

Report of the auditor-general to Parliament on the National Student Financial Aid Scheme

Report on the audit of the financial statements

Adverse opinion

1. I have audited the financial statements of the National Student Financial Aid Scheme (NSFAS) set out on pages 9 to 77, which comprise the statement of financial position as at 31 March 2022, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, because of the significance of the matters described in the basis for adverse opinion section of this auditor's report, the financial statements do not present fairly, in all material respects, the financial position of the NSFAS as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for adverse opinion

Amounts owing by institutions and amounts due to institutions.

3. The entity did not reliably present assets and liabilities, linked to higher education institutions, in accordance with GRAP 1, *Presentation of financial statements*. The entity did not accurately reconcile cost of study records provided by institutions to the entity's own disbursement records. The cost-of-study amounts used were also not always accurate, as it incorrectly included disbursements made directly to students and it did not include all disbursements to institutions. Furthermore, the reported amounts in the statement of financial position did not agree with the reconciliations. Consequently, amounts owing by institutions and amounts due to institutions were overstated. I could not determine the value of these misstatements as it was impracticable to do so. Additionally, there was a consequential impact on prepayments to institutions, student loans (current and non-current), deferred income from non-exchange transactions, capital fund, grants received for student awards, bursaries – TVET colleges, bursaries – universities, impairment – student loans, impairment loss - amounts owing by institutions long-term (exchange), related disclosure notes, note 34 prior-year adjustments, note 35 irregular expenditure, note 39 accounting by principals and agents, note 42 going concern and note 43 segment information. These misstatements are considered material and pervasive to the financial statements as a whole.
4. In addition, I was unable to obtain sufficient appropriate audit evidence for all institutions' cost-of-study records due to the records not being validated. I could not confirm this by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to amounts owing by institutions, stated at R8 837,8 million

(2021: R5 435,3 million) or amounts due to institutions, stated at R7 477,2 million (2021: R7 728,4 million) in the financial statements.

Receivables from non-exchange transactions

5. I was unable to obtain sufficient appropriate audit evidence that unfunded students for the current and previous year had been properly accounted for, due to the status of the accounting records. I was unable to confirm the unfunded student balance by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to unfunded students stated at R984,2 million (2021: R702,5 million) in note 11 to the financial statements.
6. The entity did not assess at the end of the reporting period, as well as for the prior year, whether there was objective evidence that unfunded students were impaired in accordance with GRAP 104, *Financial instruments*. The entity did not consider the historic loss experience for assets with credit risk profile similar to those of unfunded students to impair the unfunded student balance. Consequently, receivables from non-exchange transactions are overstated and impairment understated for the current as well as the prior year. I could not determine the value of the misstatement as it was impracticable to do so.

Deferred income from non-exchange transactions

7. The entity did not recognise deferred income in accordance with GRAP 23, *Revenue from non-exchange transactions*, in the statement of financial position. Unconditional grant revenue received was incorrectly recognised as deferred income. Consequently, deferred income was overstated, and grants received from student awards was understated by R389,8 million. This had an impact on the surplus for the year and on the capital fund.
8. Additionally, I was unable to obtain sufficient appropriate audit evidence to confirm the accuracy of the current and non-current portions of deferred income, due to the status of accounting records. I was unable to confirm the accuracy of the split through alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the current portion stated at R658 million (2021: R1 191,3 million) and the non-current portion stated at R2 598,3 million (2021: R2 348,7 million).

Bursaries – TVET colleges, bursaries – universities and grants received for student awards

9. The entity did not record transactions related to agent-principal contracts as required by GRAP 109, *Accounting for principals and agents*. The entity has incorrectly recognised expenditure and revenue on transactions where it was acting as an agent. Consequently, bursaries – universities and grants received for student awards are overstated by R1 806,1 million (2021: R1 356,7 million).
10. Additionally, the disclosure of bursary expenditure amounts in note 26 of the financial statements did not agree to the bursaries – TVETs and bursaries – universities per the statement of financial performance stated at R4 782 million (2021: R4 982,1 million) and R31 901,8 million (2021: R35 946 million) respectively, as required by GRAP 1, *Presentation of Financial Statements*. Consequently, the disclosure for bursaries – TVET colleges and bursaries – universities under note 26 to the financial statements, stated at R5 525,7 million (2021: R5 437 million) and R34 729,1 million (2021: R35 051,4 million) respectively, are

overstated by R743,7 million (2021: R454,9 million) and R2 827,3 million (2021: understated R894,6 million) respectively.

Contingent liability: commitment to future student funding

11. The entity did not disclose its commitment to fund eligible returning students in future years as required by GRAP 19, *Provisions, contingent liabilities, and contingent assets*. Liabilities of uncertain timing or amount should be estimated and disclosed as a contingent liability. I could not determine the value of the misstatement as it was impracticable to do so.

Irregular expenditure

12. I was unable to confirm that all irregular expenditure was included in note 35 to the financial statements, as required by section 55(2)(b)(i) of the PFMA, as sufficient appropriate audit evidence was not provided to confirm that signed contracts existed between the NSFAS and students for all payments made to students. I was unable to confirm this by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the irregular expenditure stated at R84 392,1 million (2021: R82 397,2 million) in the financial statements.
13. Furthermore, the entity used incorrect calculation data to calculate irregular expenditure related to a subset amount, named *Amounts above the contract amount*, which relates to instances where total disbursements to a student exceeds the maximum cap amount stipulated on the student's signed agreement. The data used did not agree to the signed agreements. Consequently, irregular expenditure in note 35 to the financial statements was overstated by R780,2 million (2021: R7 503,5 million).
14. Additionally, the narrative disclosure under *administrative matters* in note 35 to the financial statements incorrectly includes the disclosure of irregular expenditure relating to the overspending on bursaries to universities of R825,8 million. This narrative is an error as the budget on bursaries was not overspent and no irregular expenditure was included in the irregular expenditure stated at R1 994,9 million for the current year.

Grants received for student awards (non-exchange)

15. The entity did not appropriately disclose the impact of deferred income movements on grants received for student awards revenue in accordance with GRAP 1, *Presentation of financial statements*, in the notes to the financial statements. Deferred income movements were incorrectly disclosed in aggregate as a separate line instead of being allocated across the relevant funders. Consequently, the deferred income movement line item in note 22, Grants received for student awards (non- exchange), was overstated and the relevant funder lines were understated by R545,9 million.

Prior-year adjustments

16. The entity did not disclose prior-year adjustments as requires by GRAP 3, *Accounting policies, changes in accounting estimates and errors*. No amount was included for capital fund (opening balance) in the statement of financial performance and as a result no disclosure of this ought to have been included in note 34 to the financial statements. Consequently the entity overstated the disclosure in note 34 to the financial statements for capital fund (opening balance) in the statement of financial performance by R3 744,5 million.

Going concern

17. The entity did not disclose net cash flows from operating activities in the going concern disclosure presented in note 42 to the financial statements as required by GRAP 1, *Presentation of financial statements*. The net cash flows from operating activities as per the cash flow statement, stated a cash outflow of R1 329,4 million that did not agree to the disclosure for net cash flows from operating activities per note 42 to the financial statements, which stated a cash inflow R11 200 million. Consequently, the disclosure in note 42 was overstated by R12 529,4 million.

Segment information

18. Segment information, disclosed in note 43 to the financial statements was not presented as required by GRAP 18, *Segment reporting* as it was not consistent with amounts per the statement of financial position and statement of financial performance. I was unable to determine the misstatements as it was impractical to do so.

Residual valuation adjustments – corresponding figure

19. The entity did not recognise residual valuation adjustments correctly in the statement of financial performance's restated corresponding figure in accordance with GRAP 1, *Presentation of financial statements*. Consequently, the residual valuation adjustments corresponding figure, stated at R1 610,9 million, was overstated by R1 610,9 million. I was unable to quantify the effect on other financial statement line items as it was impractical to do so.

Cash flows from operating activities – corresponding figures

20. The entity's cash flows from operating activities were incorrectly calculated for the restated corresponding figure and not in accordance with GRAP 2, *Cash flow statements*. Receipts from *Grants from student awards and administration costs* stated at R38 362,1 million, were overstated by R1 472,3 million for the corresponding figure; while payments *for student awards* stated at R32 669,9, were overstated by R1 464,3 million for the corresponding figure.

Prepayments to institutions – corresponding figures

21. The entity did not present the comparative disclosure on prepayments to institutions in note 4 in accordance with GRAP 1, *Presentation of financial statements*. The corresponding figures for note 4 prepayments to institutions are not arithmetically accurate. Consequently, the individual note line items are overstated in total by R128 565,8 million. I was unable to determine the misstatements per note line item as it was impractical to do so.

Context for the opinion

22. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
23. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including*

International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Other matter

25. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedule

26. The supplementary information set out on page 78 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.

Responsibilities of the accounting authority for the financial statements

27. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the PFMA, 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.
28. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

29. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
30. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Introduction and scope

- 31. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I was engaged to perform procedures to identify material findings but not to gather evidence to express assurance.
- 32. I was engaged to evaluate the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the entity’s annual performance report for the year ended 31 March 2022:

Programme	Pages in annual performance report
Programme 2: student centred model	26 - 28

- 33. The material findings on the usefulness and reliability of the performance information of the selected programme are as follows.

Programme 2: student centred model

- 34. I was unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined source information and method of collection or that related systems and processes had been established to enable consistent measurement and reliable reporting of the actual achievement of the indicators listed below. This was due to a lack of measurement definitions and processes. I was unable to confirm that the indicator is well-defined and verifiable by alternative means. As a result, I was unable to audit the reliability of the achievements of the listed indicators reported in the annual performance report.

Indicator description	Planned annual target	Actual achievement
Output indicator 2.1: Amount of money recovered (rand value) from NSFAS debtors	R425 500 000	R341 728 937
Output indicator 3.1: Percentage of all valid applications received in each academic cycle, where provisional funding decisions are communicated to applicants within 30 days of the closing date	90%	91,3%
Output indicator 3.2: Percentage of continuing students where provisional funding process is completed within 10 days of receipt of academic progression or academic results from institutions and DHET (Department of Higher Education and Training)	90%	36%

Indicator description	Planned annual target	Actual achievement
Output indicator 3.5: Percentage of funded University students for which the instalments of tuition and allowances to institutions care paid on the 25th day of every second month	93,5%	93,5%
Output indicator 3.6: Percentage of funded university students for which the instalments of tuition and allowances to institutions are paid on the 25th day of every second month	90%	80%

35. I was unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined source information and method of collection or that related systems and processes had been established to enable consistent measurement and reliable reporting of the actual achievement of the indicators listed below. This was due to a lack of measurement definitions and processes. I was unable to confirm that the indicators were well defined and verifiable by alternative means. As a result, I was unable to audit the reliability of the achievements reported in the annual performance report. The reasons for the variance between the planned targets and the reported achievements were also not explained in the annual performance report for the listed indicators:

Indicator description	Planned annual target	Actual achievement
Output indicator 1.1: Amount of funds (rand value) raised from new funders	R43 900 000	R91 283 147,83
Output indicator 3.4: Percentage increase in the number of new applicants with disabilities that are provisionally funded	5%	28,7%

Other matter

36. I draw attention to the matter below.

Achievement of planned targets

37. Refer to the annual performance report on pages 26 to 28 for information on the achievement of planned targets for the year and management's explanations for the under/over achievement of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 32 to 33 of this report.

Report on the audit of compliance with legislation

Introduction and scope

38. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
39. The material findings on compliance with specific matters in key legislation are as follows:

Expenditure management

40. Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. As reported in the basis for adverse opinion, the value disclosed in note 35 to the financial statements does not reflect the full extent of the irregular expenditure incurred. Most of the irregular expenditure disclosed in the financial statements was caused by the entity's failure to sufficiently adhere to student funding conditions or stipulated criteria.

Strategic planning and performance management

41. Procedures for the facilitation of effective performance monitoring, evaluation and corrective action through quarterly reports were not established, as required by treasury regulation 30.2.1.

Annual financial statements

42. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and/or supported by full and proper records, as required by section 55(1) (a) and (b) of the PFMA.
43. Material misstatements of revenue, expenditure, current assets, receivables, and disclosure items identified by the auditors in the submitted financial statements were corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving an adverse opinion.

Revenue management

44. Effective and appropriate steps were not taken to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA.

Other information

45. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

46. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
47. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
48. I am unable to conclude whether the other information is materially misstated relating to the reported performance information because I was unable to obtain sufficient appropriate audit evidence for programme 2: student-centred model.
49. I did not receive the other information prior to the date of this auditor's report. When I do receive and read the other information relating to the financial statements and compliance with legislation, and I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

50. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the adverse opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
51. The entity's governance structures did not apply sufficient oversight over the effectiveness of financial and performance reporting and related controls. They did not provide adequate guidance to ensure that the processes around the close-out-project (COP) were properly designed and documented. Action plans were not effectively monitored to track the implementation of the COP plan and to hold management accountable against the progress made.
52. The entity did not have the necessary systems and processes in place that were fit for purpose in the environment it operates. Furthermore, due to the large volume of information and the reliability on other role players in the sector, the entity's controls to manage completeness of data were not sufficient.
53. The entity did not have the necessary capacity to carry out its operations in both finance and information systems. Consequently, the entity was highly reliant on the work performed by consultants and did not have the necessary capacity to monitor the work performed by them. The lack of capacity and magnitude of the COP also had an impact on the overall quality of the financial statements and resulted in material misstatements that could have been prevented.

54. The action plans developed by leadership were not adequate to address findings raised in the previous year to ensure the prevention of repeat instances of material non-compliance, address the material findings on the performance report, and detect and rectify material misstatements in the financial statements.

Material irregularities

55. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of the material irregularities reported in the previous year's auditor's report.

Status of previously reported material irregularities

Disbursement in excess of contract amount

56. The entity disbursed tuition fees and allowances to students above the maximum amounts stipulated in written agreements with the respective students. In some cases, this was due to the written agreements being incorrectly generated with erroneously low amounts, while in other cases this was because the entity disbursed more than the total cost of study for the students.
57. The over-disbursements occurred in the 2017-18 financial year. Effective internal controls as required by section 51(1)(a)(i) of the PFMA were not in place to prevent the over-disbursements.
58. The non-compliance is likely to result in a material financial loss if the over disbursements are not recovered from students and tertiary institutions.
59. I notified the NSFAS administrator (accounting authority at the time) of the material irregularity on 15 October 2020 and invited them to make a written submission on the actions that have been and that will be taken to address the matter. The new NSFAS board provided a revised submission on 16 February 2021.
60. The accounting authority enlisted an external service provider on 16 March 2023, to assist with a full investigation to quantify all errors and to assist with the resolution of all scenarios where over-disbursements had occurred. By 15 September 2022, the entity had not accurately quantified the cumulative over-disbursement as at 31 March 2022.
61. I then concluded that appropriate actions were not being taken to address the material irregularity.
62. I notified the accounting authority on 4 November 2022 of the following recommendations to address the material irregularity, which should be implemented by 4 August 2023:
- a. The financial loss relating to disbursements in excess of contract amount should be quantified. The quantification should focus exclusively on loan agreements and should consider the latest available information, including the results of the close-out project.
 - b. Appropriate action should be taken to obtain legal advice on the process to be followed to recover the money (disbursements in excess of contract amounts). Based on the legal advice, the feasibility and cost effectiveness of recovering the money should be

determined. If it is determined that such recovery is feasible and cost effective, such money should be recovered.

63. I will again follow up on the implementation of the recommendations after the due date.

Collection of money owed by tertiary institutions.

64. The entity is owed money by tertiary institutions (universities and TVET colleges) for monies not used by students due to students deregistering or being awarded bursaries from other donors, or due to disbursements exceeding the student's total cost of study. In such circumstances, the funds disbursed by the entity must be repaid. In the past, institutions declared the amounts as owing to the NSFAS through a process referred to as 'final reporting'. This process has not taken place for the vast majority of institutions for at least the past five financial reporting periods. The monies were not declared by the respective institutions and were thus not recorded in the accounting records and collected by the entity.
65. The above resulted in non-compliance with section 51(1)(a)(i) of the PFMA. The period for which the final reporting was not completed stretched from 1 April 2017 to 31 March 2022.
66. The non-compliance is likely to result in a material financial loss for the entity if the undeclared credits are not recovered from the relevant tertiary institutions.
67. I notified the NSFAS administrator (accounting authority at the time) of the material irregularity on 4 November 2020 and they were invited to make a written submission on the actions that have been and that will be taken to address the matter. The new NSFAS board provided a revised submission on 16 February 2021.
68. The accounting authority enlisted an external service provider on 16 March 2023, to assist with the reconciliation process between NSFAS data and institutions' data at a student level for the 2017, 2018, 2019, 2020 and 2021 academic years. This was termed the close-out project. At 15 September 2022, the entity had not accurately quantified the extent of over-disbursements.
69. I then concluded that appropriate actions were not being taken to address the material irregularity.
70. I notified the accounting authority on 4 November 2022 of the following recommendations to address the material irregularity, which should be implemented by 4 August 2023:
- The financial loss quantification for the 2017 to 2021 academic years relating to money owed by tertiary institutions should be re-performed. The quantification should consider the latest available information, including the results of the close-out project.
 - Appropriate action should be taken to recover the money owed by tertiary institutions. The recovery process should not be unduly delayed.
 - Reasonable steps should be taken to implement internal controls to detect money owed by tertiary institutions. The controls should, at a minimum include:
 - Regular reconciliations between the cash payments to institutions and the total of detailed disbursement schedules to determine if any excess payments exist.
 - Annual reconciliations between NSFAS, tertiary institutions and Higher Education Management Information System (HEMIS) data for each academic year.

- The current agreements between the NSFAS and the tertiary institutions should be revised. The revised agreements should, at a minimum include:
 - The roles and responsibilities of both the NSFAS and the tertiary institutions in relation to performing the necessary reconciliations.
 - The necessary information tertiary institutions will be required to provide, and by when such information should be provided, to enable the reconciliations to be performed in a timely manner.

71. I will again follow up on the implementation of the recommendations after the due date.

Interest not charged on student loan accounts

72. According to the entity's policy on interest, interest on student loans must be charged one year after students had graduated or exited their respective tertiary institutions. The entity did not have up-to date information on students who have graduated or exited institutions of higher learning. As a result, such students were flagged as students for many years, without interest being charged.

73. Effective and appropriate steps to record and collect interest revenue were not taken as required by section 51(1)(b)(i) of the PFMA. The non-compliance is likely to result in a material financial loss if the interest is not recovered from loan recipients.

74. I notified the NSFAS administrator (accounting authority at the time) of the material irregularity on 4 November 2020 and invited them to make/ a written submission on the actions that have been and that will be taken to address the matter. The new NSFAS board provided a revised submission on 16 February 2021.

75. The accounting authority enlisted an external service provider on 16 March 2023, to investigate the root causes, calculate the estimated interest loss and carry out a phased-in approach to correct the affected records. On 15 September 2022, the entity had not accurately quantified the interest.

76. I then concluded that appropriate actions were not being taken to address the material irregularity.

77. I notified the accounting authority on 4 November 2022 of the following recommendations to address the material irregularity, which should be implemented by 4 August 2023:

- a. The financial loss relating to the interest not charged should be quantified, taking into account the latest available information, including the results of the close-out project.
- b. Appropriate action should commence to recover all the interest not charged in accordance with the policies of the NSFAS. The recovery process should not be unduly delayed.
- c. Reasonable steps should be taken to ensure that internal controls exist to verify that interest is charged on the loan management system in accordance with the policies of the NSFAS.

78. I will again follow up on the implementation of the recommendations after the due date.

Other reports

79. In addition to the investigations relating to material irregularities, I draw attention to the following engagement conducted by another party which could have an impact on the matters reported in the entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
80. The Special Investigation Unit was issued with a presidential proclamation (R88 of 2022) to investigate the affairs of NSFAS relating to alleged maladministration in relation to the management of the entity's finances as well as the allocation of loans, bursaries and any other funding payable to students in terms of the provisions of the National Student Financial Aid Scheme Act 56 of 1999. The investigation is still ongoing.

Auditor-General

Cape Town

31 July 2023



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programmes and on the entity’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - obtain an understanding of internal control relevant to the audit 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.
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.
 - conclude on the appropriateness of the accounting authority’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause an entity to cease operating as a going concern.
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance.

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.