**135 402 035**	**107 056 413**

26. CONSULTING AND PROFESSIONAL FEES (EXCHANGE)

Information technology	-	693
Consultancy Fees: IT-Finance	4	-
Consultancy Fees - IT	242	-
Consultancy Fees: Management Finance	2 708	-
Design	-	30
Research	-	570
Management	-	3 208
Transformation : Consultants' Fees **	17 472	-
Business Development Services: SLC*	171	(284)
Consultancy Fees: Management-IT	1 274	-
Credit compliance	137	234
Legal expenses	1 249	418
	23 257	**4 869**

* The expense account for 2012 is a credit due to an over accrual in the 2011 financial year.

** Consulting fees relevant to the implementation of the new student-centred Loans and Bursary management system.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	Restated 2012

27. TAXATION

The entity has obtained income tax exemption from the Commissioner for the South African Revenue Services under Section 10(1)(cA)(i) of the Income Tax Act, 1962 as amended. This exemption is applicable from the date on which the entity was established.

28. COMMITMENTS

Authorised capital expenditure

The entity had capital commitments for the following items as at 31 March 2013:

	R
Office furniture	451 236
IT equipment	496 916
Consulting and other services*	73 826 251
Total	**74 774 404**

* R68 406 129 included in the total relates to commitments in respect of the approved implementation of the core loans and bursaries management system for the student-centred operating model.

Current operating lease commitment - as lessee

	2013	2012
Minimum lease payments due		
- within one year	1 175	947
- in second to fifth year inclusive	2 783	-
	3 958	**947**

Refer to note 23 for detail on leases.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013	Restated 2012

29. CONTINGENCIES

There is a contingent asset of market value R16 757 247 in the form of the NSFAS contribution to the Fundisa Fund. The Fundisa Fund is a dedicated educational savings scheme with a unique co-contribution feature of an additional 25% of an investor's savings added annually to a maximum of R600 per annum. This feature was made possible through a joint venture between government, through NSFAS, and the Association for Savings and Investment South Africa, and is intended to help South Africans afford a high quality, accredited qualification for their children or a learner of their choice at a public college or university. NSFAS transferred R20 million to the Fundisa Fund on 19 April 2012 as its total commitment to the co-contribution feature. Vesting of the NSFAS co-contribution amount occurs on successful registration by nominated beneficiaries who are eligible in terms of the NSFAS criteria for financial assistance. The contingent asset is net of the vesting amount of R4 531 021 during the year under review.

NSFAS holds a Corporate Access Management Services/Payment and Collections Services agreement (CAMS/PACS) with the corporate bankers that facilitates electronic payments and debit order processing. The Payments and Collections Services agreement that facilitates debit order deductions from debtors requires a settlement facility of R1 200 000 (2012: R1 200 000). A settlement facility of R8 500 000 (2012: R1 500 000) is required for payroll. An encashment facility of R2 000 is in place to facilitate Petty Cash.

NSFAS has a short-term contingent facility (bank guarantee) of R500 000 (2012: R500 000) in favour of the South African Post Office that facilitates the timely mailing of quarterly statements to all debtors.

In terms of Section 53(3)(1) of the PFMA, the entity has applied to National Treasury for approval to retain its surplus. For the year under review, the uncommitted cash surplus amounts to R6.3 million, which the entity may need to transfer to the National Revenue Fund if the approval to retain the uncommitted cash surplus is not granted by National Treasury. In terms of the NSFAS mandate, cash surpluses may only be utilised when approved by the Minister of Higher Education and Training, and are not available to NSFAS to use at its discretion.

NSFAS has entered into agreements with various donors and educational institutions to fund students. The arrangement with the educational institutions is that NSFAS will take up loan agreement forms from the institutions and include these as part of the NSFAS loan book. These arrangement do not include any transfer of cash between NSFAS and the Universities. Any recoveries against this portion of the book is then reinjected to fund future generations of students. This arrangement is in line with the NSFAS mandate of increasing the pool of funds available to students. The total amount of institution recoveries that is available to fund future students as at reporting date is R76 705 480. As explained in note 38 there is a possibility that in future more Universities might request to be paid back money from the recoveries.

There is a contingent liability arising from legal proceedings instituted by the former Executive Officer who was dismissed in the 2012 financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	Restated 2012

30. RELATED PARTIES

Relationships

Board Members	Refer to the Report of the Board members
Executive Authority	Dr Blade Nzimande, Minister of Higher Education and Training
Other Government Departments	Department of Higher Education and Training Department of Agriculture, Forestry and Fisheries Department of Labour Department of Social Development Department of Basic Education
Public Entities	Bank SETA Media, Information and Communication Technologies SETA Wholesale and Retail SETA Government Communication and Information Service
Members of key management 2012	Nkosinathi Khena (EO - 1 December 2011 - 30 June 2012) Nathan Johnstone (Acting EO - 1 August 2012 - 31 January 2013) Msulwa Daca (EO - 1 February 2013) Msulwa Daca (CFO - 1 January 2012 - 31 January 2013) Eugene Johannes (Acting CFO - 1 February 2013) Xolisa Peter (Chief Information Officer - 1 January 2013)

Related party transactions

	2013	Restated 2012
Administration grants and fees		
Department of Higher Education and Training	82 925	79 674
	82 925	**79 674**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	Restated 2012
Grants received for student awards		
Department of Agriculture, Forestry and Fisheries	13 375	11 862
Department of Higher Education and Training - Universities	3 377 902	3 155 588
Department of Higher Education and Training - FET Colleges	1 734 834	1 235 244
Department of Basic Education - Funza Lushaka Teacher Bursaries	687 579	465 107
Wholesale and Retail SETA	72 200	-
Department of Labour	924 662	510 614
Department of Social Development	256 000	244 000
Total	**7 066 552**	**5 622 415**
Grants received in advance from related parties		
Department of Higher Education and Training - Universities	-	478 000
Department of Agriculture, Forestry and Fisheries	1 475	1 500
Administration fees from related parties		
Wholesale and Retail SETA	8 300	-
Media, Information and Communication Technologies SETA	350	-
National Skills Fund	7 797	2 290
Department of Agriculture, Forestry and Fisheries	625	-
Other funds received from related parties		
Wholesale and Retail SETA	85 500	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	Restated 2012

30. RELATED PARTIES (continued)

Media, Information and Communication Technologies SETA	6 650	-
Bank SETA	3 000	-
Receivables from related parties		
Government Communication and Information Services	571	-
Expenditure by related parties		
Government Communication and Information Service	700	-
Compensation to Board members and key management		
Meeting fees and per diem allowances*	216	356
Short-term employee benefits to key management	4 201	6 357
Exit Strategy remuneration **	954	-
Post-employment benefits to key management	330	335
	5 701	**7 048**

* The NSFAS Board was graded for remuneration purposes by the National Treasury Central Evaluation Committee, which recommended that remuneration be determined at Sub-category B1 of the Service benefit packages for office-bearers of certain statutory and other institutions. The approval of the Minister of Higher Education and Training, in concurrence with the Minister of Finance, for remuneration of Board members at this level with effect from 1 April 2011 was received on 29 March 2012.

** Exit Strategy remuneration was paid to designated Board members who were requested by the Executive Authority to commit additional time in support of NSFAS during the period under review.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	Restated 2012

31. EMOLUMENTS

Executive

2013	Basic salary	Bonuses	Allowances	Employer contributions	Total
Executive Officer*	494	-	9	48	551
Executive Officer**	510	-	-	6	516
Executive Officer***	204	-	6	30	240
Chief Financial Officer****	1 009	-	30	150	1 189
Chief Financial Officer*****	81	-	45	17	143
Chief Information Officer ******	188	-	11	23	222
Senior Managers *******	1 180	80	24	182	1 466
	3 666	**80**	**125**	**456**	**4327**

Executive

2012	Basic salary	Bonuses	Allowances	Employer contributions	Total
Executive Officer	95	-	-	3	98
Executive Officer	429	-	-	69	498
Chief Financial Officer	20	-	-	1	21
Chief Financial Officer	940	-	-	-	940
Chief Financial Officer	300	-	1	49	350
	1 784	**-**	**1**	**122**	**1 907**

* Resigned 30 June 2012
** Acting 1 August 2012 - 31 January 2013
*** Appointed 1 February 2013
**** Appointed 1 January 2012 - 31 January 2013
***** Acting 1 February 2013
****** Appointed 1 January 2013
******* These include the following Senior Managers:
Human Resources and Administration
Loans and Bursary
Information Technology - Appointed 1 April 2012 - 31 July 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	Restated 2012

Board members

2013	Emoluments	Pension paid or receivable	Compensation for loss of office	Gain on exercise of options	Total
Exit Strategy remuneration	954	-	-	-	954
Travel costs	499	-	-	-	499
Board meeting fees	216	-	-	-	216
	1669	**-**	**-**	**-**	**1669**

2012	Emoluments	Pension paid or receivable	Compensation for loss of office	Gain on exercise of options	Total
Per diem allowances	52	-	-	-	52
Board meeting fees	304	-	-	-	304

32. DEBTOR LOAN BOOK MOVEMENTS (NON-EXCHANGE)

Model adjustments

In estimating the fair value of student loans at initial recognition, assumptions described in note 1.2 were applied. During the 2012 financial year the model and assumptions were adjusted to allow for the impact of the change in the interest policy terms arising from the Minister of Higher Education's announcement in May 2011. For the current financial year the assumptions have been adjusted to allow for the reduction in the interest rate on NSFAS loans, which is fixed at 80% of the ruling Repo rate on 1 April each year, to 4.0% from 4.4% from 1 April 2013 following the reduction of the Repo rate to 5% on 18 July 2012; and expected delays in commencement of repayments arising from changes to the NSFAS Act and the implementation of a new credit management policy. As a result of these changes in assumptions a difference in value of the student loan portfolio of R28 080 485 (2012: R138 083 688) is recorded.

Year of issue of student loan

1991 - 2001	(8 438 244)	900 812
2002 - 2007	14 249 998	89 102 894
2008	8 271 738	22 168 720
2009	9 796 935	14 310 363
2010	6 973 165	7 346 198
2011	7 258 006	4 254 701
2012	(10 031 113)	-
	28 080 485	**138 083 688**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	Restated 2012

Impairment loss/(reversal)

The expected future cash flows anticipated to arise from the loan book are reassessed each year. They take into account the status of the individual loans in the loan book and the adjusted assumptions based on an analysis of the historic experience of the loans. As the data related to the loan book changes with the passage of time the value of the loan book will be reassesed and the cumulative impairment adjusted accordingly.

An impairment loss of R330 536 719 (2012: R599 360 196 impairment reversal) is reported as at 31 March 2013. The impairment loss in 2013 is due in part to the impact of the delays in the commencement of repayments as a result of amendments to the NSFAS Act.

Modification of loan terms

The Minister of Higher Education and Training made an announcement in May 2011, to change the terms of the student loans for all students still studying on 1 April 2011. If the student was registered for full-time studies on 1 April 2011, they would not be charged interest on all prior loans or the current 2011 loan. Interest would only start to accrue 12 months after exit date. Previously, contractual interest was accrued from the effective date of the loan, which was 1 April for each year (except for certain loans in 1998 that were only effective from October). The new policy would also apply to new loans awarded to students registering for full-time studies after 1 April 2011.

Students still studying on 1 April 2011 therefore had an outstanding balance which excludes interest. As a result of this change, the expected future cash flows were reduced, which effectively reduced the value of the outstanding debtors loan book on 1 April 2011. The cumulative effect of this reduction was R570 844 016. This was recognised as an expense in the prior year. Effects prior to 2011 were not considered due to the business model changes being active from 1 April 2011.

33. CHANGE IN ACCOUNTING POLICY

Due to the implementation of GRAP 104, the entity amended its accounting policies to bring them in line with the accounting standards which came into affect.

Reclassification

The entity reclassified the disclosure of its financial instrument investments in accordance with GRAP 104 from available-for-sale to investments designated at fair value

The impact of this change had no effect on the investments disclosed in the balance sheet for the year ended 31 March 2012.

The change in fair value for the financial year ended 31 March 2012 was previously disclosed as a fair value adjustment of R972 000 loss in the statement of changes in net assets. The R972 000 is now disclosed in the statement of financial performance as a fair value adjustment.

The cumulative fair value adjustment reserve of R4 464 000 as at 1 April 2012 has now been reclassified to Accumulated surplus/deficit and ultimately to the capital fund in the statement of changes in net assets.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	Restated 2012

34. RISK MANAGEMENT

Overview

Capital risk management

The entity manages its net assets to ensure that it will be able to continue as a going concern, while meeting its overall objectives. The strategy was consistent with that applied in prior years. Funding is obtained primarily from grants received for student awards.

The entity has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk.

This note presents information about the entity's exposure to each of the above risks. Further quantitative disclosures are included throughout these financial statements.

The Board has overall responsibility for the establishment and oversight of the entity's risk management framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring the entity's risk management policies.

The entity's risk management policies are established to identify and analyse the risks faced by the entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the entity's activities. The entity, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The entity's Audit and Risk Committee oversees how management monitors compliance with the entity's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the entity. The entity's Audit and Risk Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is considered medium due to the entity's conservative funding structure and its own cash generation. Management monitors rolling forecasts of the entity's cash and cash equivalents on the basis of the expected cash flow. NSFAS engages with the Department of Higher Education and Training on a continuous basis to ensure that it has the cash flows to meet the expected payments to universities as they fall due.

Financial instruments carrying value approximates fair value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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Maturity analysis of financial liabilities

At 31 March 2013	Less than 1 month	1 - 3 months	3 months to 1 year	Total
Financial liabilities				
Accounts payable and provisions	28 468	-	54 951	83 419
Amounts due to institutions	1 618	-	-	1 618

At 31 March 2012	Less than 1 month	1 - 3 months	3 months to 1 year	Total
Financial liabilities				
Accounts payable and provisions	20 566	-	72 923	93 489
Amounts due to institutions	156	-	-	156

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities,
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for asset or liability,
- **Level 3:** inputs for asset or liability that are not based on observable market data (unobservable inputs).

2013	Level 1	Level 2	Level 3	Total
Fair value financial assets	13 745	170 859	7 950	192 554

2012	Level 1	Level 2	Level 3	Total
Fair value financial assets	50 957	461 087	-	512 044

Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The entity is exposed to one primary type of market risk, namely interest rate risk.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	Restated 2012

Interest rate risk

Interest rate risk refers to the impact on future cash flows from student loans. Interest rate risk on other financial assets is not significant as the investment profile is conservative in nature. Interest rate risk on student loans is managed principally through linking interest charged on outstanding student loans to the Repo rate, as determined by the South African Reserve Bank from time to time.

Interest rate risk profile

At the reporting date the interest rate profile of the entity's interest-bearing financial instruments was:

Variable rate instruments		
Student loans	7 735 383	6 728 668
Other variable rate instruments	620 018	1 355 400
	8 355 401	**8 084 068**

Valuation sensitivity analysis for variable rate interest instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) surplus or deficit by R6 200 000. This analysis assumes that all other variables remain constant.

Valuation sensitivity analysis for student loans

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) surplus or deficit by the amounts shown below. This analysis assumes that all other variables remain constant.

Student loans		
100 basis points increase	15 163 901	0,2%
100 basis points decrease	(14 897 464)	(0,2)%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	Restated 2012

Credit risk

Credit risk is the risk of financial loss to the entity if counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the entity's receivables from student loans. This risk is mitigated by the loan terms which make the loans due and payable only in the event of a borrower becoming employed and having an income above a statutory determined threshold level. Available-for-sale financial assets, loans and receivables and cash and cash equivalents are exposed to credit risk. The initial day-one loss adjustment is therefore not considered to be a reflection of credit risk, but actually represents the social benefit element of the loans.

The maximum credit risk exposure is: R8,484 billion (2012: R8,234 billion), which is the total of all assets excluding prepayments, property, plant and equipment and intangible assets.

The entity limits its exposure to credit risk on loans advanced as a result of implementing legislative policy. The granting of student loans is governed by well established criteria, including a national means test which is updated on an annual basis. Internal systems are regularly enhanced to ensure constant improvement in the entity's loan recovery strategy.

Allowances for impairment

The entity establishes an allowance for impairment that represents its estimate of incurred losses in respect of its assets. A collective loss is established for groups of similar assets in respect of losses that may have been incurred but not yet identified, on an individual basis. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets and in the case of the student loan portfolio based on the mortality over the following year.

The impairment is calculated as the difference between the expected cash flow profile and the experienced payment, transitions from the student state and mortality.

Write-off policy

The entity writes off a student loan and any related allowances for impairment losses, when the entity determines that the loan is uncollectable. This determination is made after notification of the death or permanent disability of the borrower. During the year under review the entity identified borrowers who had passed away and as a result an amount of R1 584 309 (2012: R4 354 000) of the student loans was written off.

A list of identity numbers is sent to the Department of Home Affairs on an annual basis for identification of borrowers that are deceased. For disability, medical certification is required. The specific loans are then written off on approval by the Board.

Loans and receivables and Cash and cash equivalents

The entity only deposits cash with major banks with high-quality credit standing and limits exposure to any one counter party. Consequently, the entity does not consider there to be any significant exposure to credit risk.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	Restated 2012

Loans and other receivables past due but not impaired

The entity has no loans and other receivables that are past due, but not impaired.

Impairment losses

The impairment loss recognised on student loans during the year resulted from changes in the mortality rates, payments profile and actual transition from the student state.

Portfolio status

The entity's exposure to credit risk is influenced mainly by the number of loans issued to the borrowers. The fifth loan to a single borrower is considered more risky than their first loan as the previous loans need to be repaid before the first payment occurs on the fifth loan. As a result the loan payments are expected to be received later and there is also a greater chance of the borrower passing away before completing the repayment of the loan. The demographics of the NSFAS's student base is also considered as this has an influence on credit risk, that is age and gender are factors that influence the expected mortality of the borrowers. There is no significant exposure to a single student. Geographically there is no concentration of credit risk.

The portfolio has been segregated in the table below to indicate the composition of the portfolio by loan number. The repayment experience is higher on the initial loans than on the later loans.

Loan number	Number of loans	Transaction value	Percentage of total value
1	529 026	5 867 670 994	37%
2	352 618	4 600 149 381	29%
3	224 544	3 128 236 402	20%
4	107 179	1 512 598 469	10%
5+	49 326	691 356 503	4%
	1 262 693	**15 800 011 749**	**100%**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	Restated 2012

The portfolio has been segregated to indicate the number of loans that were settled over the last year as well as the number of loans that are currently being paid and not being paid. Where the loans are not being paid this is not due to a credit event but due to the loans not being due and payable as a result of the borrower being unemployed or earning below the repayment threshold.

	Loans in force	Currently paying	Not currently paying
Student	414 458	-	414 458
Graduate	426 375	175 153	251 222
Drop-out	421 860	95 517	326 343
	1 262 693	**270 670**	**992 023**

Price risk

The entity's other financial assets are money market instruments and low-risk investments. Therefore, fair value or future cash flows as a result of market price changes is immaterial.

The fair value movements would increase/decrease as a result of gains or losses on securities designated at fair value. All financial instruments are classified at amortised cost except for investments designated as fair value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	Restated 2012

35. IRREGULAR EXPENDITURE

	2013	Restated 2012
Opening balance	62 024	50 987
Add: Irregular Expenditure for current year per supplier:	-	-
1) Spearhead Property Holdings (Pty) Ltd	1 083	985
2) Systems Link Cape (Pty) Ltd	111	2 348
3) Cheadle Thomson Attorneys	205	-
4) Lithotech Afric Mail Cape (Pty) Ltd	359	1 569
5) Metrofile (Pty) Ltd	-	673
6) Rennies Travel (Pty) Ltd	1 823	1 650
7) South African Post Office Bulk Mail Western Cape	-	2 965
8) Contact Personnel	340	3 846
9) Accountants on Call	278	899
10) Ayanda Mbanga	410	621
11) First Technology	-	600
12) Enforce Security	269	504
Subtotal	**4 878**	**19 806**
Specific suppliers for which the PPPFA was not applied		
13) Blue Boy Creative	-	152
14) Busi Ntuli	116	-
15) Edward Nathan National	34	-
16) Biddulphs	34	-
17) Introstat	120	-
18) Exclusive Chauffeuring	51	234
19) Draft FCB	192	267
20) Khusela Solutions	37	150
21) Design Infestation	-	176
22) I nternet Solutions	-	325
23) Errol Williams Electrical	-	73
24) Predicate Logistics	-	113
25) Shoprite Checkers	-	71
26) K Line Foods	-	44
27) Marutech	-	44
28) Media24	-	34
29) Strand Tower Hotel	-	37
30) Synergy Business Solutions	-	44
31) Transunion	-	143
32) Base	-	67

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	Restated 2012
33) Cellular Dynamics	-	69
34) Hansa Print	-	68
35) Haygroup	-	37
36) Mail and Guardian	-	31
37) Torque – IT	-	33
38) UPS Technologies	-	53
39) Waltons	-	120
40) Softline Accpac	-	99
41) Avusa Media	-	100
42) Courier IT	-	124
43) CQS Technologies	-	33
44) Tormaline Cleaning	-	99
45) Argo Marketing	-	41
Subtotal specific suppliers for which the PPPFA was not applied	**584**	**2 881**
Other areas of non-compliance		
46) Three quotations not obtained	1 490	90
47) No quotes, tax clearance certificates and declarations of interest	286	881
48) No tax clearance certificates and/or declarations of interest	698	1 779
49) Bids advertised for less than 21 days	-	2 411
Subtotal other areas non-compliance	**2 474**	**5 161**
Irregular Expenditure for the year	**7 936**	**28 117**
Less: Amounts condoned*	-	(17 080)
	69 960	62 024
Analysis of expenditure awaiting condonation per age classification		
Current year	69 960	62 024

* Amounts condoned during the year were condoned by the Board relating to specific suppliers reported as irregular in the previous financial year. These were reported as irregular due to concerns related to non-competitive bid processes being followed. These instances were condoned by the Accounting Authority of NSFAS.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	Restated 2012

Current Year Irregular Expenditure:

1) – 12) The suppliers listed in points 1 to 12 relate to suppliers that have provided NSFAS with a number of fundamental services, essential to the continued stable operation of the entity. These services include:

- The rental of office space to accommodate staff and the security of facilities;
- The printing and postage of debtor statements;
- The development and maintenance of call centre / telephonic infrastructure;
- The scanning and storage of Loan Agreement Forms and other documentation;
- The use of temporary staff in the event of vacancies and understaffed departments to process backlogs;
- Office and building security; and
- The travel and advertising costs associated with NSFAS business.

These are historic/long-standing NSFAS suppliers and the related expenditure has been classed as irregular as no competitive bids process was followed nor has an adequate and effective process been in place to class the supplier as a preferred supplier as part of maintaining a current preferred supplier database within the entity.

13) – 45) These suppliers have been classed as irregular as the PPPFA was not applied in the procurement of these services.

46) This represents the total value procured from a number of smaller suppliers without obtaining the required number of quotations

47) This represents the total value procured from a number of smaller suppliers without obtaining the required number of quotations, valid tax clearance certificates and declarations of interests.

48) This represents the total value procured from a number of smaller suppliers without obtaining valid tax clearance certificates and declarations of interest.

NSFAS has historically operated in an environment where there was a lack of formal policies and procedures in place to manage the procurement process in line with regulatory requirements. During the current year the value of irregular expenditure incurred dropped significantly due to the efforts taken by management to improve the internal SCM policies and procedures.

However, as part of the turnaround strategy and to maintain a stable environment within the organisation, NSFAS deemed it appropriate at the time to continue using existing long-standing suppliers that have provided solid and dependable services in the past, despite there being matters of a technical nature that could render the expenditure as non-compliant with stringent supply chain regulatory requirements. As part of enhancing the control environment and to comply with supply chain regulations going forward, NSFAS has put in place processes and procedures to assist in regularising the procurement environment and to reduce the amount of irregular expenditure going forward. These include:

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	Restated 2012

- An SCM policy has been approved and implemented.
- Disciplinary action will be taken against staff members who do not comply with the NSFAS SCM policy.
- Employment of a full-time SCM manager and Senior Manager as well as two staff within the SCM department and additional resources, as required.
- Efforts made to develop a preferred supplier database and to qualify suppliers on this database. As part of this process, tax clearance certificates and declarations of interest were obtained from suppliers.
- Many of NSFAS historical long-standing suppliers that have been reported as irregular in the past and current year, have been subjected to tendering processes.

NSFAS will continue to take the necessary disciplinary procedures in relation to irregular expenditure, where appropriate.

36. BUDGET INFORMATION

Legislation requires the entity to submit a budget for the Minister's approval in August each year.

The variance arose due to refinements performed by NSFAS on the initial approved budget. All changes to the initial approved budget were approved by the Accounting Authority.

Revenue:

Note 36.1: Administration fees (non-exchange)

Administration fees relate to fees charged on grants received from other government institutions, these grants were only received during the period and will only be utilised in the following financial year's budget.

Expenditure:

Note 36.2: Bursaries - Other funding sources (non-exchange)

The budget for bursary claims was increased to accommodate manual claims which were recorded outside of the Loan Management System; these were however subsequently rejected.

Note 36.3: Consulting and professional fees (exchange)

Management consultant expenditure was above budget due to the high management vacancy level and the resultant effect on capacity being experienced by the entity.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	Restated 2012

37. UTILISATION OF INVESTMENTS AND CASH AND CASH EQUIVALENTS

Investments and cash and cash equivalents totalling R620 million (2012: R1 351,9 million) include R135,4 million (2012: R537,4 million) recovered money that NSFAS holds for reinjection into student loans and bursaries. A further R801,1 million is held by NSFAS on behalf of funders for allocation by the entity on instruction of the funder; these funds represent unspent grants and interest. The balance remaining of R13,4 million inclusive of interest is operational funds attributed to administration funds inclusive of interest.

The entity expects to provide loans and bursaries to students amounting to approximately R8,1 billion* for the 2013 academic year. This will be funded from expected new grants and the recovered money reflected above. The projected cash flow for these expected funds and NSFAS recovered money is as follows:

Quarter ending	Expected new grants	NSFAS reinjection	Cumulative
June 2013	4 508 029	70 361	4 578 390
September 2013	2 289 988	66 456	2 356 444
December 2013	521 223	3 905	525 128
	7 319 240	**140 722**	**7 459 962**

* Prepayments to the value of R797,3 million (2012: R236 million), utilising recovered funds, have been made to institutions as at 31 March 2013.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	Restated 2012

38. ANALYSIS OF SURPLUS

Operational		
Administration grants	82 925	77 384
Administration fees	17 324	2 537
Interest received	678 087	524 249
Other income (exchange)	124	14
Unallocated debtors receipts	16	54
Less: Administration and investment costs	(102 490)	(77 754)
Realised profit/(loss) on funds invested (non-exchange)	(111)	344
Surplus	**675 875**	**526 828**
Capital		
Grants received for student awards*	7 326 998	5 110 403
Irrecoverable debts recovered	-	-
Less		
Bursaries	(4 926 442)	(3 622 986)
Fundisa Fund Expense Accrual	(20 000)	-
Irrecoverable debts	(1 584)	(4 354)
Finance costs	-	(2)
Impairment loss	(330 537)	599 360
Social benefit component on student loans	(1 388 978)	(1 255 778)
Model adjustments	28 080	138 084
Modification of terms	-	(570 844)
Fair Value adjustments for investments	(1 742)	(972)
Credit balances on student loans	11 382	(9 730)
	697 177	**383 181**
Total surplus reported	**1 373 052**	**909 995**

* Grants received for student awards are reflected after the deferred income movement amount of R72 696 763 has been netted off.

The difference of R2 244 300 000 between "Grants received for student awards" and "Bursaries" is attributable to:
- Eligible students registered at public FET Colleges receive 100% bursaries
- University students eligible for Final Year Programme funding benefit from 100% bursary conversion on meeting the requirements for graduation
- University students eligible for all other categories of loan funding qualify for a bursary conversion of up to 40% based on academic criteria
- University and other students eligible for National Skills Fund, Funza Lushaka and other categories of Bursary funding receive 100% bursary funding.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Note(s)	2013	2012

39. RECOVERIES AND UNSPENT GRANTS PAID (NON-EXCHANGE)

Recoveries and unspent grants paid	147	4 036

NSFAS has entered into agreements with various donors and educational universities to fund students. In terms of the agreements, student loans funded by the educational universities are awarded on the basis of a NSFAS loan agreement and the loan amount is included in the NSFAS loan book. These arrangements do not include any transfer of cash between NSFAS and the universities. Any recoveries against this portion of the book are then reinjected to fund future generations of students. This arrangement is in line with the NSFAS mandate to raise funds. During the course of the prior financial year, the Central University of Technology and Durban University of Technology requested to be paid back a portion of funds recovered on their behalf. The total amount of universities recoveries that is available to fund future students as at reporting date is R76 705 480 (2012: R78 472 828). There is a possibility that in future more universities might request to be paid back money from the recoveries.

During the 2012/2013 financial year, NSFAS refunded an unutilised amount of R146 527 to a funder.

SUPPLEMENTARY INFORMATION

1. GRANTS RECEIVED FOR STUDENT AWARDS (EXPRESSED IN R'000)

Figures in Rand thousand	2013	Restated 2012
Grants received for student awards		
Communicare	198	229
Department of Agriculture, Forestry and Fisheries	13 375	11 862
Department of Higher Education and Training	3 377 902	2 706 070
Department of Higher Education and Training - FET Colleges*	1 734 834	1 235 244
Department of Basic Education - Funza Lushaka Teacher Bursaries**	671 912	449 440
National Skills Fund	924 662	-
Department of Social Development	256 000	244 000
Eastern Cape Provincial Government	19 317	20 357
Nedbank	12 595	12 353
Department of Basic Education - Funza	15 667	15 667
Wholesale and Retail SETA	72 200	-
	7 098 662	**4 695 222**

* Bursaries for training at Further Education and Training Colleges.

** Bursaries for teacher training at Universities.

	2013	Restated 2012
Capital grants from universities		
University of Cape Town	21 656	10 365
Central University of Technology	-	2 102
Durban University of Technology	-	9 049
University of the Free State	1 126	1 047
University of Johannesburg	2 472	6 873
University of KwaZulu-Natal	-	14 632
Nelson Mandela Metropolitan University	3 217	1 000
North West University	-	2 872
University of Pretoria	10 856	7 033
Rhodes University	26 305	16 191
University of South Africa	79 848	61 563
Tshwane University of Technology	4 408	1 598
Vaal University of Technology	5 748	5 068
	155 636	**139 393**
Total grants	**7 254 298**	**4 834 615**

SUPPLEMENTARY INFORMATION

Figures in Rand thousand	2013	Restated 2012

2. OPERATIONAL EXPENSES (EXPRESSED IN R'000)

Accommodation	177	62
Advertising	360	363
Assessment rates & municipal charges	193	184
Audit fees - external	2 833	1 741
Audit fees - internal and other services	6 105	7 410
Bank charges	559	660
Broader communications strategy	886	1 520
Business development services	2 992	(284)
Cleaning	1 129	91
Collection costs	319	30
Compliance - National Credit Regulator	270	234
Computer expenses	2 896	1 033
Computer services	1	(1)
Consulting fees	4 228	4 500
Courier services	1	1
Donations	-	18
Electricity	376	367
Insurance	164	163
Lease rentals on operating lease	1 704	1 403
Legal expenses	1 249	418
Motor vehicle expenses	10	13
Office expenses	250	209
Organisational turnaround strategy*	(2)	3 074
Placement fees	1 641	1 305
Postage	1 666	3 396
Printing and stationery	1 130	1 893
Promotions	562	554
Renovation costs	29	-
Repairs and maintenance	455	191
Salaries - secondments**	-	3 354
Security services	473	483
Staff welfare	-	57
Storage and scanning (outsourced)	889	808

SUPPLEMENTARY INFORMATION

Figures in Rand thousand	2013	Restated 2012
Subscriptions and membership fees	32	33
Telephone and fax	1 578	1 247
Training	577	285
Transformation: Consultant Fee***	17 472	2 987
Travel and subsistence	2 408	1 542
Venue expenses	127	-
Exit Strategy - Remuneration costs	1 556	-
Water	71	50
Workshops	1 115	637
	58 481	**42 031**

* As noted in the comparative information the organisational turnaround strategy expenditure relates to the turnaround strategy implemented post the ministerial review and audit disclaimer of 2010. The expenditure relates to services procured to perform the turnaround strategy, as during the initial phase NSFAS was without executive management.

The account is made up of the expense categories 2012:

Debtor tracking	:	115 264
Information technology	:	5 881
Salaries	:	1 190 026
Board Executive Committee expenses	:	502 752
Legal fees	:	1 260 200
Total	**:**	**3 074 123**

** Expenditure on secondments is due to employees being seconded to the NSFAS finance department, which was understaffed.

***The transformation expenditure relates to the consultant procured to assist in the design of the target operating model and development of policies which support the operating model.

The account is made up of the following categories 2013:

Skills audit fees	:	2 268 949
Professional fees	:	15 325 149
Accrued expenditure skills audit	:	-1 584 012
Draft policy fees	:	1 461 756
	:	**17 472 000**

The supplementary information presented does not form part of the annual financial statements and is unaudited.

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