



NSFAS

National Student Financial Aid Scheme

PRESENTATION TO SCOPA

08 FEBRUARY 2022



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AUDIT OUTCOME

OPINION

- The audit opinion on the audit of the annual financial statements (AFS) received by the Auditor -General of South Africa (AGSA) for the 2020/21 financial year was Unqualified with findings. This was the first time in 3 consecutive audit cycles that the entity received an unqualified audit opinion, with the prior years audit outcomes being qualified with findings.

FINDINGS

In the previous year's final management reports the AG issued 70 findings, with 60 findings being issued in the 2018/19 year. In the prior year the AGSA issued only 30 findings. This is also indicative of a drastic improvement in the 2020/21 financial year. Page 4 of 4

MATERIAL IRREGULARITY

In the previous audit cycle, the AGSA issued the organisation with 3 Material Irregularities (MI). These dealt with the following 3 areas:

- Disbursements in excess of contract amount: Payments made to eligible students at the correct value but amounts on the contracts were reflected incorrectly.
- Collection of money owed by institutions: Money owed by the institutions were not being declared by institutions, and as such were also not reflected at the correct values.
- Interest not charged on certain loans: Interest on certain accounts were not accruing correctly.

In the current year, the AGSA reviewed progress made on the MI's. While they noted that the MI's were not yet closed, it was noted that management has made progress towards closing them. The AGSA will follow up on the progress made in the next audit cycle

REVIEW ON MALADMINISTRATION

BACKGROUND AND SCOPE

- NEHAWU made allegations to PCHET which prompted PCHET to resolve an enquiry after a number hearings.
 - The proposed enquiry coincided with the appoint of the new NSFAS Board.
 - The new Board at the time pleaded with the PCHET to allow it to conduct its own review into these matters as the Board was still acclimatizing with the organization, which the proviso that the new Board would report back to the PCHET on the outcomes of this review.
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REVIEW ON MALADMINISTRATION cont

APPROACH TO THE REVIEW

- NSFAS appointed an independent accounting firm and firm of attorneys to conduct the review.
 - The Accounting firm reviewed all the information pack that contained the allegations, this was assessed against the established organizational policies and procedures.
 - The review covered the 2018/2019 and 2019/2020 financial periods. The purpose of the review was to assess the factual correctness of the allegations made against the relevant regulations governing that particular process and conclude on such.
 - The allegations identified four (4) focus areas; human resources, supply chain management, organizational annual performance, and corporate governance failures.
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REVIEW ON MALADMINISTRATION cont

HIGH LEVEL FINDINGS OF THE REVIEW

Human Resources:

- There were instances where supporting documents could not be obtained for some positions, whereas where there was supporting evidence the recruitment process was followed. Information pertaining to the appointment of advisors is not available within NSFAS, part of the next steps would include engaging DHET in this regard.

Procurement/ Supply Chain Management:

- There appears to be no contraventions of SCM policies in the laptop tender process, where independent observers were appointed, the process on how the observer should be involved in the process was applied in line with the National Treasury guidelines.
 - Consultants were appointed through a procurement process and direct recruitment process using the provisions of NSFAS Act.
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REVIEW ON MALADMINISTRATION cont

Change in Annual Performance Plan

- There is an indication that the changes in the APP may not have been in line with the DPME guidelines and that some of the changes were not in line with the SMART principles. Consequently, this negatively affected the performance of the organisation as highlighted in the AGSA audit report and management letters.

Corporate Governance failures:

- There are certain positions that were created, and employees appointed in the manner that suggests governance failures in line with NSFAS's policies. The fact that the organisation operated without an Audit Committee for some time was not in accordance with PFMA and best practice
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REVIEW ON MALADMINISTRATION cont

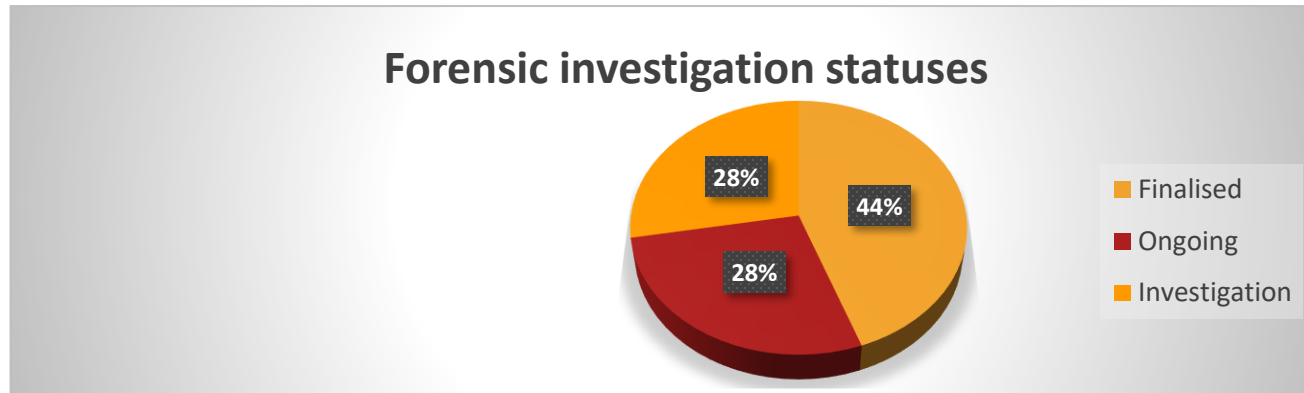
NEXT STEPS

- The result of the review has not yet been tabled and discussed with the PCHET.
 - Where there is indication of non-compliances, these matters are currently being followed-up and investigated by an independent legal firm.
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FORENSIC INVESTIGATIONS

SUMMARY

Since the start of the financial year to date 39 matters were referred to the Forensic unit for resolution.



44 % FINALISED

28 % ONGOING

28 % INVESTIGATION

The matters in the main fall into the following categories:

- Student allowances
 - Undue funding
 - Internal instances
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FORENSIC INVESTIGATIONS

Criminal matters registered and prosecuted

In total 10 cases have been reported to SAPS of which two cases were reported during the current financial year and the other eight during prior financial years. The cases are at the following stages:

- Two cases are at trial stage;
- Prosecution was declined on one case due to lack of evidence;
- Seven cases are being investigated to SAPS

Progress on the various cases have been slow due to the impact of COVID-19. As the Covid-19 restrictions are lifted it is expected that faster movement will be made on the cases.

- We have established a relationship with HAWKS nationally to follow up and prosecute on the cases



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THE END

