9 October 2020

As Administrator of NSFAS I welcome this opportunity, towards the end of my term, to clear ongoing allegations levelled against myself, advisors, staff members and the organization. NSFAS can ill-afford to move forward beyond administration with theseunresolved issues and a poor understanding of the value brought by the administration intervention.

We don’t agree with these allegations but remain respectful of the rights of NEHAWU to articulate to this, and other bodies of oversight, their concerns and/or evidence of maladministration. Having said that, we are also determined to protect our rights and reputations and therefore will cooperate with any legitimate process that may be instituted to get to the bottom of these allegations.

We are taking these allegations very seriously and to this end I saw it fit to invite our legal counsel who is assisting us on similar allegations that were directed to the Office of the Public Protector. I also invited the chairperson of our independent Audit and Risk committee to this meeting as I am sure that this presentation will provide insights intothe challenges faced by NSFAS and areas which will continue to require redress. Accompanying me is Mr Prakash Mangrey Advisor on finance and governance, Ms Sibongile Mncwabe the Chief Corporate Services, Ms Nthuseng Mphahlele our COO and Ms Thaaniya Isaacs Chief for Governance Risk and Compliance. I also wish to point out that whilst our head Internal Audit function reports administratively to Ms Isaacs, he is, in line with good corporate governance, answerable to NSFAS independent Audit and Risk Committee which was established in June 2020 and formally inducted on 16 July 2020.

Nsfas is an extremely complex organization with more than 700k beneficiaries in over 70 institutions, administering an annual budget close to R40 Bn in 2020.  Nsfas report to a number of oversight bodies and is subject to all statutory regulations of a schedule 3A company. As evinced failure to execute against the mandate have in the past faulted in widespread interruptions of the academic project and extremely damaging protests on campuses. Whilst not completely arrested, there is sufficient evidence from all stakeholders that the frequency and intensity of campus disruptions decreased significantly over the term of administration. One of the key innovations introduced within the NSAFS system is the establishment of a dedicated TVET administration. This sector had been extremely poorly served and their allowance structure was inferior to that of the University system.

The terms of reference of the administrator are very clear and supercede any pre-existing strategy and by implication the measurement of the KPI’s in the APP. This was not universally understood or accepted within NSFAS and in fact was resisted by some managers. We previously presented to PCHET outcomes of our APP that resulted from being measured against poorly constructed KPI’s. The performance against the KPI’s in place for both 2018 and 2019 was below 15%. The extremely poor reporting was highlighted by the PCHET on more than one occasion. I resolved to remedy this and to bring alignment between the TOR of the Administrator and the APP. To this end I contracted external consultants, and in consultation with the AG, DPME and the DHET redrafted APP to reflect the realities of the Administration. I am happy to report significant progress in improving the SMARTness and relevance of our KPI’s the improvement of which will manifest itself in the publication of our 2021 APP and strategic plan.

I have attached to these opening remarks my 2019 performance scorecard as measured against the achievement against my TOR. This was assessed against a portfolio of evidence and by senior DHET officials and signed off by the DG and forwarded to the Minister.

On the issue of the regularity of my appointment for a third term I wish to comment as follows. I received letters of appointment from both Minister Pandor and Minister Nzimandeas per published government gazettes. I therefore view my current appointment as legitimate and binding. I further understand that the extension of my appointment remains valid and binding unless and until challenged through the correct.My relationship with both ministers had been frank and honest and I benefitted tremendously from their intellect, insights into the sector and desire to improve our country. Our discussions throughout had been robust and there were no holy cows in our quest to rehabilitate NSFAS. Allegations that I have a corrupt relationship with minister Nzimande is offensive, insulting, and baseless. At no stage in my interactions with Minister Nzimande did I feel coerced, disempowered or threatened, and to this end I reject allegations of a corrupt relationship in the strongest possible terms.

Allegations have been leveled against me relating to conflicts of interest during my term as Executive Administrator of NSFAS. I categorically deny any conduct which amounts to a conflict of interest. I have never acted in the way which preferred or furthered my personal interests orpersons, individuals or juristic, over others. NSFAS is committed to good governance and as such operates within structures aimed at reducing the risk of conflictsof interests which may influence the day-to-day activities of the organization. In particular matters surrounding the appointment or termination of staff and supply chain matters enjoy the protection of strong governance structures. These practices ensure fair equitable and impartial results.

I am acutely aware of danger of conflicts interests existing in an organization, especially one in which an administrator has vast powers bestowed on him or her. These conflicts were identified and addressed by employing strong governance principles which must be observed and adhered to in the appointment and termination of staff during my tenure as Executive Administrator of NSFAS. It is also important to note that the supply chain structures adhere to the PFMA, the National Treasury regulations and Supply Chain Management guidelines. In addition, the supply chain structures employ strong governance principles to ensure fairness, impartiality and equitable outcomes.

At the start of my administration I dissolved the remaining governance structure which was the then Audit and Risk committee. That decision was not taken lightly and I did that with careful consideration after my initial risk assessment and after informing minister Pandor and the chair of PCHET. I initiated a process of restoring this vital Governance mechanism and am happy to announce that that the ARC subcommittee was inducted on 16 July 2020. Already NSAFS benefitted from the considerable expertise from these independent members as we prepare the finalization of our Annual report and AG engagements that precede this.

In my presentation I will reflect onthe rationale for placing NSFAS under administration. At this stage I wish to point out that NEHAWU, in its motivation for administration, identified the irregular appointment of a number of senior managers. The top-heavy management structure certainly exacerbated the paucity in skills since newly appointed senior managers, in some cases did not have the requisite technical skills.The loss of budget crowded out acquisition of technical personnel and to this end all vacancies were frozen and budget ringfenced for critical skills.

I also became aware that very poor and outdated HR policies, the few that existed, culminated in an excessive amount of grievances and disputes. There was neither abargaining council in place nor a proper employee engagement mechanism. In response, and as part of ToR, I initiated an HR forensic investigation, the results of which we have communicated to this committee. We are acting on the recommendations and unfortunately a number of senior managers are facing disciplinary actions. I engaged the CEO and the executive leadership of NSFAS immediately when I arrived as administrator regarding their continued employment. In cases where agreements of separation were reached exit packages were negotiated with clear understanding that they will be brought to account if so warranted. Some left on their own volition.

This left only the acting COO which was a secondment from UCT by DHET and appointed before I arrived. This necessitated that some if the advisors assumed acting positions which offset a large part of their cost to company.

Other forensic investigations identified fraud and corruption and some staff had been arrested. Investigations are ongoing and cases had been forwarded to the authorities for criminal investigations.

The opportunities for fraud and diversion of funds were plentiful. The voucher system of disbursements, the excessive commercial interests that prevailed in the Nsfas disbursement system and the dysfunctionality of the IT systems and governance providing rich pickings for those less honourable. The administrator scrapped this voucher system and introduced cash allowances which is now referred to as the nsfas wallet. This greatly improved and shortened the disbursement value chain and moreover empowered students to manage their own finances. Vouchers were directed to certain retailers and were limited to particular purchases.

We have a structured program to develop and introduce HR, Finance and ICT policies, the latter being important as poor ICT governance and financial controls led to both the restatement of the irregular expenditure of R284.7 million declared in the 2018 annual report to R2 billion, with the cumulative impact thereof being reported in the 2019 annual report as R7.5bn. The evolution of the NSFAS policy framework is documented and audited and largely contributed to the de-risking of NSFAS.

Except where we deal with direct reports, I am generally notparty to committees making decisions on matters relating to human resources or supply chain management. I act on the recommendations of the professional staff who support the various structures within the organization. Notwithstanding these recommendations I apply my knowledge, expertise and understanding of the sector before agreeing to accept any recommendation from any of the structures within the organization. Among my considerations, I consider whether or not my executing my role could be deemed to be a conflict of interest.

It is true that I am acquainted with many people throughout the educational sector as I have been a professional within the education sector for a period spanning decades. During this time, I have worked extensively with many people and organizations within the education sector and I have had the privilege of working with really bright minds during this time. In my executive career I have appointed people that I knew from previous relationships or even students that studied under me. In such cases I duly followed the requisite declaration protocols, which I have also refined during my tenure at NSFAS. My relationships are professional and the successes of the organization during the Administration period is evidence that the correct people were chosen to do the jobs for which they were appointed.

The cancellation of the laptop tender is referenced in the Nehawu submission. Whilst my legal advice indicate that I have the authority to cancel any tender such cancellation will enjoy the audit scrutiny of the AG. In addition, NSFAS will cooperate and is willing to submit itself to any legitimate process that will enhance transparency as the integrity of this project must remain above reproach. The chronology of events for the recently cancelled laptops tender is as follows:

| **Date** | **Activity** |
| --- | --- |
| **Notification received by Minister** | |
| 4 June 2020 | Letter sent by the Minister of Higher Education, Science and Innovation to the Minister of Finance indicating that NSFAS will manage the procurement of the supply and delivery of laptops to NSFAS students in accordance with the legislative prescripts |
| **Pre-tender advertisement** | |
| 4 June 2020 | Approval by the Executive Administrator for the shortened tender advertisement period from 21 days to 10 working days in accordance with Treasury Regulation 16A.6.3 (c) |
| 11 June 2020 to 18 June 2020 | Correspondence with the National Treasury Office of the Chief Procurement Officer (OCPO) indicating their review and support of the bid specification document |
| 18 June 2020 | Final support of the bid specifications by the BSC, following the review and support by the NT OCPO |
| 18 June 2020 | Final approval of the bid specifications by the BAC, following the review and support by the NT OCPO |
| **Tender advertisement** | |
| 26 June 2020 | Advertisement of the tender on the NSFAS website, the NT E-tender portal and the Government Tender Bulletin |
| 26 June 2020 | Advertisement of the clarification note for the laptop quantities to be included in the reference letters by bidders in response to mandatory requirement 4.2.3 on the NSFAS website and the NT E-tender portal |
| 13 July 2020 | Closing date of the tender noting 150 bid proposals received |
| **Bid evaluation and adjudication process** | |
| 22 July 2020 | Approval of the appointment of an observer from the Department of Science and Technology by the BAC Chairperson in accordance with section 4.6 of the Circular issued by National Treasury on the BAC code of conduct.  The appointment of an observer from the Department was supported by the NT OCPO. |
| 15 July 2020 to 19 August 2020 | Bid evaluation and bid adjudication of 150 bids received.  9 of the 150 bids were disqualified for not achieving the pre-qualification criteria of not being a level 1 or 2 BBB-EE contributor  141 of the 150 bids were disqualified for not achieving the mandatory requirements.  BAC recommendation made to Administrator on 19 August 2020 for cancellation of tender in accordance with Regulation 13 (1) (c) of the PPPFA regulations |
| **Tender cancellation** | |
| 20 August 2020 to 25 August 2020 | Correspondence between Administrator and OCPO regarding advice on the recommended course of action relative to the BAC recommendation, of which the advice was that the tender should be cancelled and re-advertised. |
| 25 August 2020 | Administrator approved the cancellation of the tender in accordance with Regulation 13 (1) (c) of the PPPFA regulations |
| 4 September 2020 | The tender cancellation was published in the Government Tender Bulletin, the NSFAS website and the National Treasury E-tender portal. |

NSFAS under administration is neither averse nor reluctant to submit to oversight. I meet on a regular basis face to face with the minister and thedeputy minister, I have monthly meetings with the DG and his senior personnel where progress against my TOR and strategic issues are discussed. We have honoured our reporting and responsibilities to PCHET and the Select Committee. We workcollaborativelywith the AG on resolution of irregular expenditure and cooperate with them on resolution of audit queries.

We are acutely aware of and humbled by the large responsibility bestowed on usand the huge expectations we carry to uplift the lives of the poor and and marginalized. We remain professional in our approach and the performance of the Administrator and the staff of NSFAS remain open to public scrutiny. Although this assignment proved to be orders of magnitude tougher than what anticipated I personally was enriched beyond measure and the rewards to change the lives of so many extremely gratifying. And for this I am thankful.