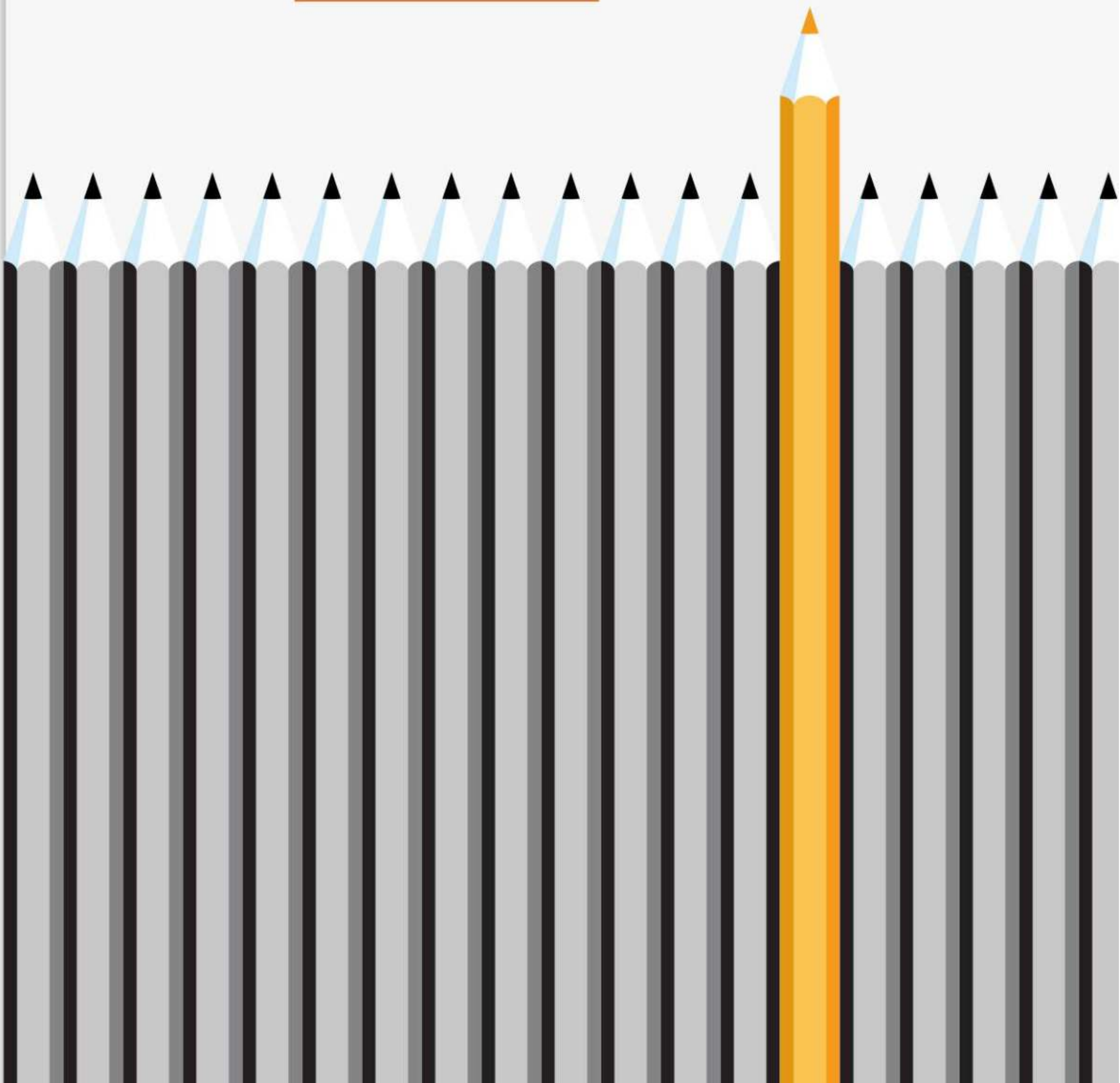
NSFAS

National Student Financial Aid Scheme

Annual Report

2021/22



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General Information

Country of incorporation and domicile	Republic of South Africa
Nature of business and principal activities	The nature of the activities of NSFAS is to provide financial assistance in the form of loans or bursaries to eligible students at Public Universities and Technical and Vocational Education and Training (TVET) colleges, and to administer such loans and bursaries. Following the pronouncement of the bursary funding program by the former President of the Republic of South Africa in December 2017, financial assistance from the Department of Higher Education and Training (and certain other funders) to all eligible students is now in the form of bursaries from the 2018 academic year. For students commencing studies prior to the 2018 academic year, and where financial assistance was provided in the form of loans, NSFAS is required to recover the loans from the students once they are employed and earning in excess of R30 000 per annum.
Accounting Authority	National Student Financial Aid Scheme (NSFAS) was put under Administration in August 2018 under section 17A(1)(c) of the NSFAS Act (Act 56 of 1999). The Minister approved Dr Randall Carolissen and appointed him as the Administrator for the period 21 August 2018 to 21 August 2019. The terms of reference of the Administrator was published in the Government Gazette date 20 August 2018, Volume. 638 No. 41851. Further at the end of the first Administration, Dr Randall Carolissen was appointed as Administrator for a second term effective from 21 August 2019 to 20 August 2020, as per Government Gazette No. 42662, and thereafter further extended by agreement to 31 December 2020. The new NSFAS Board was appointed effective 1 January 2021.
Executive Officer and Board Members	Andile Nongogo (Executive Officer) Ernest Khosa (Chairperson) Bamanye Matiwane (Board Member) Jullie Beya (Board Member) Lindiwe Matlali (Board Member) Cyril Madaiba (Board Member) Max Fuzani (Board Member) Pumela Msweli (Board Member) Richard Msweli (Board Member) Sanele Zondi (Board Member) Pretty Makukule (Board Member) Reshma Mathura (Board Member) Yonke Twani (Board Member) Lisa Sefttel (Board Co-opted Member) Melosi Baloyi (Board Co-opted Member)
Registered office	18 - 20 Court Road Wynberg Cape Town 7800
Business address	The Halyard 4 Christiaan Barnard Street Cape Town City Centre Cape Town
Country of incorporation and domicile	Private Bag X1 Plumstead Cape Town 7801
Bankers	FNB Corporate Bank (Cape Town), a division of FirstRand Bank Limited Standard Bank of South Africa Limited
Auditors	Auditor-General of South Africa
Website	www.nsfas.org.za

Abbreviation

AFS	Annual Financial Statements
AGSA	Auditor - General of South Africa
AIP	Audit Improvement Plan
AOPO	Audit of Predetermined Objectives
AP	Annual Performance
APP	Annual Performance Plan
AR	Annual Report
ARC	Audit And Risk Committee
ASB	Accounting Standards Board
ASISA	Association for Savings and Investment South Africa
B-BBEE	Broad-Based Black Economic Empowerment
CAMS	Corporate Access Management Services
CACH	Central Application Clearing House
CCSO	Chief Corporate Services Officer
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGICTAS	Corporate Governance of Information and Communications Technology Assessment Standards
CIO	Chief Information Officer
COO	Chief Operations Officer
CRO	Chief Risk Officer
CSIR	Council for Scientific and Industrial Research
DBE	Department of Basic Education
DHET	Department of Higher Education and Training
DMV	Department of Military Veterans
DOH	Department of Home Affairs
DOL	Department of Labour
DSD	Department of Social Development
DSU	Disability Support Unit
ECPG	Eastern Cape Provincial Government
EE	Employment Equity
EEA	Employment Equity Act
EES	Employment Engagement Survey
EME	Exempted Micro Enterprises
EO	Executive Officer
ESS	Employee Self-Service
ETDP	Education, Training and Development Practices
EXCO	Executive Committee
EXMA	Executive Management
FRM	Funder Relationship Management
FTENs	First-Time Entering Students
GDP	Gross Domestic Product
GIP	Graduate Internship Programme
GM	General Manager
GRAP	General Recognised Accounting Practices
HE	Higher Education
HR	Human Resources
HRMS	Human Resources Management System
ICT	Information and Communication Technology
ISO9000	International Standards on Quality Management
IT	Information Technology
KPI	Key Performance Indicator
LRA	Labour Relations Act
MEC	Member of the Executive Council
MoA	Memorandum of Agreement
MoU	Memorandum of Understanding
MTEF	Medium-Term Expenditure Framework
MTSF	Medium-Term Strategic Framework
MTT	Ministerial Task Team
NBA	NSFAS Bursary Agreement
NCA	National Credit Act
NCOP	National Council of Provinces
NCR	National Credit Regulator
NCV	National Certificate (Vocational)
NDP	National Development Plan
NOCLAR	Non-Compliance to Laws and Regulations
NSDS	National Skills Development Strategy
NSF	National Skills Fund
NSFAS	National Student Financial Aid Scheme
OHSA	Occupational Health and Safety Act
PACS	Payment and Collection Services
PAIA	Promotion of Access to Information Act
PAJA	Promotion of Administrative Justice Act
PCHET	Portfolio Committee on Higher Education and Technology
PFMA	Public Finance Management Act
PIC	Public Investment Corporation
PPP	Public Private Partnerships
PPPFA	Preferential Procurement Policy Framework Act
PWD	Persons with Disabilities
PSET	Post School Education and Training
QMS	Quality Management System
QSE	Qualifying Small Enterprises
RMA	Rand Mutual Assurance
SAICA	South African Institute of Chartered Accountants
SAMSA	South African Maritime Safety Authority
SAQA	South African Qualifications Authority
SARS	South African Revenue Service
SCER	Select Committee on Education and Recreation
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SETA	Sector Education and Training Authority
SIEM	Security Information and Event Management
SOP	Standard Operating Procedures
SRC	Student Representative Council
TEFSA	Tertiary Education Fund of South Africa
ToR	Terms of Reference
TR	Treasury Regulations
TVET	Technical and Vocational Education and Training
UIF	Unemployment Insurance Fund

Statement by the Executive Authority

The country is experiencing unprecedented challenges as a results of the Coronavirus (COVID-19) pandemic, this could reverse development gains for the country. The pandemic has impacted human capital, livelihoods, learning and future productivity.

Furthermore, the COVID-19 outbreak has impacted the economics of the world and country negatively. The budget review in October 2020 has shown that, the National Treasury expects a Gross Domestic Product (GDP) growth of 2.6% in the 2021 fiscal year (FY) and only 1.5% in 2022 and 2023.

In light of this pandemic, funds have been re-prioritized towards social grants and health care provision. There have been budget cuts across government institutions to accommodate Personal Protective Equipment (PPE's). Government has also extended the academic year in institutions of higher learning in response to this pandemic.

Comprehensive measures have also been implemented to avoid the slowdown in economic growth. The emphasis now is on the need to use the situation to forge the new economy in a new global reality.

The 2021/2022 Annual Report (AR) of the National Student Financial Aid Scheme (NSFAS) takes into consideration the environmental and economic challenges within which the institution is operating, aims to address and manage the situations.

For the sixth administration, government has identified seven priorities from the State of Nation Address (SONA) delivered in parliament in June 2019. NSFAS contributes to Priority 3: Education, Skills and Health. Its vision is to enable access to public universities and Technical Vocational Education and Training (TVET) colleges through financial aid to students who are financially and academically eligible.

The Annual Report (AR) sets out priorities for NSFAS in a manner that emphasises the outcomes-orientated monitoring and evaluation approach of the Presidency and has been guided by:

- NSFAS Act (Act 56 of 1999);
- National Skills Development Strategy (NSDS) III;
- White paper for Post-School Education and Training;
- Continuing Education and Training Act (Act 16 of 2006);
- National Development Plan (NDP)
- Mid-Terms Strategic Framework;
- Other relevant legislations, regulations, policies, and the changing post-school environment in which NSFAS operates.

This Annual Report outlines a disciplined approach to supporting the ongoing transformation of NSFAS by continuing to build on the foundation that has been laid over the past years. It is based on the two strategic goals guiding the entity's strategic direction, namely:

Goal 1: An effective, efficient, and transparent public entity in providing student financial aid.

Goal 2: Increased access to higher education through an improved student financial aid environment to poor and working-class.

In delivering the outcomes set out in this report, NSFAS will be working with relevant stakeholders which share its dedication to providing access to higher education and training.

Dr. Blade Nzimande, MP
Minister of Higher Education, Science and Innovation

Foreword by the Accounting Authority

It is with a sense of optimism that I present the 2021/22 annual report on behalf of the Board of Directors and Management. NSFAS remains a vital asset as a powerful enabling State institution with a direct link to priority 3 in terms of the government priorities relating to education, skills, and health. This report is further crafted amidst a period that still reeked of the aftermath of the Covid -19 pandemic which disrupted the entire education system. A period that was underpinned by the late start of the academic year brought on by the pandemic's impact on the timing of the release of matric results as a result of the pandemic, a shortfall in NSFAS funding given the impact of the pandemic on state resources and the delays in the academic year, changes to the approaches to learning based on the barriers posed by the pandemic. Despite the negative impact of the pandemic on higher education, NSFAS continued to provide funding for disadvantaged and qualifying students in line with its core mandate albeit with some additional support from government.

This reporting period was also characterised by greater stability as the entity transitioned from being under administration to having a board and Chief Executive Officer in place since January 2021. This necessitated a review of structures and processes to ensure that NSFAS adequately aligns and delivers on its core mandate and the deliverables agreed with the Minister of Higher Education, Science and Innovation. Whilst challenges are inherent to an organisation, this was no different to NSFAS whose key stakeholders needed to be aligned with the vision of the newly appointed Board. Accordingly, a stakeholder-inclusive model was adopted to provide a platform for the Board to share its vision whilst appreciating the views of key stakeholders. In so doing, the Board's mandate continued to be executed in a transparent and responsible manner. It is against this backdrop, that the NSFAS board explored multiple opportunities posed by the pandemic including a review of the funding framework for the poor and missing middle, development and finalisation of the funding guidelines and greater collaboration with the various stakeholders. Given the Board's strategic mandate in terms of the NSFAS Act, the Board reviewed its strategic plan to make it more relevant to the mandate imposed upon the Board. To this end greater emphasis was placed on arresting a wide spectrum of governance, ethical, resource allocation and optimisation; as well as strategic focus lapses at NSFAS.

Whilst the entity was still plagued by some of its historic challenges arising from its period of being under administration, the Board has made many inroads in improving governance and stability within the entity.

The period under review was marked by the following strategic thrusts:

- Dealing with the historic instances of maladministration and ethical breaches.
- A diagnostic deep dive into the architecture, systems, and resources of the organisation to contain reported risks and ensure that there are effective controls in risk management and mitigation going forward.

- Robust, determined, and ongoing stakeholder engagement outreach programmes to manage the considerable brand reputation.

The development, implementation and monitoring of an organisational performance recovery framework. This ongoing work stream was designed and continues to embed ethics, responsibility, and accountability into the DNA of the organisation.

ONGOING FINANCIAL PRUDENCE

NSFAS under the leadership of the Board continued to implement various cost-containment initiatives in keeping with the directive of National Treasury and to exercise financial prudence in the last financial year. This has led the entity to improve its financial viability during the period under review; thereby being able to continue to deliver its mandate, which remains an enabler to the empowerment of our youth, reduced unemployment and contribution to the constitutional right to adult basic education.

CONCLUSION

The world continues to evolve and the future of education is also changing given the dynamic presented by the pandemic. It is a new era, where learning, remains at the forefront and is a critical enabler to reducing unemployment, unlocking future jobs and careers and removing barriers to higher education for the underprivileged. NSFAS has a significant role to play in this era and will continue to strive for new ways of delivering on its unrelenting mandate in terms of the NSFAS Act.

I am greatly encouraged by the significant achievements the organisation recorded during the period under review, however I wish to appeal for calm and patience, as the Board and Management effects even more rigorous corporate governance standards to eliminate counterproductive processes in our management practices.

I have solid confidence and cautious optimism that we have a Board with the requisite technical, ethical and management expertise to rebuild and reposition a new NSFAS into the future.

ACKNOWLEDGEMENTS

Allow me to convey my sincere appreciation to the Minister of Higher Education, Science and Innovation the Honourable Dr Blade Nzimande and the Deputy Minister, the Honorable Mr Buti Manamela, for their continued leadership and guidance in ensuring that the NSFAS executes its legislative mandate diligently.

I also extend my gratitude to the Department of Higher Education under the leadership of the Director-General, Dr Nkosinathi Sishi and to the members of the Portfolio Committee on Higher Education and Training who provided oversight during the reporting period.

To my fellow Board members, thank you for the candid engagements, leadership and counsel that you gave to the NSFAS Management Team at all times. I take the opportunity to also thank Management and staff for embracing the changes during this period and their continued commitment to live up to the NSFAS mandate at a time that has created an imbalance in many organisations across the world. I thank you all for your efforts and may we continue to increase the NSFAS footprint in the delivery of our core mandate.

Ernest Khosa
Chairperson of the Board

Foreword by the Chief Executive Officer

The NSFAS Executive Officer was appointed on December 1, 2020 and the NSFAS Board was appointed on January 1, 2021, operating as the NSFAS Accounting Authority for the remainder of the fiscal year. The scheme has been focused on maintaining stability and improving the control environment.

In the year under review, the scheme reaffirmed its operational model- the Student Centred Model and implemented a new organisational structure which would enable it to fully realise this model. Additionally, NSFAS revised its strategic plan to one that signals its intention to provide value to its beneficiaries by not only focusing on funding for higher education and training but also considers the wellbeing of students wholistically. The scheme also revised its organisational structure to ensure a fit for purpose team that understands the beneficiaries we serve and ensure the structure caters for some level of self-sustainability through exploring revenue generating mechanisms. A new performance management system and/or process to improve individual and organisational performance was introduced and while this process is still at its infancy, it is going to be sustained and embedded as part of the organisational culture.

Furthermore, the scheme focused on improving the student funding policy, focusing on issues of student wellbeing, through the scheme's intention to improve student accommodation and ensure certainty in the payment of allowances. The scheme also implemented some measures in ensuring it's sustainable through the introduction of a new academic progression criteria

The adverse audit outcome is not reflective of the strides the scheme has taken to improve its control environment. This is as a result of legacy issues inherited by the scheme over time, in particular the reconciliation of the payments the scheme has made to institutions from 2017-2020 that was not performed all those years, this process is commonly known as the Close Out Report.

The fact that these reconciliations were not performed throughout the years is reflective of a lapse in the control environment, which has led to several key limitations ranging from data and the design of an adequate systematic process. While we have been able to complete this process for the first time, a number of factors were uncovered by the process which were not wholly in the control of the organisation.

The process highlighted the need for the scheme to have robust processes and systems; the need for improved data exchange between institutions and NSFAS; a need for a standard to be established as to what should form the cost of study and the need for alignment in how institutions maintain records of what the scheme is charged for in relation to each beneficiary (student accounts).

The clear message from these highlighted weaknesses is the need for the scheme to operate closely with institutions and to ensure sustained and continuous implementation of basic accounting controls. The scheme is committed to implementing these improvements. The scheme has already started to implement some of these improvements through its Information Communications Technology and digital strategy and by improving its operational systems. We have already introduced some obligations for institutions in this regard through the Memorandum of Understanding (MOUs) signed with them.

The commitment for management in the new financial year will be to:

- Improve audit outcomes through improvement of control environment, systems and process improvements.
- Fully implement the Student Centred Model to improve students' wellbeing through a student focused funding policy.
- Improve systems and efficiencies.
- Improve communication and stakeholder engagement.

We are also hoping for increased consultations and engagements with sector stakeholders prior to implementations of policies; this will ensure smooth rollout of policies and projects in a more collaborative manner.

Andile Nongogo
NSFAS Chief Executive Officer

Part A - Our Mandate

In this section:

1.1 Statement of responsibility and confirmation of the accuracy of the Annual Report

To the best of our knowledge and belief, we confirm the following:

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor General.

The annual report is complete, accurate and is free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the GRAP standards applicable to the public entity.

The Accounting Authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing and implementing a system of internal control which has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2022.

Chief Executive Officer
Name : Mr Andile Nongogo
Date: 31 May 2022

Chairperson of the Board
Name: Mr Ernest Khosa
Date: 31 May 2022

1.2 STRATEGIC OVERVIEW

VISION
A model public entity that enables access to public universities and Technical and Vocational Education and Training (TVET) colleges through financial aid to students that are financially and academically eligible.

MISSION
To be an effective and efficient provider of financial aid to deserving students from poor and working-class families in a sustainable manner, that facilitates and promotes access to and success in further higher education and training. This will be achieved by actively collaborating with all relevant stakeholders.

The mission statement is made up of three distinct elements which describe why NSFAS exists, what we do, and the impact on our constituency:

- NSFAS exists to provide financial aid to eligible students at public TVET colleges and public universities.
- NSFAS identifies eligible students, provides financial aid and recovers 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.

VALUES

VALUE	BEHAVIOUR
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.
Stewardship	Going beyond the call of duty and valuing the organisational resources.
Integrity	Displaying ethical behaviour and having the courage to do the right thing.
Accountability	We take responsibility for our actions that drive performance management.
Respect	Collegiality, professionalism, work ethic and tolerance for diversity.
Innovation	Anticipating change and being a learning organisation.

1.3 LEGISLATIVE AND OTHER MANDATES

1.3.1 Constitutional Mandate

The Constitution of The Republic of South Africa, 1996

The Bill of Rights of the Constitution of the Republic of South Africa Act (108 of 1996, as amended) states in section 29 (1): *"Everyone has the right… (a) to a basic education, including adult basic education; (b) and to further education, which the state, through reasonable measures, must make progressively available and accessible."*

NSFAS contributes to the attainment of the rights described in section 29 by providing financial aid to students from poor and working-class families. NSFAS enables these students to access post-school education, thereby redressing the results of past racially discriminatory laws and practices. The mandate includes the recovery of student loans and raising funds for student loans and bursaries.

The core objectives of the National Student Financial Aid Scheme are based on the following constitutional mandate:

(i) The Constitution of the Republic of South Africa,1996

NSFAS was established according to the National Student Financial Aid Scheme Act (Act 56 of 1999 as amended) and incorporated TEFSA (Tertiary Education Fund of South Africa) from 1993 to 2000, TEFSA was the primary non-profit company in terms of Section 21 of the Companies Act and ceased to operate in July 2000. All existing loans on the TEFSA books were transferred to NSFAS.

The Constitution of the Republic of South Africa, (Act 108 of 1996) also establishes two key bodies that play an oversight role over NSFAS. The Portfolio Committee on Higher Education and Training is established by the rules of the National Assembly as enshrined in Section 57(2) (a). The Committee is therefore an extension of the National Assembly and derives its mandate from Parliament. The Select Committee on Education and Recreation is a Committee of the National Council of Provinces (NCOP). Functions of this committee amongst others are to monitor the financial and non-financial performance of government departments and their entities to ensure that national objectives are met.

1.3.2 NSFAS Act 56 of 1999 as amended; is established to provide the following;

- Provide bursaries to eligible students,
- Develop criteria and conditions for the granting of bursaries to eligible students in consultation with the Minister of Higher Education, Science and Innovation,
- Raise funds,
- Recover past loans,
- Maintain and analyse a database and undertake research for the better utilisation of financial resources,
- Advising the minister on matters relating to financial aid for students, and
- Undertaking other functions assigned to it by the NSFAS Act 56 of 1999 as amended or by the Minister.

(i) Following various ministerial reports and task teams over the past few years, the need for the NSFAS Act to be reviewed has been recognised by the DHET. A task team was put in place to consider the critical changes to the Act that needs to be made. These changes had to be in line with key recommendations from the MTT report and the NSFAS practices, evolved over time and in response to changing needs within the sector and codified through rules produced by NSFAS.

Following the fee-free education announcement, the Minister of Higher Education and Training published regulations in the (Government Gazette Vol. 631, No. 413901) to the NSFAS Act for public comment which confirms NSFAS's mandate, in consultation with the Minister (Government Gazette Vol. 634, No. 415542) in that it may determine and revise:

- criteria for eligibility for financial aid; and
- set different eligibility criteria for different forms of financial aid.

The regulations also expand NSFAS's mandate to include:

- Entering into Public Private Partnerships (PPPs) to enable NSFAS to extend, and/or administer, and/or recover loans granted for financial aid; and
- Making payment of such amount of the loan or bursary as is not payable to the institution, to the borrower or bursar or to the approved service provider for payment to the borrower or bursar.

1.4 Legislative Mandates

The legislations outlined below make provision for government planning, monitoring of performance, reporting and evaluation.

i) Public Service Regulations, 2016
Chapter 3 of the Public Service Regulations provides requirements for the preparation of Strategic Plans, Annual Reports and the Service Delivery Improvement Plan. Regulation 25 outlines the requirements for the development of Strategic Plans and related reporting systems. Regulation 31 makes provision for the development, tabling and submission of Annual Reports. Regulation 38 provides the requirements of Service Delivery Improvement Plans which must be informed by the Strategic Plans.

ii) The Republic of South Africa (1997) Higher Education Act, No. 101 of 1997 aims to:

- Regulate higher education; Provide for the establishment.
- Composition and functions of a Council on Higher Education;
- Provide for the establishment, governance and funding of public higher education institutions;
- Provide for the registration of private higher education institutions;
- Provide for quality assurance and quality promotion in higher education; and
- Provide for transitional arrangements and the repeal of certain laws; and to provide for matters connected therewith.

iii) Continuing Education and Training Act, No. 16 of 2006 aims to:

- Enable students to acquire-

i The necessary knowledge;
ii Practical skills; and
iii Applied vocational and occupational competence; and

- Provide students with the necessary attributes required for-

i Employment
ii Entry to a particular vocation, occupation or trade; or
iii Entry into a higher education institution.

- The Act applies to all education institutions which have been established or declared a public college or registered as a private college in terms of this Act.

iv) Public Finance Management Act 1 of 1999

As a public entity, NSFAS is also subject to the Public Finance Management Act (PFMA), Act 1 of 1999, in terms of which NSFAS is listed as a Schedule 3A public entity. The NSFAS Act specifies that the board must manage, govern and administer NSFAS. The Act requires the board to establish a five-member board executive committee and a board finance committee. NSFAS is listed as a Schedule 3A national public entity in terms of the PFMA. These entities are extensions of a department with the mandate to fulfil a specific economic or social responsibility of government. Boards of public entities have considerable fiduciary responsibility including the *"reasonable protection of the assets and records of the public entity" and prevention of "any prejudice to the financial interests of the state"*.

v) Treasury Regulations, 2005
The Treasury Regulations outlines the requirements for the development and submission of Strategic Plans, as well as, related quarterly performance reporting. In addition, National Treasury Note 33 of 2011 regulates the development of Strategic and Annual Performance Plans according to the framework for Strategic Plans and Annual Performance Plans.

vi) Public Audit Act, 2004 (Act 25 of 2004)
This Act assigns the supreme auditing function to the Auditor-General, which includes the auditing of the administrations of public entities. Audit reports on all entities are tabled in Parliament.

vii) National Credit Act (Act 34 of 2005)
NSFAS is subject to the National Credit Act (NCA) (Act 34 of 2005), which requires all credit providers to register with the National Credit Regulator (NCR). The NCA prevails over all other legislation dealing with the provision of credit. NSFAS is registered as a credit provider under registration number NCRP 2655.

1.5. Policy mandates

1.5.1. Government priorities that NSFAS contributes to as per the 2019 State of the Nation Address (SONA) and the Mid-Term Strategic Framework

PRIORITY	DESCRIPTION	CONTRIBUTION
Priority 1	A Capable, Ethical and Developmental state	Indirect contribution
Priority 2	Economic Transformation and Job Creation	Indirect contribution
Priority 3	Education, Skills and Health	Direct contribution
Priority 7	A Better Africa and World	Indirect contribution

1.5.2 National Development Plan – 2030

Outcomes of the NDP which NSFAS directly and indirectly contributes to:

PRIORITY	DESCRIPTION	CONTRIBUTION
Outcome 5	Skilled and capable workforce to support an inclusive growth path.	Direct contribution

The National Development Plan (NDP) - 2030 provides the policy framework within which NSFAS has developed its strategic plan. It details the challenges that the country is facing as well as the strategic choices that must be made to create a better life for all South Africans.

The NDP provides extensive detail on the nine challenges facing South Africa, amongst these and of particular importance to NSFAS is the challenge that **"The quality of school education for black people is poor"**. As a response to these challenges, the NDP aims to eliminate poverty and reduce inequality by 2030 by:

- Raising employment through faster economic growth;
- Improving the quality of education, skills development and innovation, and
- Building the capability of the state to play a developmental, transformative role.

On improving education, skills development and innovation, the NDP further provides a broad framework for student financial aid in South Africa:

(i) Funding for qualifying students

"Provide all students who qualify for the National Student Financial Aid Scheme with access to full funding through loans and bursaries to cover the costs of tuition, books, accommodation and other living expenses".

(ii) Collections

"The National Student Financial Aid Scheme… should be recovered through arrangements with the South African Revenue Service".

1.5.2.1 Policy Framework for the Government -Wide Monitoring and Evaluation System (2005)

The Framework identifies programme performance information as one of the data terrains under pining GWME, focusing on information that is collected by government institutions in the course of fulfilling their mandates and implementing the policies of government.

1.5.2.2 Framework for Managing Programme Performance Information (2007)

The framework outlines the key concepts in the design and implementation of management systems to define, collect, report and use performance information in the public sector. This framework stipulates that performance information is essential to focus the attention of the public and oversight bodies on whether public institutions are delivering value for money, by comparing their performance against their budgets and service delivery plans and to alert managers to areas where corrective measures are required.

1.5.2.3 The Medium-Term Strategic Framework

- The Medium-Term Strategic Framework (MTSF) is Government's strategic plan for the 2020-2025 electoral term. It reflects the commitments made in the election manifesto of the governing party, including the commitment to implement the NDP. The MTSF sets out the actions Government will take and targets to be achieved. It also provides a framework for the other plans of national, provincial, and local government.
- The MTSF sets targets on the achievement of the NDP goals over its 5-year period for each of the 14 outcomes. Table 1 below shows the three MTSF targets set for the DHET for which NSFAS is responsible for implementing as part of outcome 5 delivera -bles.

The following tables indicate the DHET MTSF targets for which NSFAS is responsible:

MTSF Outcome Priority 3; Education, Skills and Health

No	Indicator	Baseline	2020/21 Targets	2021/22 Targets	2022/23 Targets	2023/24 Targets
1	Amount of financial Aid raised from new funders for qualifying students per year	R39.9m	-	-	-	-
2	Amounts of funds recovered from NSFAS Debtors per academic year	R551.3 m	R386.8m	R425.5m	R489.3m	R587.2m

Impact Indicators

No	Impact Indicator	Baseline	2020/21 Targets	2021/22 Targets	2022/23 Targets	2023/24 Targets
1	Number of TVET college students receiving funding through NSFAS bursaries annually	346 270 per annum NC(V) and Report 191 students awarded bursaries in the 2019 academic year	305 400 per annum qualifying NC(V) and Report 191 TVET students awarded bursaries by 31 March 2019 (dependent on available funding)	310 900 per annum qualifying NC(V) and Report 191 TVET students awarded bursaries by 31 March 2020 (dependent on available funding).	329 554 per annum qualifying NC(V) and Report 191 TVET students awarded bursaries by 31 March 2021 (dependent on available funding)	346 258 per annum qualifying NC(V) and Report 191 TVET students awarded bursaries by 31 March 2022 (dependent on available funding)
8	Number of university student receiving funding through NSFAS bursaries annually	393 767 (2019 academic year)	426 263 eligible students obtaining financial assistance annually from 2019 academic year.	427 851 eligible students obtaining financial assistance annually from 2020 academic year	431 412 eligible students obtaining financial assistance annually from 2021	439 659 eligible students obtaining financial assistance annually from 2022 academic year.

1.6 Institutional Policies and Strategies Governing the Five-Year Planning Period

1.6.1 NSFAS policies are as follows:

- DPSA - Incentive Policy Framework for employees on salary level 1-12
- DPSA - Determination on leave of absence
- DPSA - Determination on Long Service Recognition
- DPSA - Determination on working time
- NSFAS - Recruitment and Selection Policy
- NSFAS – Remuneration – Travel and Subsistence Allowance
- NSFAS – Employment of staff – Relocation Policy
- NSFAS – Employment of Staff – People with Disabilities
- NSFAS – Staff education, Training and Development Policy
- NSFAS – Employment Relations Policy
- NSFAS – Performance Management Policy
- NSFAS – Employment of Staff – Employment Equity Policy
- NSFAS – Employment of Staff – Employment Relations – Sexual Harassment Policy
- NSFAS - Employee Relations – Employee Assistance Programme Policy
- NSFAS - Employee Relations – Substance Abuse Policy
- NSFAS – Remuneration Policy
- NSFAS – Private work Policy
- NSFAS – Cellphone Allowance Policy
- NSFAS - Supply Chain Management Policy
- NSFAS – Performance Information Management
- NSFAS - Student Funding Policy
- NSFAS - Policy for the funding of students with disabilities
- DHET Bursary Rules and Guidelines for universities
- DHET Bursary Rules and Guidelines for TVETS
- NSFAS Eligibility Criteria
- N+ Rule: University
- N+ Rule: TVET

1.7 Strategies over the five-year period

Strategic Outcome Oriented Goal	Goal 1	Goal 2
	An effective, efficient, and transparent public entity in providing student financial aid	Increased access to higher education and improved student financial aid environment to poor and working-class
Goal Statement	To implement effective, efficient, and transparent processes and operations to ensure stakeholder objectives are achieved	To increase access to funding for eligible students by raising funds, maximising loan recoveries and creating a Student-Centred bursaries model through improved communication support for students and a central application process
Outcomes	• **Outcome 6** - Clean governance embedded in all behaviour practices. • **Outcome 7** – An optimal organisation that deploys resources efficiently.	• **Outcome 1** - Alternative pool of funding available for eligible students • **Outcome 2** - A sustainable and improved systems for recoveries • **Outcome 3** - Fund the right student, correct amount at the right time. • **Outcome 4** - Engaged and informed stakeholders • **Outcome 5** - Research and knowledge management database for improved decision making and stakeholder needs

Strategic Outcome Oriented Goal	Goal 1	Goal 2
Strategic objectives	**Strategic objectives 6** - Improve and maintain financial, performance management and IT governance audit outcomes. **Strategic Objective 7** - A conducive fit-for purpose organisation of high performance and productivity	**Strategic objectives 1** - Increase in funding (Rand value) raised for financial aid for qualifying students. **Strategic Objective 2** – Increase the recovery rate from NSFAS debtors. **Strategic objectives 3** - Improve the efficiency of the application, evaluation, funding of students and payments to institutions and eligible students. **Strategic objectives 4** - Improve service level to customers and stakeholders through monitoring customer satisfaction and taking corrective action where necessary. **Strategic objectives 5** - Undertake research for the better utilisation of financial resources
Performance Indicator	To implement effective, efficient, and transparent processes and operations to ensure stakeholder objectives are achieved	To increase access to funding for eligible students by raising funds, maximising loan recoveries and creating a Student-Centred bursaries model through improved communication support for students and a central application process

Part B - Annual Performance Report

In this section:

2.1 SITUATIONAL ANALYSIS

The appropriation Bill for 2020/21 financial year which was tabled by the Minister of Finance on February 26, 2020 did not cater for the financial implications related to the Coronavirus.

SARS – Cov-2 (COVID-19) outbreak has impacted the economies of the world and the country negatively. This has led the National Treasury to table the supplementary budget to accommodate the socio-economic challenges related to COVID-19. The budget review has shown that, the National Treasury expects a GDP growth of 2.6% in 2021 FY and only 1.5% in 2022 and 2023.

Due to the negative impact of COVID-19 on society, the National Treasury has revised the global economic growth which was initially 3.3% to a negative 5.2% in 2020. Funds have been re-prioritised towards social grants and health care provision, in light of this pandemic. Government has also outlined ways to implement measures to avoid the slowdown in economic growth. The emphasis is on the need to use the situation to forge the new economy in a new global reality.

There have been budget cuts across government institutions in order to accommodate Personal Protective Equipment (PPE's) due to the COVID-19 pandemic. Government have also extended the academic year in institutions of higher learning.

The 2020-2025 Mid Term Strategic Framework (MTSF) is a five-year strategic plan of government and forms part of the five-year implementation phase of the National Development Plan (NDP). The MTSF is structured around 7 priority outcomes, which the Department of Higher Education and Training (DHET) is responsible for Priority 3: Education. Skills and Health. NSFAS is key to supporting this outcome by increasing access of students to TVET colleges and higher education institutions to make further education progressively available and accessible, as enshrined by the Constitution.

This context is further exacerbated by the historical income disparities within the country. This was demonstrated in a survey conducted in 2016 which was based on the census data at the time:

BMR household income* segmentation 2016

Household Income Group	2016 Income Brackets per annum	Description	% of Total Households	% Share of Income	Primary Source of Income
Group 1	R0 - R20,500	Lowest	18.9%	0.9%	38% salaries, 37% grant
Group 2	R20,502 - R89,000	2nd Lowest	43.4%	10.7%	58% salaries, 30% grant
Group 3	R89,000 - R202,500	Low emerging middle	16,3%	12,0%	86% salaries
Group 4	R202,500 - R412,000	Emerging middle	10.0%	16.0%	84% salaries
Group 5	R412,000 - R707,000	Realised middle	5.9%	17.5%	84% salaries
Group 6	R707,000 - R1, 512,000	Emerging affluent	4.3%	22.7%	87% salaries
Group 7	R1, 512,000 - R2,414,000	Affuent	0,8%	1.90%	90% salaries
Group 8	R2,414,000	Wealthy	0,4%	12%	60% salaries

This research demonstrates that, based on 2016 estimated household income, over 90% of students in South African households would qualify for NSFAS funding in the current policy dispensation (i.e. households earning R350k per annum).

The former loan and bursary scheme was changed to a fully subsidised bursary scheme in 2018 with no repayable loan component. The financial definition of poor and working-class households was redefined from those with a household income of less than R122,000 to ones with a household income of up to R350,000 per annum. Prior to this change in 2018, there were two policy mechanisms that regulated the number of NSFAS funded students who qualified for funding to remain within the allocated budget:

- Each institution was given an allocation of NSFAS funding.
- Applicants were ranked according to their estimated family contribution and their academic performance, amongst other criteria.

This meant that while many students were eligible for NSFAS funding, the funding was not guaranteed.

The introduction of the bursary scheme in 2018 thus did not only expand the number of NSFAS funded students in terms of those with a household income of R122 000 per annum to R350 000 per annum, but also allowed all those students within the R122 000 household income range to qualify for funding, pending a registration at an institution.

Trends in the increase in NSFAS funded students as a percentage of enrolment plans demonstrate the expansion of the demand for NSFAS funds.

Given the COVID-19 pandemic, combined with other negative economic indicators such as credit rating downgrades and reported job losses, NSFAS expects that the demand for NSFAS funds will increase sharply over the MTEF period.

Administratively, NSFAS has been faced with significant challenges. At the heart of these challenges are a suite of systems that are not fit-for-purpose and a poor governance environment with NSFAS funding policies not properly enforced. This has led to the entity adapting to changes in policy with difficulty leading to processing errors and inefficiencies. Significant effort has been directed at stabilising systems, implementing, and enforcing NSFAS loan and bursary rules and improving funding and disbursement processes. These efforts will need to continue until target performance levels are achieved.

2.1.1 The Theory of Change in Planning

Given the background analysis, the theory of change in planning will be employed in order to tease out the problems that the entity is faced with, the effects of the problem and the possible solutions. This will assist the entity in identifying the outputs, developing the outcomes and how the theory will impact the entity and the society in the long run.

PROBLEM STATEMENT	
Strategic Outcome-Orientated Goal 1: An effective, efficient and transparent public entity in providing student financial aid	Strategic Outcome-Orientated Goal 2: Increased access to higher education and improve student financial aid environment to poor and working-class
PROBLEMS	
Regression in the audit Opinion of the AGSA	ICT Challenges (system to system integration)
Poor overall organisational performance	Application automatically retracted from the system
Low status level of the Corporate Governance of Information Communication Technology (CGITAS)	Communication barriers between the Contact Centre and operations in terms of resolving student queries.
Compromised policy environment	Poor system integration between NSFAS and institutions of higher learning. (corrupted data received from institutions and delays in receiving registration data from institutions)

PROBLEM STATEMENT	
Strategic Outcome-Orientated Goal 1: An effective, efficient and transparent public entity in providing student financial aid	**Strategic Outcome-Orientated Goal 2:** Increased access to higher education and improve student financial aid environment to poor and working-class
PROBLEMS	
Low staff morale	Missing supporting documentation during the application process
Hight turnover rate	Funding incorrect students
Irregular Expenditure as a result of contracts not being signed by students	Over disbursements to students
	Failure to recover monies owned by institutions due to upfront payments for registration of students.
SOLUTION STATEMENT	
Strategic Outcome-Orientated Goal 1: An effective, efficient and transparent public entity in providing student financial aid	**Strategic Outcome-Orientated Goal 2:** Increased access to higher education and improve student financial aid environment to poor and working-class
Solutions	
To improve the financial environment	To improve ICT systems
To implement strategy in order to improve the overall performance of the organisation	To have an integrated ICT system
To improve internal controls and mitigate risk.	To integrate system between the Contact Centre and Operations to minimise risk to our external stakeholders.
To have efficient and effective ICT systems in order to improve the performance of the institution	To have weekly meetings between Contact Centre and operations
To develop and implement employee engagement programmes.	Virtual Contact Centre is in place
To conduct a job satisfaction survey	Contact Centre to consider and implement the call back option
To recruit employees who are fit-for purpose	To have an integrated system between NSFAS and the institutions of higher learning
To create a conducive environment, adopt an employee retention programme and make NSFAS the best place to work for	myNSFAS for updating student particulars is in place
To improve the policy environment, develop policies in line with the DPSA guidelines.	Develop and implement strategies to recover funds owed by institutions
To improve the status level of Corporate governance of Information Communications Technology to be in line with the Department of Communication and Technology and DPSA	
To be in line with MPAT (Management Performance Assessment Tool)	

2.2.EXTERNAL ENVIRONMENT ANALYSIS

2.2.1.1 The Impact of COVID-19 and recession in the South African Economy

According to recent statistics revealed by the Department of Economic Development and Tourism, the South African economy will only reach levels prior to COVID-19 levels in 2023/24. This means, the employment levels and the ability of the local economy to create jobs and minimise the high levels of unemployed is negligible. South Africa borrowed almost R70 Billion, indicating that we will be indebted to international banks for the foreseeable future.

Manufacturing production has plunged by 32.4% in May, following its steep 49.3% year on year decline in April 2020. Many businesses have closed, retrenching employees, or cutting down wages in order to keep the businesses afloat. Government has responded by making money available to small and medium-sized businesses in order to pay salaries.

The travel and tourism sector has also fallen apart, and government has announced that this sector will take two to three years to get back to pre-COVID-19 conditions.

There have been budget cuts across government institutions in order to accommodate Personal Protective Equipment (PPE's) due to the COVID-19 pandemic. Government has also extended the academic year in institutions of higher learning.

The Department of Public Service and Administration did not implement the last leg of salary increments of government officials, citing the economic slowdown and non-affordability of the public sector wage bill. Government is citing that government officials are highly compensated and a massive budget in the public sector caters for the Compensation of employees. A salary freeze was done in order to avoid a full-blown debt crisis.

The South African economy has faced further economic challenges due to a downward spiral. The rating agencies like Moody's has downgraded the country's economic status to junk status impeding economic development. Recent declines in the rate of the GDP has further exasperated the problem of economic recovery in the country.

2.2.1.2 Recoveries

NSFAS continues to recover loans from debtors. The fee-free education is impacting negatively on the recoveries. NSFAS has developed and implemented the recoveries strategy which includes obtaining payroll deduction agreements from public sector employees and debit order mandates from Private sector debtors via the engagement of external debt collectors. The entity has continued engagement with the long and short-term insurance companies and have onboarded a service provider to provide a platform for the integration between the entity and the insurance companies for payroll deductions.

Collections from the public sector which is the key driver on recoveries continues to stagnate, despite a number of efforts made to increase collections. There has been a decline on recoveries target for the past two financial years. The historic debt settlement announcement by the Department of Higher Education and Training towards the end of the 2019/20 financial year has also contributed to unpaid debit orders by NSFAS debtors were under the impression that their debts will be written off. Collections from the public sector, which were the key driver of performance in this area, stagnated despite a number of efforts made to increase collections.

The following strategies will be used to strengthen debt collection:

- The entity will continue to work with SARS in order to determine our current debtors that are in the employ of both private and public sector.
- NSFAS will engage with the public sector for all new employees (NSFAS debtors) to sign a consent form for NSFAS salary deductions.
- The entity will engage with the private sector in order to assist in identifying NSFAS debtors in order to collect monies that are still owed to the entity.
- NSFAS will engage with the broader community on different platforms to create awareness and encourage its debtors to pay in order to improve funding for first-time entrants.

2.2.1.3 Fundraising

NSFAS continues to receive funding from government and the private sector in order to overcome the imbalances of the past by providing grants to individuals coming from poor and middle-class families. Government continues to provide support and make calls to the private sector to assist in providing access to education as one of the enshrined rights as embedded in the Constitution of the Republic.

Due to the increased burden on the pool of funding and an increase in FTENs' (first time entrants), the organisation continues to incorporate fundraising strategies into its mandate. Efforts are made by NSFAS to raise funds from the public and private sector in South Africa.

NSFAS continues to build internal fundraising capability. This will allow the organisation to fully implement the fundraising strategy which is based on the following pillars:

- Raising funds from the private sector;
- Generating income through the student-centred model merchant commission;
- Increasing the amount of funding obtained from SETAs;
- Increasing the amount of funding obtained from other government departments; and,
- Entering into Public Private Partnerships (PPPs) with a variety of entities in the private or public sectors.

2.2.1.4 Stakeholder engagement

NSFAS has played a pivotal role in strengthening relations with its stakeholders. The entity has worked closely with DHET and its funder community, the university sector through Universities South Africa (USAf), the TVET college sector through the South African College Principals Organisation (SACPO), the student movements such as South African Union of students (SAUS) and South African Further Education and Training Students Association (SAFETSA). This initiative was to ensure a common understanding of the key issues, alignment on strategies to monitor, implement and communicate our responsiveness.

NSFAS developed a framework for stakeholder engagement to be a central coordinating mechanism for identified stakeholder groupings. With the support of the DHET, two coordinating structures in the university and TVET colleges were established. A dedicated servicing team for the university and TVET sector has been operationalised. These teams play a pivotal role in ensuring that synergy is created between NSFAS and institutions by providing high quality support and service for all pre and post funding queries in a timely manner. A lot of effort has been put in place to ensure that all queries are resolved within the parameters of service level agreements.

The NSFAS Contact Centre is also playing an important role in the operational aspect of NSFAS. Creating a positive student experience continues to be a major goal for the organisation.

NSFAS continues to engage and attempts to strengthen relationships with core PSET stakeholders, such as the Portfolio Committee on Higher Education and Training (PCHET), the DHET, Funder community, student, and institution bodies. These relationships are key to improving the entity's service delivery.

2.2.1.5 ICT system challenges

Systems were negatively impacted as they were not capacitated to deal with huge application numbers. Technological challenges, data integrity and integration between disparate ICT systems (primarily Phoenix and Cordys) resulted in data, system and process deficiencies being carried forward to the 2021/22 financial years. Another contributing factor is the leadership instability in the ICT environment. This contributes to the significant regression in the NSFAS financials and compromises the service delivery performance. NSFAS must ensure the wrap-up and conclusion of the previous academic year backlogs, preparation, and execution of the funding cycle for the 2021 academic year.

The ICT systems supporting the core operations of the entity are not fit-for-purpose. This is indicated by:

- Insufficient user interfaces and accurate operational reporting that allows operational staff to execute and manage business process. This results in a continued and extensive reliance on ICT for the day- to- day running of operational business processes and creates avenues for business process and control deviations, The data redundancy in the database designs means that maintaining data quality is compromised and requires extensive effort and exception reporting,
- The systems are expensive to maintain. Support teams are based internationally and foreign exchange differences impact on the cost of ICT support to the entity. Local skills are also hard to procure and recruit,
- As a result of the scarce available skills in the local market, key dependencies have been formed, creating significant people related risks within the entity, and
- The systems lack the agility to adapt to policy changes. Any policy change, even if minor, often requires extensive ICT system development and testing which, in turn, pressurises the delivery schedule for funding and disbursements.

NSFAS ICT OBJECTIVES

To review, design, procure and implement ICT solutions, leveraging all the advantages of modern technology to seamlessly deliver on the NSFAS mandate.

TACTICAL – Short Term Objectives

1. Maintain system stability and availability.
2. Reduce dependency by business operations on ICT for the running of business processes through the development of increased user interfaces, process automation and improved business intelligence and management reporting.
3. Continuously enhance integration with institutions
4. Improve data integrity:
   - Develop and implement a Master Data Management strategy
   - Define and implement Data Governance model
5. Reduce risk:
   - Improve maturity on information and cybersecurity.
   - Improve ICT Compliance to governance standards and policies.
6. Improve ICT capabilities and capacity to support the business.
7. Develop and retain a motivated and skilled ICT workforce.

STRATEGIC – Long Term Objectives

1. Develop Enterprise Architecture (Business led)
   - Develop ICT Architecture Target State and Standards
2. Standardise and simplify the IT Operating model and governance.
3. Implement a fit-for purpose ICT core operational systems, as well as supporting ICT infrastructure that will:
   - Enable the business to service TVET colleges and universities seamlessly.
   - Allow for the management of multiple products, i.e. both loans and bursaries with ease
   - Lower the Total Cost of Ownership (TCO)
   - Eliminate the need for manual interventions
   - Enable full audit trails and accountability
   - Improves the ease with which students and institutions are served
4. Attract, develop, and retain a highly motivated and skilled ICT workforce that has been right-sized and organised to deliver according to business requirements
5. Continuous and sustainable data integrity improvement that:
   - Enables a consistent NSFAS-wide view of financial and operational performance with ease
   - Provides front-line staff with an integrated view of students and institutions

2.2.1.6 Funding decisions
A high volume of applications resulted in delays in the finalisation of funding decisions as the entity needed to reconfigure processes and the funding criteria to align with the presidential pronouncement. The entity is currently operating under two categories: namely the loans and bursaries. First-time entrants in 2018 are receiving bursaries and financial eligibility is assessed against a household income threshold of R350 000 per annum. Continuing students, that registered before the Presidential Pronouncement are still assessed against a household income threshold of R122 000 per annum. The criteria for students with disability has increased to a threshold of R600 000 family income per annum.

2.2.1.7 Human Resource capacity
NSFAS will be compelled to increase the technical staff component in order to address the severe poverty of systems functionalityintegration and data integrity. Furthermore, NSFAS should employ the right people for the right jobs, with clear roles and responsibilities in a fit-for purpose organisational structure. This will create a conducive working environment which will enhance the staff morale and increase productivity and service delivery. There is a broadscale recognition that training is necessary at all levels in the organisation to create a capable workforce reflective of the demographics of South Africa and be responsive to thehuman capacity initiatives stemming from our NDP.

It remains important to ensure that the resources in the organisation are optimally engaged and deployed to further the achievement of organisational objectives. In this regard, we need to optimise progressive human resource policies, career laddering for young entrants and career development opportunities, processes and practices in the organisation. Consistent policy development and alignment with the Department of Public Service and Administration (DPSA) frameworks is ongoing and critical to improving human resource capacity in the entity. This work has been supplemented by a skills audit which was conducted as an initial step towards ensuring that the right people are employed and capacitated in the right jobs and to identify opportunities to transfer skills and knowledge.

One significant area within the scope of managing and optimising the organisation's human capacity is the work towards creating and maintaining a conducive working environment under the notion of making NSFAS one of the best public sector employers to work for.

2.2.1.8 Financial capacity

NSFAS is funded by the government to give grants to the poor and academically deserving students to attend universities and TVET colleges. The fee-free education pronouncement has seen government allocate R33 billion in additional funding for the 2018 MTEF period. The budget was increased based on the modelling carried out by the DHET. Government has committed to increasing spending on universities at a percentage of the GDP from 0.68 percent to 1 percent over the following five years. Government has thus made a significant commitment to funding all financially and academically eligible students.

2.2.1.8 Governance and Risk Management

Various internal audit reports have indicated the lack of governance, policies, standards, and operating procedures. The internal auditors have assessed the effectiveness of the NSFAS lines of defense as poor and characterised by compromised risk management and controls. Basic controls such as reconciliations and compliance to key legislative prescripts were compromised. The internal auditors recommended that all lines of defense be strengthened, including that of internal audit and governance oversight. Various forensic investigations have been launched with some cases handed over to the authorities. Governance initiatives are ongoing to improve risk management and internal control of NSFAS.

2.3 THE CAPACITY OF NSFAS TO DELIVER ON ITS MANDATE

Strategic Objective 1	**Internal Environment**	
Increase in funding (Rand value) raised for financial aid for qualifying students	**Strength**	**Weakness**
	• Fundraising Strategy to recruit new funders is in place. • NSFAS continues to receive funding from government and the private sector	• Lack of internal fundraising capability. • Poor system capacity to support funder reporting and student account reconciliation requirements
	External Environment	
	Opportunities	**Threats**
	• Entering into Public Private Partnerships (PPPs) with a variety of entities in the private or public sectors	• The change in funding model has a direct bearing on the sustainability of the scheme (fee free education). • Increased number of eligible students due to loss of income in 2020 as a result of the COVID-19 pandemic puts a burden on the pool of funding available.
Strategic Objective 2	**Internal Environment**	
Increase the recovery rate from NSFAS debtors	**Strength**	**Weaknesses**
	• Recoveries Strategy to recover loans from debtors is in place. • A service provider has been onboarded to provide a platform for the integration between the entity and the insurance companies for payroll deductions.	• The fee-free education is impacting negatively on recoveries. • Decline on recoveries target for the past three financial years 2017/18, 2018/19 and 2019/20.

Strategic Objective 2	**External Environment**	
Increase the recovery rate from NSFAS debtors	**Opportunities**	**Threats**
	• Working with SARS in order to determine our current debtors. • Engagements with the public sector for all new employees (NSFAS debtors) to sign a consent form for NSFAS salary deductions. • Working with the private sector in terms of identifying NSFAS debtors for recoveries. • To engage with the broader community to create awareness and encourage its debtors to pay.	• Stagnation of recoveries from debtors due to the high unemployment rate in the country and reversals of debit orders during the December holidays. • The historic debt settlement announcement by the DHET in 2018 contributed to unpaid debit orders by NSFAS debtors. • Fee Free Higher Education impacts negatively the recovery rate from debtors.
Strategic Objective 3	**Internal Environment**	
Improve the efficiency of the application, evaluation, funding of students and payments to institutions and eligible students	**Strength**	**Weaknesses**
	• Funding policy is in place. • Business Rules for funding eligibility • NSFAS created different platforms of communication to increase awareness on NSFAS funding. • NSFAS has different channels for submission of application. • Direct payments of allowances to students through NSFAS Wallet • Increased support to institutions-through Serving Teams	• Delays in the finalisation of funding decisions • Poor technological systems to support business processes. • Delays in processing of funds • Centralised functions (the limited footprint of NSFAS has a negative impact on access)
	External Environment	
	Opportunities	**Threats**
	• To strengthen stakeholder relations and partnerships • Stakeholder buy-in • To fund according to the critical • and skills and the Human • Resources Development Strategy • Reconsider loan funding • Reconsider ranking and funding implemented by NSFAS in prior years	• A high volume of applications received which compromises systems, processes, and data integrity. • Inability of NSFAS to fund eligible students. • Delays of registration templates from institutions
Strategic Objective 4	**Internal Environment**	
Improve service level to customers and stakeholders through monitoring customer satisfaction and taking corrective action where necessary.	**Strengths**	**Weaknesses**
	• Stakeholder engagement framework developed. • Established business units for the university and TVET colleges. • Teams for the university and • TVET sector have been operationalised. • Contact Centre has been established to respond to queries.	• Inadequate, incorrect information provided to stakeholders. • Delays in resolving queries from stakeholders. • Lack of integrated system to provide the right information to stakeholders. • Unclear roles and responsibilities within the entit.

Strategic Objective 4	External Environment	
Improve service level to customers and stakeholders through monitoring customer satisfaction and taking corrective action where necessary.	**Opportunities**	**Threats**
	• Strengthening relations with its stakeholders	• Stakeholder dissatisfaction due to unmet expectations of NSFAS service delivery
Strategic Objective 5	**Internal Environment**	
Undertake research for the better utilisation of financial resources	**Strength**	**Weaknesses**
	• Research unit of NSFAS is in place	• Inability to provide research reports to meet the required standards. • Inability to advise the Minister on matters pertaining to the financial aid. • Poor quality data to inform research on targeted audience. • Research agenda not aligned to business practice
	External Environment	
	Opportunities	**Threats**
	• Research opportunities available • to provide reliable data for policy reviews and decision making • Research forums available to conduct more research. • Publishing and engaging on the NSFAS Research products	• NSFAS data IP may be overtaken by competitors.
Strategic Objective 6	**Internal Environment**	
Improve and maintain financial, performance management and IT governance audit outcome.	**Strengths**	**Weaknesses**
	• Funding is available to give • grants to poor and working -class academically deserving students. • The planning, finance, internal audit, and risk units are in place. • Reasonable ICT facilities • Accessibility	• Organisational structure not aligned to functions. • Qualified audit outcomes • Non-compliance with Corporate Governance of ICT • ICT system challenges • Syndicated fraud • Information and Cyber threat • Poor organisational performance culture
	External Environment	
	Opportunities	**Threats**
	• Strengthening partnerships with organisations that can assist NSFAS to deliver on its mandate. • Development of a new system aligned to the business value chain	• Reputational risk due to non delivery of key services • Non-compliance with governance imperatives • NSFAS not attractive to staff high level ICT skills

Strategic Objective 7	Internal Environment	
To improve organisational culture by improving capability and employee engagement	**Strength**	**Weaknesses**
	• Trainings are being conducted to build a fit-for-purpose organisation. • Change Manager appointed to deal with culture and change management in the organisation. • Staff engagement sessions are regularised. • Staff communication through internal media platforms	• Lack of accountability • Poor integration and flow of • information across departments and within business units. • Lack of appropriate skills to deliver on the mandate. • Poor policy environment • Pension fund and benefits system misaligned
	External Environment	
	Opportunities	**Threats**
	• Leveraging the NSFAS Brand • Attracting talent to NSFAS • Communicating success stories and profiling of beneficiaries	• Brand reputation damage due to poor service delivery

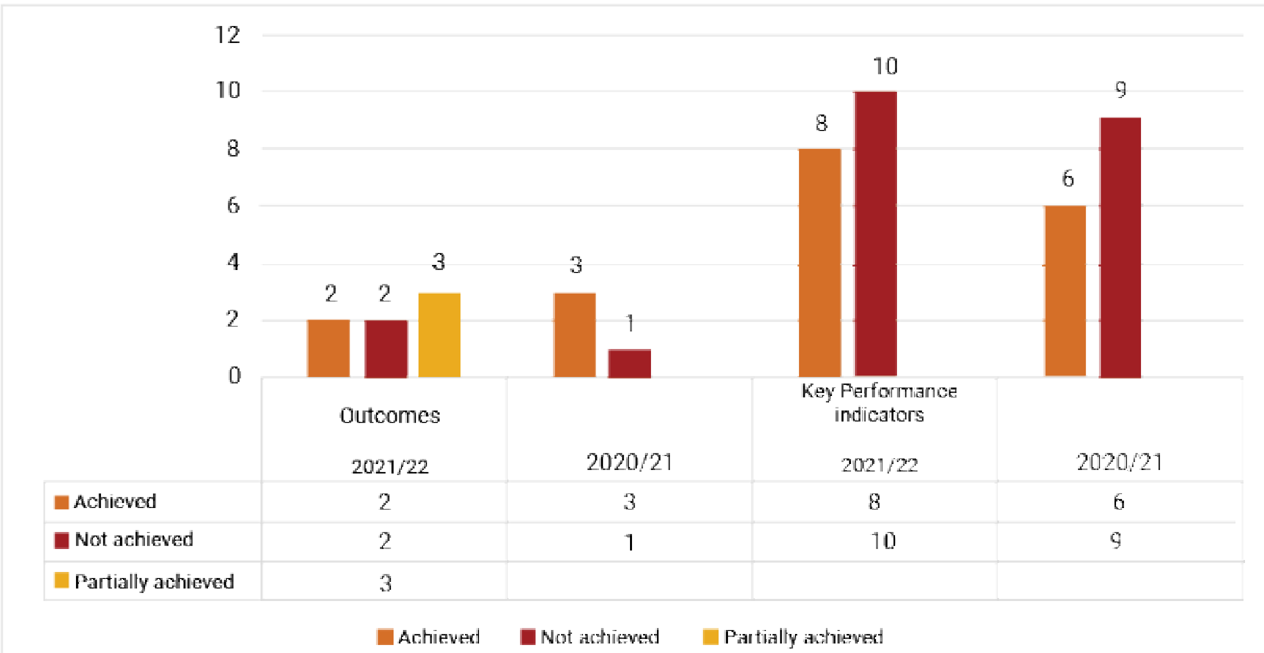
2.4. OVERVIEW OF NSFAS PERFORMANCE

2.4.1 Service Delivery Environment

The annual performance report is based on the Strategic Outcomes, Key Performance Indicators (KPIs) and targets as outlined in the Revised 2020/25 Strategic Plan and 2021/22 Annual Performance Plan.

The overall performance of the entity is summarised in the graph below:

Graph 1: Performance Summary



The entity achieved the performance target for 8 out of 18 key performance indicators (44%), which is an under-performance for the 2021/22 financial year. While the entity has under-performed in the year under review (2021/22 FY); this is an improvement compared to the prior year (2020/21) where the entity achieved 40%.

The entity met its performance targets for the following strategic outcomes:

Outcome 1 – Alternative pool of funding available for eligible students
NSFAS exceeded its performance target on the amount of funds raised from new funders (Outcome 1).

The entity raised R91.2m against the set target of R43.9m for the 2021/22 financial year exceeding its target by R47.3m. This is a remarkable and a significant achievement for the entity as it invested time and effort on fundraising during the year and expects to raise additional funds going forward.

Outcome 4 - Engaged and informed stakeholders

The entity met its performance targets for Outcome 4 (engaged and informed stakeholders). A framework for the measurement of customer (students) and stakeholder satisfaction was successfully developed and approved, as a result the entity will be able to conduct stakeholder engagement surveys in the new year.

This is a step towards the right direction as the entity will be able to gauge its stakeholder satisfaction and strive to improve service delivery to its customers and stakeholders.

The entity partially achieved performance targets for the following outcomes:

Outcome 3 - Fund the right student, correct amount at the right time

Under this strategic outcome there are six key performance indicators (KPI's) that the entity is measured against. Whilst this outcome was not fully achieved, the entity has achieved on the following key performance indicators.

KPI 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.

NSFAS has achieved 91.3% against the target of 90% for the 2021/22 financial year. The entity has exceeded its performance target by 1.3% for the year. This demonstrates NSFAS efficiency in the funding process and funding decisions communicated to students.

KPI 3.4: Percentage increase in the number of new applicants with disabilities that are provisionally funded.

The entity recorded an increase of 548 new students with disabilities that were provisionally funded. This increase translates to 28.7% against the target of 5% for the 2021/22 financial year. This shows that the entity's strategy and recruitment plan towards heeding the government's call to prioritise the needs of people with disabilities have yielded positive results.

KPI 3.5: 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

NSFAS recorded performance of 93.5% in instalments of tuition and allowances paid to funded university students. The entity has exceeded its target by 3.5% against the set target of 90% for the year. This highlights an improvement in the efficiency of NSFAS processes, evaluation, funding of students and payment to institutions and eligible students on time.

The entity recorded under-performance on three key performance indicators under Outcome 3 and are outlined below:

KPI 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

Only 36% of the provisional funding process for continuing students who met the criteria was completed on time. The entity recorded under-performance of 54% against the target of 90% for the year. This indicator is dependent on institutions and DHET in the case of TVET colleges submitting complete and accurate information. The computation of this indicator was also affected by the system configuration issues which hindered the achievement of performance, further highlighting the urgent need for system improvements.

KPI 3.3: Percentage of first-time entry students where bursary accounts are created within 10 days of receipt of registration data from institutions

The entity changed its processes, there was no longer a need for creation of bursary accounts in the process, as such the entity was no longer pursuing this target. This Key Performance Indicator was only measured during the first quarter of the year and only 71.6% was obtained against the target of 90% for the year.

KPI 3.6: Percentage of TVET funded students for which the instalment of tuition and allowances (where NSFAS disburses directly to students or Institutions) are paid on the 25th day of each month

NSFAS paid 80% of tuition and allowances to TVET funded students. The entity recorded under-performance of 10% against the target of 90% for the year. Challenges were experienced on the disbursement of allowances to students on the 25th day of each month. This target was set with the view that the entity would have implemented its direct payment system, and this was not the case due to budgetary constraints. Furthermore, the computation of this indicator was also affected by the system configuration issues which hindered the achievement of performance, further highlighting the urgent need for system improvements.

With respect to Outcome 5 - Research and knowledge management database for improved decision making and stakeholder needs

KPI 5.1: Number of research reports produced each financial year.

The entity produced three (3) research reports which is below the target of four (4) in the 2021/22 financial year. These reports were produced according to an approved research plan. The outstanding report could not be completed on time for reporting purposes.

KPI 5. 2: Number of Policy briefs to the Minister

This KPI was over achieved, eleven policy advisory briefs were produced above the set target of four (4). This demonstrates NSFAS priority on research and policy matters around student funding.

Outcome 7 - Optimal organisation that deploys resources efficiently.

NSFAS achieved two out of three KPI's under this Strategic Outcome;

KPI 7.2: Percentage of training interventions rolled out according to the Human Resource Training Plan
All training interventions planned for the year were conducted to capacitate employees.

KPI 7.3: Leadership behaviour 360-degree survey completed

The assessment of 83% of employees in salary level 11 and above was completed during the year under review. This exercise was done to assess the leadership behavior of employees in management positions and to ensure that they display NSFAS values.

KPI 7.1 Percentage of approved funded positions filled per annum

This target was not met. The organisational structure was only approved in February 2022 and the structure was in the process of being costed, consequently this target could not be pursued. However, the organisation filled positions that were deemed critical for the organisation.

The following are the under-performance areas for the 2021/22 financial year:

Outcome 2 – A sustainable and improved systems for recoveries

KPI 2.1: Increase the amount of money recovered (Rand value) from NSFAS debtors.

In the current year, the entity missed its collections target by 20% whereas in the prior year the collections target fell short by 51%. While the institution did not meet its target, however this is an improvement compared to the prior year. Collections from the public sector, which were the key driver of performance in this area, stagnated despite several efforts made to increase collections. The economic downturn exacerbated by impact of COVID- 19 pandemic and high unemployment rate has also contributed to a high number of unpaid debit orders by NSFAS debtors. Also, the lack of a suitable loan management system and consented recovery effort hampered the achievement of this target. The organisation is in the process of acquiring a loan management system and will also implement robust collection campaigns.

Outcome 6 - Clean governance embedded in all behaviour practices

KPI 6.1: Audit opinion of the AGSA

The entity achieved an unqualified audit as per its set target, however, this achievement could not be recorded as achieved due to the misalignment of the target to the Technical Indicator Descriptor, thus highlighting the need for management to strengthen its performance target formulation practices, and this has already been instituted.

KPI 6.2: Status level 2 for CGICTAS achieved

The ICT governance framework was not assessed as the organisation was still going through its policy and process review and this was deemed to remain at status level 1.

KP1 6.3: Baseline level of maturing with respect to Cyber Security

The cyber security maturity assessment was not performed although the entity has initiated some processes to implement a cyber security practice, the full establishment had to be delayed due to budgetary constraints. However, in the new financial the project will be reactivated.

2.5 Organisational environment

Over the past financial year, NSFAS has focused on strengthening the control environment, improving organisational policies and processes, enhancing the student funding criteria and building stakeholder relationships.

When the Board took office in January 2021, it did a high-level assessment of the organisation. This assessment revealed the following:

1. An organisational structure that is not responsive to the student-centered model and that was not aligned to the change of the scheme from a loan scheme to a bursary scheme.
2. Ageing, obsolete and unsupported systems leading to internally developed work around solutions that are not always stable (in short systems that were not fit for purpose)
3. A weak financial control environment that ultimately culminated in negative audit outcomes
4. A weak planning and performance management mechanism leading to low achievement of performance targets.
5. The student funding criteria also needed some improvement and enhancement.
6. An organisation whose administration budget that is not sufficient to support the number of funded beneficiaries and to put in place adequate systems and controls to administer the funds that are entrusted to it. This hinders the ability of the organisation in implementing the required interventions in a timely manner.

In the current financial year, the organisation was ceased with improving the weaknesses identified above and the interventions below were initiated and are in the process of implementation:

1. The NSFAS operational model has been reviewed and is being aligned to the organisational structure through the organisational redesign, this process includes the review of all operational policies. This will be concluded before the end 2022.

2. Some systems improvement has been initiated and implemented, despite budgetary constraints. In the current year under review the application system was improved to allow the organisation to make real time decisions when potential students apply. This was possible for 66% of NSFAS applicants. The organisation has adopted a modular approach to systems improvement due to budgetary constraints.

3. The organisation shared with the Minister its proposal on funding policy or criteria changes, to the extent that, many of the proposed changes did not have significant funding implications and were incorporated in the 2022 funding guidelines.

4. On the issue of student funding shortfall that are normally experienced at the beginning of the financial year, NSFAS worked closely with the DHET and National Treasury as a result funding has been secured for the next two academic years. With respect to the administration budget, the organisation continues to engage with the DHET and National Treasury and NSFAS is also exploring other ways to enhance its revenue,

It must be noted that, the institution remains resolute in its commitment to continue to serve the students and the institutions while trying to enhance the systems and capacitate the workforce.

2.6 Key policy developments and legislative changes

2.6.1 Fee free education pronouncement

The introduction of the Fee free education for the poor and marginalised youth in the South African post-school education and training sector and NSFAS in particular, has resulted into the policy shift and various changes. The implementation of the new bursary system mandated significant changes to the disbursement of funding. The household income for recipients of NSFAS is R350,000 per annum. Furthermore, the criteria for students with disability has increased to a threshold of R600 000 family income per annum. Student allowances are standardised across institutions and between Universities and Technical Vocational Education and Training (TVET) colleges.

These changes resulted in a government commitment to increasing spending on universities at a percentage of the Gross Domestic Product (GDP) from 0.68 percent to 1 percent over the following five years. These changes required substantial changes in NSFAS operations and systems. In 2021 The Minister appointed the Ministerial Task Team (MTT) to assess the sustainability of the current funding model. The work of the MTT is still in progress.

Strategic Outcome Oriented Goals	Goal 1	Goal 2
	An effective, efficient and transparent public entity in providing student financial aid	Direct Increased access to higher education and improved student financial aid environment to poor and working-class
Goal Statement	To implement effective, efficient and transparent processes and operations to ensure stakeholder objectives are achieved	To increase access to funding for eligible students by raising funds, maximising loan recoveries and creating a student-centred bursaries model through improved communication support for students and a central application process
Outcomes	**Outcome 6 -** Clean governance embedded in all behavior practices **Outcome 7 –** An optimal organisation that deploys resources efficiently	**Outcome 1 -** Alternative pool of funding available for eligible students **Outcome 2 -** A sustainable and improved systems for recoveries **Outcome 3 -** Fund the right student, correct amount at the right time **Outcome 4 -** Engaged and informed stakeholders **Outcome 5 -** Research and knowledge management database for improved decision making and stakeholder needs
Strategic objectives	**Strategic objectives 6 -** Improve and maintain financial, performance management and IT governance audit outcomes **Strategic Objective 7 -** A conducive fit for purpose organisation of high performance and productivity	**Strategic objectives 1 -** Increase in funding (Rand value) raised for financial aid for qualifying students **Strategic Objective 2 –** Increase the recovery rate from NSFAS debtors **Strategic objectives 3. -** Improve the efficiency of the application, evaluation, funding of students and payments to institutions and eligible students **Strategic objectives 4 -** Improve service level to customers and stakeholders through monitoring customer satisfaction and taking corrective action where necessary **Strategic objectives 5 -** Undertake research for the better utilisation of financial resources
Performance Indicator	• Audit Opinion of the AGSA • Status level 3 for CGICTAS achieved • Baseline level of maturity with respect to Cyber Security • Obtain ISO 9001: 2015 Certification in identified areas • Percentage of approved funded positions filled per annum • Percentage of training interventions rolled out according to the Human Resource Training Plan • Leadership behaviour 360-degree survey completed	• Amount of funds (Rand value) raised from new funders • Amount of money recovered (Rand value) from NSFAS debtors • 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 • 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 • Percentage of first-time entry students where bursary accounts are created within 10 days of receipt of registration data from institutions • Percentage Increase in the number of new applicants with disabilities that are provisionally funded.

Strategic Outcome Oriented Goals	Goal 1	Goal 2
Performance Indicator		• 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 • Percentage of TVET funded students for which the instalment of tuition and allowances (where NSFAS disburses directly to students or institutions) are paid on the 25th day of each month. • A framework for the measurement of customer (student) and stakeholder satisfaction • Number of research reports produced each financial year • Number of Policy Advisory briefs per the research conducted

Programme/Goal 1: Administration

In the previous year, the entity has achieved an unqualified audit opinion with findings on the financial statements. NSFAS has improved on its audit outcome compared to the previous years where the entity achieved qualified audit opinions, however the organisation continued to receive significant findings on performance information. The organisation will strive to continue to improve on financial and non-financial reporting.

The organisation needs to improve on the implementation of the ICT governance framework and the establishment of cyber security practice. These areas have been lagging for quite sometime, however work has been initiated to improve on both areas and the impact of this work will be realised in the 2022/2023 financial year.

Optimal organisation that deploys resources efficiently (Outcome 7); training interventions were rolled out during the year to capacitate employees and an assessment for employees from level 11 and above was completed to determine whether they demonstrate NSFAS values. Furthermore, the organisational structure was reviewed and approved in February 2022, consequently, the recruitment against the approved structure did not commence as the structure is still being costed.

Additionally, the entity embarked on a process of strengthening human capacity, review of policies and documentation of roles and responsibilities for all employees across the organisation. This was done to improve organisational systems, administration and good governance.

Programme/Goal 2: Student Centred Model

Actual collections (Outcome 2) fell short of target by 20% during the year under review which is an improvement compared to the previous year even though the entity did not meet the set target of R425.5m for the 2021/22 financial year. The economic downturn exacerbated by impact of Covid- 19 pandemic and high unemployment rate has also contributed to a high number of unpaid debit orders by NSFAS debtors. Also, the lack of a suitable loan management system and consented recovery effort hampered the achievement of this target. The organisation is in the process of acquiring a loan management system and will also implement robust collection campaigns.

The entity raised R91.2m from new funders (Outcome 1) which is an outstanding performance considering that the institution did not raise funds for the preceding year. Funds raised were allocated to students with disabilities and those who met the criteria for NSFAS funding such as students from poor and working-class backgrounds. This is linked to Priority 1 of building a capable, ethical and developmental state.

Fund the right student, correct amount at the right time (Outcome 3); The entity achieved three out of six key performance indicators under this outcome.

A percentage of 91.3 (%) of provisional funding decisions were communicated to applicants within 30 days of the closing date of applications. This demonstrates NSFAS' efficiency in the funding process and funding decisions communicated to students.

A number of 548 new students with disabilities were provisionally funded in the 2021/22 financial year. This is an increase of 28.7% against the target of 5% for the year. This reflects that the entity adheres to the call of government as stipulated in the Mid-Term Strategic Framework (2019 – 2024) to prioritise issues of woman, youth, and people with disabilities as a cross-cutting focus area of the developmental vision of the 6th administration.

Furthermore, 93.5% of instalments of tuition and allowances to funded university students were paid on time. This highlights an improvement in the efficiency of NSFAS processes, evaluation, funding of students and payment to institutions and eligible students.

NSFAS has achieved its targets as indicated above by providing access to students, especially youth from the poor and working-class families. The entity will continue providing funding to eligible students as enshrined in the Constitution and in accordance with the Presidential pronouncement of 16 December 2017 which is to provide fee-free education for the poor. This continues to impact positively on Strategic Outcome 5 of the NDP which is a “Skilled and capable workforce to support an inclusive growth path” as well as Priority 3: Education, skills and health, which NSFAS directly contributes to. This initiative will continue to improve the quality of education, skills and innovation.

NSFAS has noted the under achievement in the areas of the provisional funding processes for continuing students and the creation of bursary accounts for the first-time entry students (Outcome 3). The Entity changed its processes, there was no longer a need for creation of bursary accounts in the process, as such the entity was no longer pursuing this target.

With respect to the payments of tuition and allowances to TVET funded students (Outcome 3). This target was set with the view that the entity would have implemented its direct payment system, and this was not the case due to budgetary constraints. Furthermore, the computation of this indicator was also affected by the system configuration issues which hindered the achievement of performance, further highlighting the urgent need for system improvements.

Engaged and informed stakeholders (Outcome 4); a framework for the measurement of customer (students) and stakeholder satisfaction was successfully developed and approved as a result the entity will be able to conduct stakeholder engagement surveys in the upcoming year. NSFAS will be in a position to gauge its stakeholder satisfaction and strive to improve service delivery to its customers (students) and stakeholders.

During the 2021/22 financial year, the entity produced 3 research reports and 11 policy advisory briefs in line with the approved research plan (Outcome 5).

Continuous research will enable the entity, Department of Higher Education, Science and Technology, Parliament and other stakeholders to gain broader understanding and knowledge on how to provide fee-free education to the poor and middle class. This effort will assist on decision making to enhance better utilisation of resources. This will put the country in a better position on how to utilise funds and state resources effectively as per the National Development Plan, Strategic Outcome 2: “Further and higher education and training that allows people to fulfil their potential”. An expanding higher education sector that boosts incomes and productivity and shifts South Africa towards a knowledge-based economy”.

Achieved

Not achieved

2.7 Institutional Programme Performance Information

Outcomes, Outputs, Output Indicators, Targets and Actual

Key performance indicators, planned targets and actual achievements

Programme 1: Administration
Purpose – To implement effective, efficient and transparent processes and operations to ensure stakeholder objectives are achieved

Programme 1 Outcomes
Outcome 6 - Clean governance embedded in all behavior practices
Outcome 7 – An optimal organisation that deploys resources efficiently

Table: Report against the tabled Annual Performance Plan

Programme 1 : Administration

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	**Actual Achievement 2021/2022	Deviation from-planned target to Actual Achievement 2021/2022	Reasons for deviations
Clean governance imbedded in all behavior practices	Audit report generated and obtained by NSFAS	6.1 Audit opinion of the AGSA	Qualified audit opinion Not achieved	Qualified audit opinion with findings Not achieved	Unqualified audit opinion	Unqualified audit opinion with findings Achieved	(100.0%)	• N/A, this refers to the audit of the 2020/21 financial year.
	Third party report on CGICTAS	6.2 Status level 2 for CGICTAS achieved	CGICTAS level 1 Not achieved	Level 1 Not achieved	Level 2	Level 1 Not achieved	(100.0%)	• The ICT governance framework assessment was not performed due to the fact that the underlying policies and processes were still being implemented as such the status was deemed to remain at level 1.
	Report on the level of maturity obtained	6.3 Baseline level of maturity with respect to Cyber Security	New Indicator	Level 1	Achieve Level 3	Level 0 Not achieved	(100.0%)	• The cyber security practice was not fully established due to budgetary constraints. The assessment was thus recorded as sub-baseline.

Programme 1 : Administration								
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2019/2020**	**Audited Actual Performance 2020/2021**	**Planned Annual Target 2021/2022**	****Actual Achievement 2021/2022**	**Deviation from-planned target to Actual Achievement 2021/2022**	**Reasons for deviations**
Clean governance imbedded in all behavior practices	ISO 9001:2015 Certificate obtained	6.4 Obtain ISO 9001: 2015 Certificate in identified areas	New Indicator	New Indicator	ISO 9001:2015 Certificate obtained	The ISO 9001: 2015 certificate has not been obtained Achieved	(100.0%)	• The organisation reviewed itsprocesses and policies aligned to the new organisational design andoperational model. • It was considered that it would notbe value for money to document-processes as they were, due to thenew organisational re-design.
Optimal organisation that deploys resources efficiently	An approved organizational structure	7.1 Percentage of approved funded positions filled per annum	New Indicator	New Indicator	90%	0.0% Not achieved	(100.0%)	• The organisational structure wasapproved in February 2022,consequently recruitment against theapproved structure has not startedas the structure was still beingcosted.
	Report on training interventions conducted	7.2 Percentage of training interventions rolled out according to the Human Resource Training Plan	New Indicator	New Indicator	100%	100% Achieved	None	• None
	Survey completed	7.3 Leadership behaviour 360-degree survey completed	New Indicator	New Indicator	80%	83% Achieved	None	• None

Programme 2: Student-Centred Model

Purpose – To increase access to funding for eligible students by raising funds, maximising loan recoveries and creating a student-centred bursaries model through improved communication support for students and a central application process.

Programme 2 Outcomes

Outcome 1 - Alternative pool of funding available for eligible students
Outcome 2 - A sustainable and improved systems for recoveries
Outcome 3 - Fund the right student, correct amount at the right time
Outcome 4 - Engaged and informed stakeholders
Outcome 5 - Research and knowledge management database for improved decision making and stakeholder needs

Programme 2: Student-Centered Model								
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2019/2020**	**Audited Actual Performance 2020/2021**	**Planned Annual Target 2021/2022**	****Actual Achievement 2021/2022**	**Deviation from-planned target to Actual Achievement 2021/2022**	**Reasons for deviations**
Alternative pool of funding available for eligible students.	Funds raised	1.1 Amount of funds (Rand value) raised from new funders	R39.9m	New Indicator	R43.9m	R91 283 147.83 Achieved	R47 383 147.8	• None
Optimal organisation that deploys resources efficiently	An approved organizational structure	1.2 Percentage of approved funded positions filled per annum	R551.3m	R388.1m	R425.5m	R341 728 937 Not achieved	(83 773 083)	• The annual target of R425.5m was missed by R83,773,063 which was 20% below the annual target. • The economic downturn exacerbated by the impact of COVID-19 pandemic and high unemployment rate has also contributed to a high number of unpaid debit orders by NSFAS debtors.

Programme 2: Student-Centered Model

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	**Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022	Reasons for deviations
								• Also, the lack of a suitable loan management system and consented recovery effort hampered the achievement of this target. • The organisation is in the process of acquiring a loan management system and will implement robust collection campaigns.
Fund the right student, correct amount at the right time	Bursaries funded to students and bursary accounts created	KPI 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	New Indicator	New Indicator	90%	91.3% Not achieved	1.3%	• None
		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	New Indicator	New Indicator	90%	90%	(54.0%)	• This indicator is dependent on institutions and DHET in the case of TVET colleges submitting complete and accurate information.

Programme 2: Student-Centered Model

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	**Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022	Reasons for deviations
								• The computation of this indicator was also affected by the system configuration issues which hindered the achievement of performance, further highlighting the urgent need for system improvements
		3.3 Percentage of first-time entry students where bursary accounts are created within 10 days of receipt of registration data from institutions	New Indicator	New Indicator	90%	71.6% Not achieved	(18.4%)	• The entity changed its processes, there was no longer a need for creation of bursary accounts in the process, as such the entity was no longer pursuing this target.
		3.4. Percentage increase in the number of new applicants with disabilities that are provisionally funded	New Indicator	New Indicator	5%	28.7% Achieved	23.7%	• None

Programme 2: Student-Centered Model								
Outcome	**Output**	**Output Indicator**	**Audited Actual Perfor-mance 2019/2020**	**Audited Actual Performance 2020/2021**	**Planned Annual Target 2021/2022**	****Actual Achieve-ment 2021/2022**	**Deviation from-planned target to Actual Achieve-ment 2021/2022**	**Reasons for deviations**
		3.5 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	New Indicator	New Indicator	90%	93.5% Achieved	3.5%	• None
		3.6 Percentage of TVET funded students for which the instalment of tuition and allowances (where NSFAS disburses directly to students or institutions) are paid on the 25th day of each month	New Indicator	New Indicator	90%	80% Not achieved	(10.0%)	• This target was set with the view that the entity would have implement-ed its direct payment system and this was not the case due to budgetary constraints. Furthermore, the compu-tation of this indicator was also affected by the system configuration issues which hindered the achieve-ment of performance, further high-lighting the urgent need for system improve-ments

Programme 2: Student-Centered Model								
Outcome	**Output**	**Output Indicator**	**Audited Actual Perfor-mance 2019/2020**	**Audited Actual Performance 2020/2021**	**Planned Annual Target 2021/2022**	****Actual Achieve-ment 2021/2022**	**Deviation from-planned target to Actual Achieve-ment 2021/2022**	**Reasons for deviations**
		4.1 A framework for the measurement of customer (student) and stakeholder satisfaction	New Indicator	New Indicator	Framework to be developed and approved	A frame-work for the measure-ment of customer (student) and stake-holder satisfaction has been devel-oped and approved. Achieved	None	• None
Research and knowledge management database for improved decision making and stakeholder needs	Research reports produced	5.1 Number of research reports produced each financial year	4 research reports produced	New Indicator	4	3 Not Achieved	1	• The fourth re-port could not be completed on time due to resignation of the key re-source within the Research Unit.
	Policy Advi-sory briefs produced	5.2 Number of policy advisory briefs per the research conducted	New Indicator	4	4	11 Achieved	7	• None

PART B - ANNUAL PERFORMANCE REPORT

2.8 Linking performance with budgets

	2021/22				2020/21		
Programme	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**		**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	R'000	**R'000**	**R'000**		**R'000**	**R'000**	**R'000**
Administration	376,777	293,748	22,884		300,339	239,538	60,801
Student Centred Financial Aid	40,255,911	28,050,803	2,739,789		39,878,572	37,218,783	2,659,786
AFS reconciling items							
Depreciation and Amortisation and write offs	1,340,784	99,611	1,841,500		1,360,550	1,096,153,	264,397
Capex	5,862	1,522	7,514		6,305	308	5,997
Total	**41,979,334**	**28,445,684**	**928,687**		**41,545,766**	**38,554,782**	**2,990,981**

Note 1 - These items include debt write off expenses which are not part of the administration budget as well as adjustments related to the accounting treatment of student loans in terms of GRAP 23.

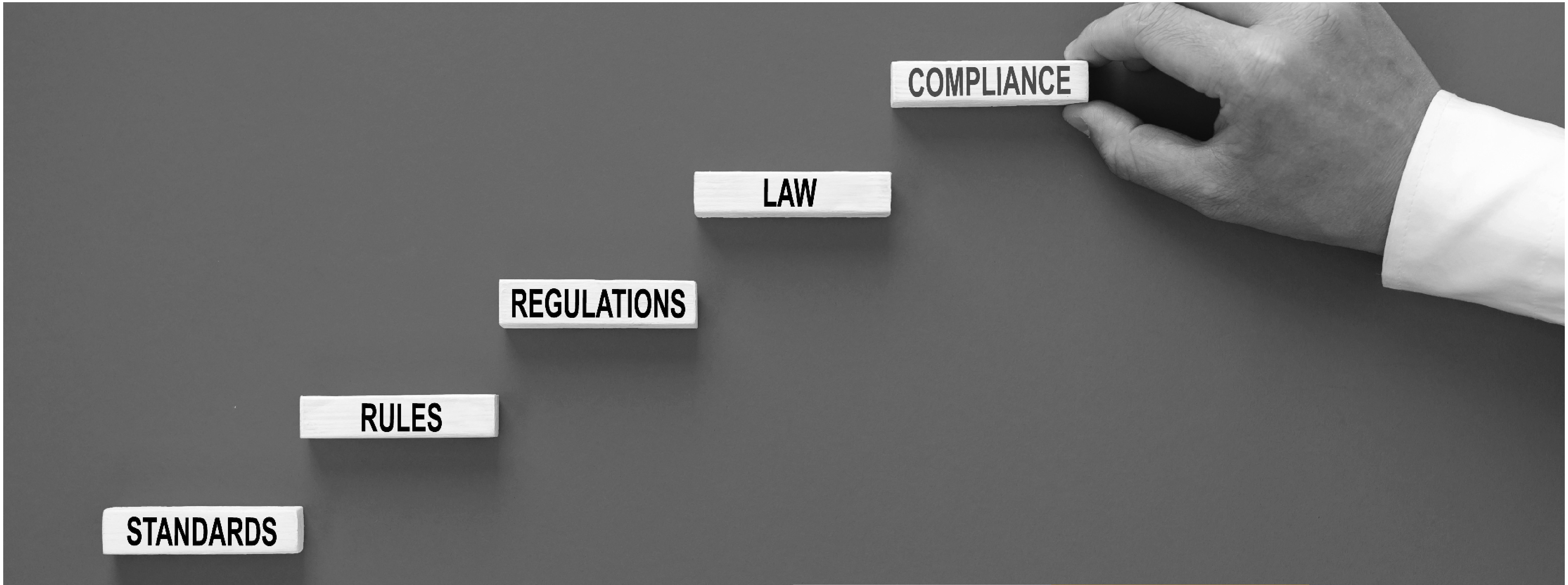
As per the government's call on transformation, representativity and inclusiveness; In the following year, the entity will improve on its gender representation in management positions to address the previously disadvantaged groups such as woman and people with disabilities.

This transformation agenda will have a positive impact on addressing high unemployment rate, improve skills, poverty alleviation and address gender representativity as per the vision of the National Development Plan which is aligned to the targets of the United Nations Sustainable Developmental Goals. This will impact on Priority 2: Economic transformation and job creation and Priority 7: A better Africa and world.

PART B - ANNUAL PERFORMANCE REPORT

2.9 Revenue collection

	2021/22				2020/21		
Recoveries monies	Estimate	Actual Amount Collected	(Over)/Under Expenditure		Estimate	Actual Amount Collected	Over/(Under) Collection
	R'm	R'm	R'm		R'm	R'm	R'm
Recoveries monies	425.5	341.7	(83.8)		800.0	388.2	(411.8)
	425.5	**341.7**	(83.8)		800.0	388.2	(411.8)



Part C - Governance

In this section:

Part C: Governance

3.1 Introduction

Corporate governance embodies processes and systems by which NSFAS is directed, controlled, and held to account. In addition to legislative requirements based on NSFAS's enabling legislation, and the Companies Act, corporate governance regarding NSFAS is applied through the precepts of the Public Finance Management Act (PFMA) and run-in tandem with the principles contained in the King's Report on Corporate Governance.

The Board of NSFAS is responsible for corporate governance of NSFAS.

Governance mechanism	Purpose	Period effective
Committees of Parliament	Parliament exercises its role through evaluating the performance of the public entity by interrogating the AFS and other relevant documents that are tabled from time to time. The committees of parliament exercise oversight over service delivery performance of the entity and, as such, reviews the nonfinancial information contained in the annual report.	
The PCHET in the National Assembly	Oversight	Effective throughout the year
SCER, in the NCOP	Oversight	Effective throughout the year
The Standing Committee in Public Accounts (SCOPA) in the National Assembly	Oversight	Effective throughout the year
Executive Authority	The Executive Authority's responsibility is to provide for the establishment, governance and funding of public higher education institutions, as well as exercising oversight in terms of the PFMA.	Effective throughout the year
Executive Officer	The Executive Officer's responsibility is to implement and ensure corporate governance.	Effective from December 01, 2020.
Board	The Board assumed the role of the accounting authority.	Effective from January 01, 2021.

3.2 Portfolio Committees

Parliament evaluates the performance of the scheduled 3A entity by interrogating the annual report and prescribed documents which must be tabled, as well as other documents tabled from time to time. The SCOPA reviews the annual report and the audit reports of the external auditor.

The Portfolio Committee exercises oversight over the service delivery performance of public entity and, as such, reviews the non-financial information contained in the annual reports of the public entity and is concerned with service delivery and enhancing economic growth.

The table below illustrates the number of meetings held with the portfolio committee and the key issues raised:

Date	Topic / Issues Raised
May 5, 2021	Briefing by NSFAS on the Annual Performance Plan 2021/22.
November 20, 2021	Briefing by NSFAS on the Annual Report 2020/21.
December 1, 2021	Briefing by NSFAS on readiness for 2022 academic year.
March 11, 2022	Briefing by NSFAS on progress in the implementation of the audit action plans.
March 16, 2022	Briefing by NSFAS on funding of students at universities and TVET colleges.

3.3 Executive Authority

Reports Submitted to the Executive Authority

Report	Date Submitted	Comments
2020/25 Strategic Plan and 2021/22 Annual Performance Plan	31 March 2021	Approved
Revised 2020/25 Strategic Plan and revised 2022/22 Annual Performance Plan	30 September 2021	Approved
Q1 Performance Report	30 June 2021	Approved
Q2 Performance Report	30 September 2021	Approved
Q3 Performance Report	31 January 2022	Approved
Q4 Performance Report	30 April 2022	Approved

3.4 The Accounting Authority/The Board

Introduction

The Board of Directors is the Accounting authority of a public entity. The Board of a public entity constitutes a fundamental base for the application of corporate governance principles in the public entity. All public entities should be headed by and controlled by an effective and efficient Board, comprising of the appropriate mix of executive and non-executive directors representing the necessary skills to strategically guide the public entity. The majority of the members should be non-executive to ensure independent and objectivity in decision-making. The Board has an absolute responsibility for the performance of the public entity and is fully accountable to the public entity for such performance. The Board should also give strategic direction to the public entity.

The NSFAS Executive Officer was appointed effective 1 December 2020 and the NSFAS Board was appointed effective 1 January 2021 and acting as the Accounting Authority of NSFAS from the appointment date for a four year period as prescribed by the NSFAS Act.

The role of the Board highlighted as follows:

- The NSFAS Board has absolute responsibility for the performance of the organisation and is fully accountable to the Minister of Higher Education, Science and Innovation for such performance. As a result, the Board gives strategic direction to the entity.
- The responsibilities and fiduciary duties of the Board is set out in s50 to s55 of the PFMA which must be complied with.
- The Board's duties include compliance with applicable laws, regulations, government policies and codes of business practice and communicates to the entity and the relevant stakeholders openly and promptly.
- All Board members have unrestricted access to accurate, relevant and timely information of the organisation and act on a fully informed basis, in good faith, with diligence, skill and care and in the best interest of the entity, whilst taking account of the interests of all stakeholders.
- The Board formulates, monitors and reviews the entity's strategy, annual performance plan, annual budgets and business plans and regularly identify and manage key risk areas.
- The Board monitors and manages potential conflicts of interest of management, Board members and the employees. The Board (and each individual member) must not accept any payment, whether in the form of a commission, bribe, or gift, for him/ herself other than the Board fees as prescribed in terms of the National Treasury Regulations.
- The Board develops a clear definition of the levels of materiality or sensitivity in order to determine the scope of delegation of authority and ensure that it reserves specific powers and authority to itself. Delegated authority must be in writing and evaluated on a regular basis or at least annually.
- The Board approves the annual financial statements for each financial year, which must fairly present the affairs of the entity. In addition, it maintains adequate accounting records, determines that suitable accounting policies exist, are consistently applied and supported by reasonable and prudent judgments and estimates, have been used in the preparation of the financial statements, and that relevant accounting standards have been applied.
- The Board, on an annual basis, reviews and evaluates its required mix of skills and experience and other qualities in order to assess the effectiveness of the Board, its committees and the contribution of each individual Board member during the term of office.
- The Board maintains the highest standard of integrity, responsibility and accountability and ensure that it finds a fair balance between conforming to governance principles and the performance of the entity.

Board charter

As recommended by the King Code, the Board has a charter setting out its responsibilities. The NSFAS Board charter, at a minimum, sets out the following responsibilities for the NSFAS Board:

- The board's responsibility for the adoption of strategic plans;
- Monitoring of operational performance and management; and
- Determination of policy processes to ensure the integrity of the public entity risk management and internal controls.

The Board charter was submitted to the Board on the 13 December 2021 for approval and adoption. The Board charter was subsequently approved in the meeting. To date, the Board has executed its responsibilities in terms of the approved charter and no significant non-compliance have been noted in the past financial year.

Composition of the Board

With the inception of the new Board on 1, January 2021 as appointed by the Minister of Higher Education, Science and Innovation, the Board consists of 13 members of whom:

- One member must be employed by the Department of Higher Education;
- One member must be nominated by the Minister of Finance (pending);
- One member must be designated by the Minister as Chairperson of the NSFAS Board; and
- Three members must be nominated by national organisations representing students.

As part of the composition of the Board, not more than four members may be co-opted by the Board in terms of a process determined by the Board; and the Executive Officer, who is the secretary and who has no voting rights.

As at 31 March 2022, there was one outgoing board member.

The Board members, designation, qualifications, areas of expertise, other entities directorship, attendance of the Board Meetings, new appointments and resignations are illustrated in the table below:

Name	Designation (in terms of the Public Entity Board structure)	Date Appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)
Ernest Khosa	Chairperson	01-Jan-21	n/a	• Higher Diploma in Company Law • Master of Science (International Development Finance) • Master of Arts (Development) • B.A. (Honours) • B.A. (Humanities)	Research and Governance	**Organisation:** Khosa Associates Executive Chairman **Period:** 2005 – current **Organisation:** SACAA – Chairman **Period:** Current
Yonke Twani	Board Member	01-Jan-21	n/a	• N6 Public Management • Tourism Level 4	Student leadership and Governance	**Organisation:** Founder & CEO Organisation Masithethe South Africa (MSA) **Period:** 2018 July - Present
Bamanye Matiwane	Board Member	01-Jan-21	n/a	• Bachelor of Arts Honours in Sociology	Student leadership and Governance	**None**
Julie Beya	Board Member	01-Jan-21	n/a	• Postgraduate Diploma in Public Development Management • Postgraduate Diploma in Marketing Management • Bachelor of Social Sciences Degree	Project Management & Administration Internal & external stakeholder relations Formulating monitoring and evaluation tools	**None**
Cyril Madiba	Board Member	01-Jan-21	n/a	• B Com Accounting Degree • B Com Accounting Honours Degree • Chartered Accountant	Banking and financial ser-vices industry across audit-ing, invest-ment banking, finance and change man-age-ment	**Organisation:** Cyril Ramaphosa Foundation **Period:** Nov 2019 - Present **Role:** Chairperson **Organisation:** The Growth Switch **Period:** Feb 2020 - Present **Role:** Founder

Name	Designation (in terms of the Public Entity Board structure)	Date Appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)
Max Fuzani	Board Member	01-Jan-21	n/a	• Bsc Sci Degree (Industrial Sociology and Government & Public Policy) • Executive Development (NQF level 8)	Project Management	**None**
Pumela Msweli	Board Member	01-Jan-21	n/a	• PhD - Exeter University • MPhil Development Finance • Master's in business administration • Postgraduate Diploma in Marketing • Bachelor of Science	Governance and Academic Leadership	**None**
Sanele Zondi	Board Member	01-Jan-21	n/a	• Master's in Business Administration, MBA (NQF9) • Board Leadership Programme Certificate • Executive Development Programme Certificate • BA Honours - Public Administration (NQF8) • BTech Degree in Marketing (NQF7) • Diploma in Marketing (NQF6)	Strategy, Stakeholder Relations and Communications	**Organisation:** Umfolozi Technical and Vocational Education and Training College **Designation:** Chairperson of College Council **Period:** 15 November 2018 – Currently serving **Organisation:** KZN Gaming and Betting Board **Designation:** Board Director (Non-Executive) **Period:** 13 April 2018 – Currently serving Richards Bay Industrial Development Zone (RBIDZ) **Designation:** Board Director (Non-Executive) **Period:** 15 November 2017 – Currently serving

Name	Designation (in terms of the Public Entity Board structure)	Date Appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)
Lindiwe Matali	Board Member	01-Jan-21	n/a	• Bachelor of Commerce in Economics and Statistics • General Management Programme • Board Leadership Core Programme • Foundation Programme for Private Equity	Planning strategic business objectives and also implementing systems and processes to monitor and report on performance against agreed Key Performance Indicators across all the business sectors	**None**
Pretty Makukule	Board Member	01-Jan-21	n/a	• CA(SA) • ACMA, CGMA • MBA • Post Graduate Diploma in Applied Accounting Science • Advance Diploma in Accounting Science • B. Com	Financial Management	**None**
Reshma Mathura	Board Member	01-Jan-21	n/a	• MBA • BCom (Hons) • BCom • CA(SA)	Financial management including financial reporting and governance, financial planning and budgeting, cost management, payroll, asset and expenditure management, revenue management, management of accounts receivable and payable, bank and cash management and treasury management.	**None**
Lisa Sefttel	Board Co-opted Member	25-Feb-21	n/a	• Bachelor of Arts • Honours in Industrial Sociology • Diploma in Public and Development Management	Human Resources and Public relations	**None**

Name	Designation (in terms of the Public Entity Board structure)	Date Appointed	Date re-signed	Qualifications	Area of Expertise	Board Directorships (List the entities)
Melosi Baloyi	Board Co-opted Member	25-Feb-21	n/a	• Fellow of the Actuarial Society of South Africa (FASSA) • Fellow of the Actuarial Society of Kenya (FeASK) Microinsurance Practising Certificate holder • BSc Actuarial Science (cum laude), University of Pretoria • RE1 Regulatory Examination: FSPs and Key Individuals in all Categories of FSPs	• Actuarial consulting experience • Actuarial modelling and valuations – micro-, life insurance and reinsurance	Actuarial Society of South Africa: Chair-man of the Microinsur-ance Committee Actuaries lek-gotla - Deputy President Partner and CEO: Xivoni Actuaries and Consultants: Decem-ber 2016 - Present Co-founder and CEO: Itenity Holdings: De-cember 2019 - Present Founder and CEO: Baloyi ML Investment Holdings: December 2019 - Present

Committees

The following Board Committees are currently fully operational:

• Audit and Risk Committee;
• Finance Committee;
• Executive Committee;
• Human Resources Remunerations and Ethics Committee;
• Information and Technology Communication Committee; and
• Operations Committee.

3.5 Auditors & Risk Committee:

Appointment of the Audit & Risk Committee (ARC)

The ARC was appointed by the Administrator on 8 June 2020 and operated under a formally approved terms of reference.

Membership

Below are the details of the members. The ARC is required to meet a minimum of 4 times per year as per its approved terms of reference.

Member	Term
Mr B Mahlangu (Chairperson)	-
Ms C Abdoll	-
Mr Z Hoosain	-
Mr J Samuels	Resigned 31 August 2021
Ms R Mathura (Board)	-
Mr A Makgato (DHET)	-
Mr P Masudubele (National Treasury)	-

During the term the following ARC meetings were held:

1. 22 April 2021
2. 28 April 2021
3. 29 May 2021
4. 29 July 2021
5. 27 August 2021
6. 31 August 2021
7. 28 October 2021
8. 27 January 2022

Audit & Risk Committee Responsibility

The ARC, which is an independent structure, reports that it has complied with its responsibilities arising from Section 51 (1)(a)(ii) of the Public Finance Management Act 1 of 1999, as amended by Act 29 of 1999 (PFMA) and Treasury Regula-tion 27.1. The Audit & Risk Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter, and has discharged all its responsibilities as contained therein.

The revised 31 March 2022 annual financial statements were only submitted at 31 March 2023 due to complexities that arose out of the Close Out Project. The project sought to ensure that the balances between NSFAS and the institutions (either amounts owed by NSFAS or owed to it by the institutions) were correct, and it covered the period 2017 to 2021, a period before the current Management and Board came were appointed . It was the first time the COP process was considered for the purposes of the year -end, and as a consequence, some of the challenges associated with the process were not properly anticipated.

The table below provides the list of the members for each of these committees, and the number of meetings held during the year.

The Audit and Risk committee under the administration took effect 15 June 2020 and their term of office expired on the 31 March 2022. A new Audit and Risk Committee was appointed by the Board with the effect of 01 April 2022. The Audit and Risk Committee members consist of a representative from the Department of Higher Education and Training, a representative from National Treasury and four independent members. The committee is responsible for providing the Board with independent and objective advice on NSFAS's business processes as they relate to the effectiveness of internal control systems; evaluation of annual financial statements; effectiveness of internal audit function; and the effectiveness of the overall system of risk management within NSFAS.

Name	Qualifications	Role	Constituency	Date appointed	Date resigned	No of meetings
Mr. Bulelani Mahlangu	B Com Accounting Chartered Accountant (SA) MSc Finance Management	Chairperson	Independent	15 May 2020	n/a	9
Mr. Joe Samuels	B Com Accounting Chartered Accountant (SA)	Member	Independent	15 May 2020	31 August 2021	
Mr. Zakariya Hoosain	B Com Accounting Chartered Accountant (SA)	Member	Independent	15 May 2020	31 March 2022	
Ms. Crystal Abdoll	B Com Account-ing Chartered Accountant (SA)	Member	Independent	15 May 2020	31 March 2022	
Mr Phukuile Jonas Masudubele	BCom (Acc)	Member (National Treasury Representa-tive)	Independent	15 May 2020	n/a	
Ms Nomahlubi Dube	BCom Honours (Business Man-agement) Professional Internal Auditor	Member (National Treasury Rep-resentative) – Alternate member	Independent	15 May 2020	n/a	
Mr Alfred Makgato	BCom (Acc)	Member (DHET Repre-sentative)	Independent	15 May 2020	n/a	

Name	Qualifications	Role	Constituency	Date appointed	Date resigned	No of meetings
Ms. Reshma Mathura	MBA BCom (Hons) B Com Accounting Chartered Accountant (SA)	External	Independent	01 February 2021	n/a	9
Dr. Len Konar	Doctor of Commerce Master of Accounting Sciences Postgraduate Diploma in Accounting B. Com	Member	Independent	01 April 2022	n/a	
Adv. Simthandile Peter	LLB	Member	Independent	01 April 2022	n/a	

Finance Committee:

The committee took effect 30 January 2021. The committee is responsible to advise the Board on the financial management of the NSFAS, which includes but is not limited to, budget management, loan recovery and the investment of repayments; together with the Audit & Risk Committee, consider the Annual Financial Statements, for approval by the Board; and to perform other such functions as the Board may delegate or assign to it.

Names of Members	Constituency	Role	Date Appointed	Number of meetings	Number of members
Mr. Ernest Khosa	Independent	Chairperson	01 Feb 2021	4	5
Ms. Pretty Makukule	Independent	Member	01 Feb 2021		
Ms. Reshma Mathura	Independent	Member	01 Feb 2021		
Mr. Thomas Kgokolo	Independent	Member	12 Mar 2021		
Ms. Khumo Mzozoyana	Independent	Member	12 Mar 2021		

Executive Committee:

The committee took effect 30 January 2021. The committee is responsible to conclude and act on urgent matters as may be raised by the NSFAS management or the Department between Board meetings, to conclude and act on such matters as may be directed by the Board; and to inform the Board about all its decisions overseeing that regular detailed reports are submitted to the Board on the business of NSFAS.

Names of Members	Constituency	Role	Date Appointed	Number of meetings	Number of members
Mr. Ernest Khosa	Independent	Chairperson	01 Feb 2021	3	6
Ms. Pretty Makukule	Independent	Member	01 Feb 2021		
Prof. Pumela Msweli	Independent	Member	01 Feb 2021		
Mr. Sanele Zondi	Independent	Member	01 Feb 2021		
Mr. Bamanye Matiwane	Independent	Member	01 Feb 2021		
Mr. Max Fuzani	Independent	Member	01 Feb 2021		

Human Resources, Remunerations and Ethics Committee:

The committee took effect 30 January 2021. The role of the committee is to work on behalf of the Board and be responsible for its recommendations and considers and recommends policies to the Board and provide oversight over all HR related matters, including but not limited to, remuneration, organisational structure and headcount, union and labour matters, matters relating to ethics, HR reporting, etc.

Names of Members	Constituency	Role	Date Appointed	Number of meetings	Number of members
Mr. Max Fuzani	Independent	Chairperson	01 Feb 2021		3
Ms. Julie Beya	Independent	Member	01 Feb 2021		
Ms Lisa Seftel	Independent	Member	01 Feb 2021		

Information and Communications Technology Committee:

The committee took effect 30 January 2021. The committee is responsible for providing oversight of the strategic direction of the information and communication technology function (ICT) within the NSFAS, ensuring the alignment of ICT and business strategy. Operational accountability and decision making within the ICT governance framework will reside with the Chief Information Officer.

Names of Members	Constituency	Role	Date Appointed	Number of meetings	Number of members
Mr. Sanele Zondi	Independent	Chairperson	01 Feb 2021	4	3
Ms. Lindiwe Matlali	Independent	Member	01 Feb 2021		
Mr. Cyril Madiba	Independent	Member	01 Feb 2021		

Operations Committee:

The committee took effect 30 January 2021. The committee is responsible for overseeing the core operational activities of the entity and includes, inter alia, funding policies and funding eligibility criteria, overall operational performance, institutional agreements, close out and final reporting processes, etc.

Names of Members	Constituency	Role	Date Appointed	Number of meetings	Number of members
Prof. Pumela Msweli	Independent	Chairperson	01 Feb 2021	8	3
Mr. Yonke Twani	Independent	Member	01 Feb 2021		
Mr. Melusi Baloyi	Independent	Member	01 Feb 2021		

Remuneration of board members

The Board fee compensates members for time spent on preparation for meeting, research and other official activities as requested by the Chairperson of the Board, as well as travelling to and from the meeting venue and/or unavoidable staying over.

The rate per day is the maximum allowable remuneration in a 24-hour day irrespective of the number of committees that the member serves on.

The National Treasury's circular on Board and committee remuneration provides clarity regarding the remuneration of public officials as employees of the national, provincial and local government or agencies and entities of government. These members are not entitled to any additional remuneration for serving as Board members or committee members of public entities. The National Treasury's prescribed NFSAS Board remuneration rates determined at category B1 as follows:

Board member remuneration) including any fees related to interviews, board events and special board meetings):

Name	Meeting fee (R'000)	Other allowance (R'000)
Mr. Ernest Khosa	548	847
Mr. Yonke Twani	135	164
Mr. Bamanye Matiwane	263	361
Ms. Julie Beya	95	96
Mr. Cyril Madiba	99	29
Mr. Max Fuzani	174	192
Prof. Pumela Msweli	161	88
Mr. Sanele Zondi	194	95
Ms. Lindiwe Matlali	88	45

Name	Meeting fee (R'000)	Other allowance (R'000)
Ms. Reshma Mathura	132	41
Ms. Lisa Seftel	-	60
Mr. Melusi Baloyi	137	83

3.6 Risk Management

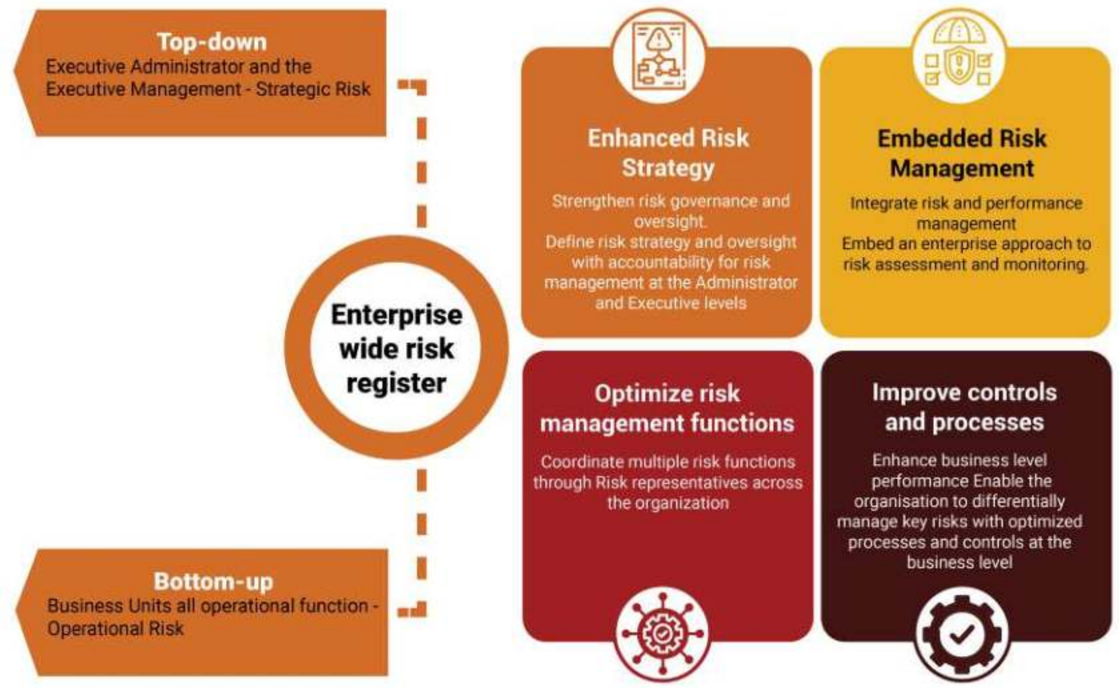
In accordance with the NSFAS Enterprise Risk Management Framework, risk management has been adopted as a critical governance requirement in order to address all factors that may hinder or prevent NSFAS from achieving all its goals and objectives. NSFAS through the Accounting Authority, Audit & Risk Committee, Risk Management Committee (which is composed of the NSFAS management team and staff members) is committed to the optimal management of risk in order to achieve its vision, mission, objectives, strategies and plans and to protect our core values. The Accounting Authority ("the Board") has committed NSFAS to a process of risk management that is aligned to the principles of good corporate governance, as supported by legislation and leading practice.

The Accounting Authority and Management team conducted an organisation strategic session in November 2021. The purpose of the strategy session also included the alignment of the organisation's strategy to the strategic risks identified. The strategic risks highlighted critical areas of focus and enforce accountability of the Management team.

The NSFAS Enterprise Risk Management Framework has been developed and approved and guided the enterprise-wide risk management approach, adopting a Top-Down, Bottom-Up risk management approach. The NSFAS organisational risks are managed by applying the Top-Down approach to shape the organization's performance guided by the organisation's strategic objectives in support of risk-informed decisions at the Management level.

The strategic and operational risks identified are mitigated and monitored through various project management programs streaming across the value chain of the organisation.

NSFAS Risk Management Approach



Through the Enterprise Risk Management Framework, NSFAS has adopted a standard approach to enterprise risk management to ensure that all risks that could affect our people, process, system, finance, stakeholders, reputation and environment are continuously identified, assessed and treated to an acceptable level by:

- Continuously providing risk management workshops and training to enable management to make risk-based decision;
- Conducting quarterly risk management forums with the management team to discuss and prioritise risks;
- Identifying opportunities, matching the risk and the rewards in the organisation;
- Applying consistent risk management practices across the organisation; and
- Incorporating governance and risk management in the employment contracts of all employees.

The strategic risk profile for financial year-end FY 2021/2022 was conducted and approved by the Accounting Authority in February 2022. The strategic risks are continuously monitored and assessed for residual risk exposures. The objective of the risk assessment process is to:

- Ensure all material and emerging risks with the potential to negatively impact NSFAS strategy are identified, assessed and recorded.
- To provide assurance to the Board that adequate and effective risk mitigation strategies are implemented across the organisation.

Following this process, it is concluded that the key strategic risk profile for FY2021/2022 is a complete and accurate representation of strategic risks concerning NSFAS strategic objectives.

The Audit & Risk Committee advises management on the overall system of risk management, especially the mitigation of unacceptable levels of risk. In addition, the Audit & Risk committee advises NSFAS on its ongoing risk management and independently monitors the effectiveness of the system of risk management on a quarterly basis, since the inception of the Audit & Risk Committee on 01 June 2020.

3.7 Internal Control Unit

NSFAS does not have an internal control unit.

3.8 Internal Audit and Audit Committees

The Audit and Risk Committee ensured that the internal audit function was independent and had the necessary resources, standing and authority to enable it to discharge its duties.

The internal audit team reported administratively to the Chief Governance, Risk and Compliance Officer and functionally to the Audit & Risk Committee. The internal audit in-house function was established in order to increase risk coverage and build institutional knowledge. The main objective of the internal audit department is to contribute to the improvement and sustainability of both overall governance and the strengthening of the internal control environment over time.

The objectives of internal audit are:

- To assist the NSFAS Board and Executive management to protect the reputation, the sustainability and assets of NSFAS;
- To provide independent, reliable, valued, insightful and timely assurance to the NSFAS Board and Executive Management over the effectiveness of governance, risk management and control over current, systematic and evolving risks in the context of the current and expected business environment;
- To own and drive the combined assurance model within NSFAS that includes predominantly: internal audit, risk management, quality assurers, environmental and occupational health and safety, external audit, other external assurance providers and management, in doing so supporting the achievement of NSFAS' business objectives.

Internal audit's key activities:

- Assessing the organisation's risk management and internal control systems as included in the Annual Internal Audit Plan;
- Furnishing members of the Executive team with reports that identify control problems, and make practical, cost-effective recommendations with a view to their improvement;
- Assessing whether key risks to the organisation have been identified and assess how effectively these are being managed;
- Evaluating plans and actions taken to correct reported conditions;
- Confirming that corrective actions are taken in response to reported weaknesses and evaluating whether they effectively eliminate the problems;
- Performing specific reviews at the request of the Audit & Risk Committee, the Executive Officer, the Board and Executive members.

It also includes the following, as may become necessary during the execution of an internal audit project:

- Ensuring that significant financial, managerial and operational information is accurate, reliable and timely;
- Evaluating whether employees' actions are in compliance with policies, standard procedures, applicable laws and regulations and the company's Code of Conduct;
- Evaluating whether resources are acquired economically, used efficiently and are adequately protected;
- Ensuring quality and continuous improvement are fostered in NSFAS's organisational control process;
- Ensuring significant legislative or regulatory issues affecting the organisation are recognised and addressed appropriately;
- Ensuring that interaction with the various governance groups within NSFAS occurs as appropriate; and
- Evaluating whether the organisation's plans and objectives are achieved.

Internal Audit also has within its scope a requirement to provide assurance on:

- The risk and control culture of the organisation including assessing whether processes, actions and "tone from the top" and "tone in the middle" are in line with the values, ethics, risk appetite and policies of the organisation;
- Management's control awareness (approach taken by all levels of Management) and internal control, including Management's approach to addressing known issues.

Summary of Internal Audit Work Completed

During the period April 2021 – March 2022, the in-house NSFAS Internal Audit function performed the following audit work in providing assurance to management:

Nine (9) standard audits focusing on the adequacy and effectiveness of controls and internal processes relating to:

- Disbursement of Funds and Fund Management (DHET Funds);
- The student value chain processes (applications);
- The institutional close-out project governance;

- The institutional close-out project governance;
- The annual performance plan reporting process 2020/21 and;
- 2 Institutional audits;
- Cyber security maturity and;
- Corporate Governance Information Communication Technology (CGICT).

In addition, a cyber security maturity assessment and a Corporate Governance Information Communication Technology (CGICT) assessment was performed.

In addition, three (3) limited scope reviews focusing on specific process or control deficiencies to assist management in identifying gaps or control breakdowns as well as the root causes for these for effective risk remediation.

An Audit & Risk Committee was established in terms of the PFMA and was in operation from June 2020. The process for establishing such a committee commenced with the adoption of a process guide for the establishment of an independent Audit & Risk Committee. Members were appointed in terms of this guide and approved by the Administrator, with the concurrence of the Minister of Higher Education Science, and Innovation. The members were appointed in May 2020 and the committee took effect in June 2020.

Members consist of a representative from the Department of Higher Education and Training, a representative from National Treasury and four independent members, as per the table below:

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date resigned	No. of meetings attended
Mr Bulelani Jacob Mahlangu	B Com Accounting Chartered Accountant (SA) MSc Finance Management	Chair (External)	n/a	15 May 2020	n/a	9
Mr Joe Samuels	Master of Philosophy (M.Phil.), Adult and Continuing Education and Teaching Bachelor of Science (BSc)	Member (Independent & External)	n/a	15 May 2020	31 August 2021	7
Mr Zakariya Hoosain	Supply Chain Executive Development Programme Certificate in Risk Management Assurance Certified Internal Audit Quality Assessor Chartered Accountant (SA) Advanced Certificate in Auditing	Member (National Treasury Standin & External)	n/a	15 May 2020	31 March 2022	9

Members consist of a representative from the Department of Higher Education and Training, a representative from National Treasury and four independent members, as per the table below:

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date resigned	No. of meetings attended
Mr Zakariya Hoosain	Certificate of Theory in Accounting (CTA) Bachelor of Accounting Science (BCompt)					
Ms Crystal Abdoll	Chartered Accountant (SA) Certified Internal Auditor Certificate in the Theory of Accounting B Compt Hons B Com	Member (Independent & External)	n/a	15 May 2020	31 March 2022	9
Ms Reshma Mathura	Masters in Business Administration Postgraduate Diploma in Business Administration BCom Honours National Security Programme (ENSP) of the South African National. Defence College (SANDC) Chartered Accountant (SA)	Member (Independent & External)	n/a	30 January 2021	n/a	6

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date resigned	No. of meetings attended
Mr Phukuile Jonas Masudubele	BCom (Acc)	Member (National Treasury Standin & External)	n/a	15 May 2020	n/a	8
MS Nomahlubi Dube	BCom Honours (Business Management) Professional Internal Auditor	Member (National Treasury Standin & External)	n/a	15 May 2020	n/a	7
Mr Alfred Matlhasedi Makgato	BCom (Acc)	Member (DHET & External)	n/a	15 May 2020	n/a	8

3.9 Compliance with laws and regulations

NSFAS is committed to and conducts the organisation lawfully, in a manner that is aligned with laws, regulations, best practices, and financial standards. Compliance is the outcome of NSFAS meeting its compliance obligations and should not be seen as a standalone activity, as it is aligned with NSFAS overall strategic objectives and more closely with the NSFAS Enterprise Risk Management Framework. An NSFAS Compliance Universe is in place to highlight overarching principles and commitment to action for the organization concerning achieving compliance.

NSFAS identified high priority laws and regulations to comply with as follows:

- Public Finance Management Act (Act 1 of 1999)
- NSFAS Act (Act 56 of 1999)
- National Credit Act (Act 34 of 2005)
- Treasury regulations for departments, trading entities, constitutional institutions, and public entities.

3.10 Fraud and Corruption

NSFAS has continuous campaigns to educate students on ways to prevent fraud in their funding processes.

NSFAS has a Vuvuzela fraud hotline that has been created for employees, students, institutions and members of the public to report fraudulent and unethical activities that may be seen to be taking place in the NSFAS funding system. The fraud hotline was operational for the full financial year.

The NSFAS in-house forensic function ensures fraud and corruption allegations are investigated and those with merit leads to formal forensic investigations. For the current financial year, 57 cases have been registered on the forensic case register and have the following statuses:

- 26% (15 cases) are in the pipeline where the matters received for investigation are not actively being investigated due to a low prioritization classification or which have been placed on-hold for various reasons;
- 14% (8 cases) have been prioritised where the matters received for investigation are being actively investigated due to their high priority classification; and
- 60% (34 cases) have been finalised where the matters received for investigation are no longer being attended to due to these matters either having had no merits to investigate, or NSFAS Forensics completed their investigation and criminal action is underway, or lastly, the matter was re-assigned to the respective business unit for further action.

3.11 Minimising Conflict of Interest

1. At the commencement of the financial year, each SCM official signs a code of conduct which includes amongst other details, a declaration of interest. In addition to this, as part of the procurement evaluation process, prior to the awarding of a procurement transaction below R1 million (VAT included), the SCM officials declares any interest in relation to the recommended service provider and its directors. Should a potential conflict of interest be identified, the respective SCM official will be removed from the evaluation and award approval process, following which the procurement award will be approved by the Chief Financial Officer (CFO).

2. For procurement transactions that exceed R1 million (VAT included) each NSFAS bid committee member representing the bid specification committee, bid evaluation committee and bid adjudication signs the declaration of interest register which would note any potential conflict of interest. Should a potential conflict of interest be identified, the bid committee member will be asked to be recused from the respective meeting.

3. For the 2021-2022 financial year, no conflicts of interest were identified.

3.12 Code of Conduct

The code of conduct at the NSFAS has always been promoted to support good governance and ethical conduct amongst internal stakeholder like management and employees in the success of the organisation. The internal focus of the organisation has been to raise awareness amongst all employees on matters of human rights, accountability, personal conduct and private interest.

Employees were given opportunity to attend workshops on topics such as conflict resolution, the understanding our disciplinary policy, employee and employer rights, the grievance policy, illness-related incapacity, and poor performance-related incapacity. Leadership and management role and expectations were clearly articulated in the sessions. Employees were also given a road map and tools to help them improve their daily tasks, and they were encouraged to work constructively towards the attainment and living the NSFAS vision, mission, and values.

A revised code of conduct policy has been submitted for review and approval for continued implementation in the new financial year to entrench matters of transparency and consequential accountability in all our endeavours.

3.13 Company Secretary

In terms of the NSFAS Act s5(1)(c), the Executive Officer served as NSFAS's secretary to the Board subsequent to the Board appointment in January 2021.The acting Board Secretariat was appointed by the Board in February 2021.

3.14 Social Responsibility

Our contribution through social responsibility projects in the financial year under review comprises of the continued collaboration with the National Youth Development Agency (NYDA) to onboard 50 unemployed graduates during the 2022 student application process. the graduates were brought in to help the NSFAS in providing excellent service to our core mandate of enabling the funding of the middle to lower-income students. The endeavour saw over 30 graduates being brought on to our payroll and trained on the student expectations and experience that translated into the successful 2022 NSFAS student application programme.

3.15 Audit Committee Report

We present our report for the financial year ending 31 March 2022

The ARC, which is an independent structure, reports that it has complied with its responsibilities arising from Section 51 (1)(a)(ii) of the Public Finance Management Act 1 of 1999, as amended by Act 29 of 1999 (PFMA) and Treasury Regulation 27.1. The Audit & Risk Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter, and has discharged all its responsibilities as contained therein.

The revised 31 March 2022 annual financial statements were only submitted at 31 March 2023 due to complexities that arose out of the Close Out Project. The project sought to ensure that the balances between NSFAS and the institutions (either amounts owed by NSFAS or owed to it by the institutions) were correct, and it covered the period 2017 to 2021, a period before the current Management and Board came were appointed . It was the first time the COP process was considered for the purposes of the year -end, and as a consequence, some of the challenges associated with the process were not properly anticipated.

The Effectiveness of Internal Control

The internal audit function (IA) operates in terms of an approved internal audit charter, and the ARC was satisfied that it operated independently of management. The ARC was also satisfied with the quality of the internal audit reports; however, it constantly raised concerns about the capacity of the unit and vacancies in critical positions within the IA unit.

The overall assessment of each engagement is set out in the table below.

NAME OF THE AUDIT	CONTROL ENVIRONMENT ASSESSMENT
STANDARD AUDITS	
Disbursement of Funds and Fund Management (DHET Funds)	Poorly Controlled
Review of ICT Governance with respect to DPSA requirements (DPSA CGICT Assessment 2021)	Level 1 – Non-Conformance to CGICT requirements
Cyber Security Maturity Assessment -2020/2021	Sub-Baseline Maturity
Institutional Closeout Project Governance	Poorly Controlled
Appeals Process – 2020	Unsatisfactory
Annual Performance Plan (APP) Review	Poorly Controlled
Applications 2021 / 2022 / 2023 - TVET's & Uni's (Applications, Data Management, Case Management & Student Selection)	Unsatisfactory
Institutional Audits (DUT)	Needs Improvement
Institutional Audits (CPUT)	Needs Improvement
LIMITED SCOPE REVIEWS	
Q1 2021/22 APP Review	Needs Improvement
Q2 2021/22 APP Review	Needs Improvement
Q3 2021/22 APP Review	Needs Improvement

Based on the control environment assessment above, and the findings reported by the Auditor-General South Africa (AGSA), the ARC believes that the control environment at NSFAS remains weak. The slow and sometimes non responsiveness to Internal Audit findings could be a contributory factor to weak internal control environment.

Whilst the ARC appreciates that the Chief Information Officer position has been filled, it remains concerned with the general ICT control environment at NSFAS as there were significant shortcomings identified during the period.

The ARC notes the Board's efforts in filling the senior positions, and urges it to fill the vacant ones expeditiously .

Risk and Compliance Management

After the position was vacant for almost a year, the new Head of Governance, Risk and Compliance joined NSFAS in April 2023. There is a risk road map in place and the ARC will be monitoring this closely to ensure that specific mitigation interventions are implemented, and that all the critical policies and procedures are in place. The ARC also expects the ICT risk management to be integrated into the overall enterprise risk management framework, as opposed to dealing with them in silos.

After some delay, the process of activating the combined assurance framework has started, with emphasis on the proposed actions and deadlines in place.

Regarding fraud-related issues, there were 57 matters that were reported to the Forensic Unit during the year under review. As at 31 March 2022, 34 had been finalised, 8 were active, and 15 were ongoing investigations.

As part of the risk road map, NSFAS will develop a fraud prevention plan.

Reports on several fraud investigations and mitigation strategies were tabled at each quarterly meeting.

The ARC notes the seriousness of the findings in respect of the Material Irregularities, and the Board's commitment to addressing this issue. Management has been prudent in seeking legal advice in this regard where necessary, and detailed submissions have been made at ARC to demonstrate how this matter is being dealt with.

In-Year Management and Quarterly Report

NSFAS has been reporting quarterly to National Treasury (NT) and the Department of Higher Education and Training (DHET), as required by the PFMA.

The ARC identified several weaknesses in the Quarterly Annual Performance Plan (APP) submissions during the year, with particular reference to the formulation and measurability of the key performance indicators (KPIs), and failure to meet the targets. The Board had instructed Management to address this, and due to delays on the part of Management. What also continues to be a big challenge at NSFAS is data integrity.

The financial sustainability of NSFAS remains a key challenge, and this issue has been raised with Management and the Board several times.

Evaluation of Financial Statements

ARC discharged the following responsibilities in respect of the annual financial statements:

- Review and discussion of the audited financial statements to be included in the annual report;
- Review of the Auditor General's Management Report and management's responses to it;
- Review of the information on predetermined objectives to be included in the annual report; and
- Review of any significant adjustments resulting from the audit.

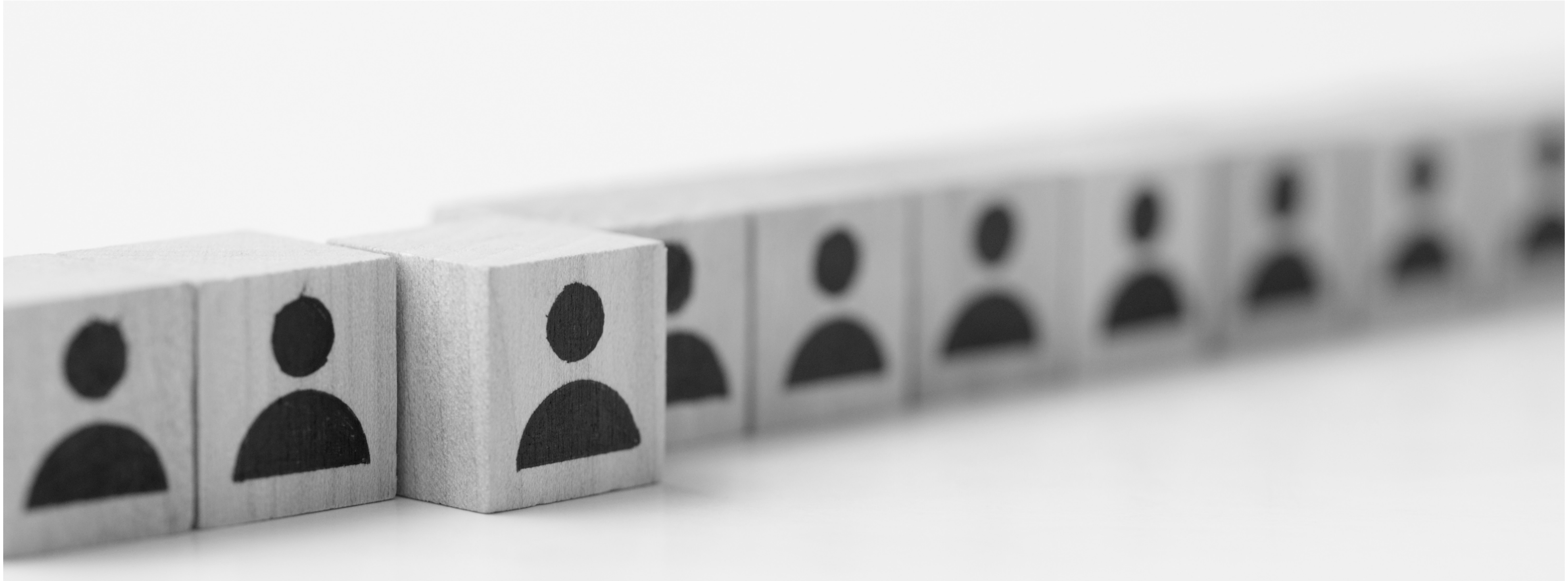
Auditor's Report

We reviewed the entity's implementation plan for audit issues raised in the prior year. Whilst acknowledging that Management has put in a lot of effort into the close-out-process, we are of the view that the Finance Unit will be need to be strengthened quite considerably in the short- term. The long-term solution is the resolution of the several IT related weaknesses. One of the findings constantly raised by AGSA is that there are too many manual systems, which increases the risks and makes the reconciliation process very cumbersome.

We noted AGSA's material findings regarding the poor quality of the financial and performance information submitted. We have urged management to implement corrective measures to prevent these repeat audit findings and the ARC will closely monitor this.

The ARC concurs and accepts the conclusions of the AGSA on the annual financial statements and believes that the audited annual financial statements read together with the report of the Auditor-General be accepted.

Bulelani Mahlangu
Chairperson of the Audit & Risk Committee
NSFAS
31 August 2023



Part D - Human Resource Management

In this section

HUMAN RESOURCES

4.1 INTRODUCTION

The year under review (2021/22) comprises the first full year under the leadership of the new board and the chief executive officer. The year encompasses the period Human Resources Department supported the undergone two major projects of organisation with three critical projects of organisational design, documenting of job descriptions and the change in the grading system as well as the complete review of the departmental policies.

The organisational design project included the review of the current operating model and the existing informal organisational structure of the NSFAS that was derived from the critical vacancy list inherited from the period the organisation was under Administration. It became clear from the assessment that NSFAS needed to be more student-centric in nature to resolve and add value to all stakeholders. The project highlighted the need for the NSFAS to improve its systems and business processes through digitization. The outcomes of the project were the approved Macrostructure on the 19th November 2021, the approved Microstructure on the 16th February 2022 and the competency framework.

The second project solving the problem of undocumented job descriptions was commenced in April 2021 with the intention to review job profiles, conduct roles grading, benchmarking and the remuneration framework for the NSFAS. The project was concluded by interviewing both the line management and the job incumbents to derive the key performance areas and indicators for each job in the organisation. We concluded the project by documenting 190 job descriptions which were graded and received by NSFAS management. The work to conclude the remuneration framework has been deferred to the next financial year.

Fourthly, we worked on a project to review and update our policy calendar with policies that were identified through a policy gap analysis that led to 20 human resources policies for NSFAS. The policies project follows the 6-step implementation approach from planning, consultations, research, drafting, final output and approval processes. Of the 20 policies, 7 have been approved while 13 are at the national consultation forum.

Our relationship with recognised trade unions is still at the development stage however we have seen the fruits of partnership to deal with issues such as improving the workplace and conditions of employees. We amicably dealt with wage negotiations with the majority union without deadlocking or even going on strike for two successive years. This is the attitude we would like to forester in the organisation with the aim of maturing the relationships to the level where there is a deep understanding of organisational potential and limitations that help all stakeholders to narrow arguments of structural matters pertaining to the NSFAS Act and policy.

Finally, in terms of our social responsibility projects in the financial year under review, we continued with our partnership with the National Youth Development Agency (NYDA) to support 50 unemployed graduates during the 2022 student application process. The endeavour saw over 30 graduates being brought in to support the NSFAS application programme.

4.2 HR PRIORITIES

The following has been prioritised and achieved to ensure a positive impact in the organisation:

Employee Relations

The unit of human resources is responsible for supporting wage negotiations, policy consultation, internal and external policy disputes as well as creating awareness of discipline and standards in the organisation. Through the unit, we socialised our line managers and employees on managing discipline, code of conduct, employer and employee rights, incapacity due to ill health and work performance and conflict management in the period under review.

Benefits

Financial year under review saw a section 14 transfer of pension from Fairsure to Discovery which led to an improvement in the funeral benefit for employees of NSFAS. We also included the third varied medical scheme to the fold of the two historical medical aids of Discovery and Momentum to afford employees a variety of choices between the new generation schemes and the traditional options.

Employment Equity

The period under review saw robust intentions to align the organisation with the statutes of the employment equity Act and the code of good practice. We contributed to and facilitated consultations on the employment equity policy that will inform the practices of the organisation on divert, equity and inclusion.

The committee continued to meet to ensure compliance and that topics relevant to the development of an active employment equity plan are discussed and conclusions arrived at to ensure actionable plans for each member of the committee are seen through.

Recruitment

The period under review saw a suspension of recruitment practices in the organisation due to the organisational design project that intended to revise the macro and microstructure of the organisation. The unit spent time reviewing the recruitment policy to align it with the revised mandate of the department and continued to update the toolkit to be used for the continued workshop the selection committee on the competency-based interviews. Both line management and labour stakeholders were taken through the expectations and conducted in the recruitment process.

Document Management Systems

HR converted the filling system from a manual version to an electronic filing system to ensure proper records management. All our records management placing and retrieval is conducted online This has led to the smooth coordination of requested files for audit purposes.

Employee development

The employee development projects we concluded in the period under review include intermediate Microsoft package training for all employees, leadership and people effectiveness and a change management and coaching programme.

4.3 WORKFORCE PLANNING FRAMEWORK

The period saw the commencement of the organisational design that sought to establish the functional head count for the organisation based on the needs of the student-centric model. The outcome of the current operating model assessment, the actual organisational gap analysis led to the revised structure with functions relevant to achieving the mandate of the organisation. The Approved Macrostructure described 9 functions at a macrostructure level from the Core Business, Finance, ICT, Audit, Strategic Enablement, Corporate Services, Legal, Risk and Compliance and Human Resources Departments that are led by the Office of the CEO.

The outcomes of the macrostructure led to the 425 functions in the organisation with an emphasis on the increase in the number of executives and specialists to mature strategic and business process-related initiatives that will mature the organisation's systems and deliverables.

4.4 EMPLOYEE PERFORMANCE MANAGEMENT FRAMEWORK

The entity conducted a review of its approach to performance management during the review period. The review resulted in the improvement of performance management practices, redesigned performance management tools and the implementation of an updated policy. Workshops related to these improvements were conducted within the entity during the financial period under review. While relationships with the unions remain challenging, they participated in the performance management redesign efforts of the organisation. Although improvements have been made in the implementation of performance management within the entity, challenges remain. Performance contracting was successfully implemented at the management level. A more comprehensive implementation is being prioritized for the new financial year.

The entity did not implement the performance management policy and employee contracting during the period under review due to delays in the approval and consultation processes. This is being prioritized in the new financial year.

4.5 POLICY DEVELOPMENT

The HR environment was prepared for a holistic HR policy review and enhancement which also required consultation with all the necessary stakeholders. The outcome of the policy review led to 20 policies which went through the policy Steerco and management review. The policies that were consulted 4 and 3 were in the process of consultation while the 13 underwent management review and endorsement for consultations. This process leading to stakeholder consultation and approval has been deferred to the new financial year.

4.6 EMPLOYEE WELLNESS PROGRAMMES

Appointed EAP service provider to ensure that the wellness of our employees is our priority, especially during the tough times the country is facing with Covid 19 and beyond. We partnered with an EAP provider to support our internal stakeholders with professional telephonic counselling, personal counselling Services, psychosocial Support, clinical support, manager support, lifestyle management support, financial wellbeing and financial advice, trauma management and group interventions.

4.7 ACHIEVEMENTS

We have an approved structure with 425 functional positions that are to be filled through the matching and placing exercise. We have also adopted the Paterson grading system which replaced equate grading in the organisation. About 190 job descriptions for each as is function in the organisation and the same have been graded on Paterson. We have a management position on 20 human resources positions of which 4 have been approved while 3 are awaiting approval and 13 are subject to consultations.

The organization had three (3) deliverables under the annual performance plan namely to recruit as per approved structure, train as per approved training plan and conduct a leadership 360 survey on employee levels 11 and above. The deliverables were satisfactorily met by the unit in line with set targets for the period under review.

4.8 CHALLENGES

The only challenge noticed thus far is the time it takes to implement decisions and consult with internal stakeholders. The culture of the organisation is not yet aligned to the student-centric model however we have programmes in place to remedy the context supported by change management initiatives.

4.9 FUTURE HR PLANS/ GOALS

We identified the following key pans within human resources in the new financial year:

a) The communication and implementation of the transitional organisational structure.
b) The designing of the new job descriptions for new and the functions that were altered to conform to the student-centric model.
c) The job evaluation and grading services for the new positions aligned to the new organisational structure.
d) The successful implementation of the performance management system
e) The successful consultation processes on the remaining 13 policies and final approval thereof.

4.9.1 HUMAN RESOURCES OVERSIGHT STATISTICS

The following are the salient details related to personnel expenditure.

Personnel Cost by programme/activity/objective

Programme/ activity/ objective	Total Expenditure for the entity	Personnel Expenditure	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee
Programme 1: Core Mandate	**R46 599 967 000**	**R192,226,582**	**0,41%**	**356**	**R539,962.31**

The table below provides personnel expenditure by employment level.

Personnel cost by salary band

Levels	Personnel Expenditure (R)	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee (R)
Top management	9,989,261.18	5.20 %	5	1,997,852.24
Senior management	33,561,342.58	17.46 %	26	1,290,820.87
Professional qualified	42,413,698.66	22.06 %	45	942,526.64
Skilled	51,247,416.73	26.66 %	91	563,158.43
Semi-skilled	55,014,862.08	28.62 %	189	291,083.93
Total	**192,226,581.23**	**100%**	**356**	**5,085,442.09**

The above personnel cost per salary band takes into account the full twelve (12) months from April to March 2022.

Performance Rewards

For the 2021/22 financial cycle, there were no performance reward payments made.

Training Costs

Tabled below are the training costs incurred for the financial period

Training Name	Training Expenditure (R)	Training expenditure as a percentage % of total personnel expenditure	No. of employees trained	Avg training cost per employee
Office 365 MS Package Intermediate	**R322,805.00**	0.167%	**377**	**R805.00**
Fortinet NSE 4 including Exam	**R46,147.20**	0.02%	**2**	**R23 073.60**
Professional Media	**R35,880.00**	0.01%	**12**	**R2 990.00**
Leadership & Personal Effectiveness Enquiries	**R13,986.52**	<0.01%	**1**	**R13 986.52**
Legal Liability Training	**R6,842.50**	<0.01%	**7**	**R977.50**
Certified Information Systems Security Professional (CISSP)	**R29,900.00**	<0.01%	**1**	**R29 900.00**
Contractual Studies	**R1 033 257**	0.52%	**37**	**R27 925.00**
Total	**R1,488,818.22**	**0.77%**		

Employment and vacancies

Salary Band / Employment level	2020/2021 No. Employees	2021/2022 Approved Posts	2021/2022 No. of Employees	2021/2022 Vacancies	% of Vacancies / No. approved posts
Top management	5	17	5	12	70.58%
Senior management	29	41	26	15	35.71%
Professional qualified	53	118	45	73	61.86%
Skilled	97	93	91	2	2.15%
Semi-skilled	192	182	189	- (7)	- (3.70%)
Unskilled	-	-	-	-	-
Total	**376**	**451**	**356**	**95**	**21.06%**

The human resources unit was only recruited for three (3) positions in the period under review which are the Chief Financial Officer, Chief Information Officer and Senior Manager Treasury and Budgets.

The recruitment strategy of human resources included advertising for the position in various channels such as newspapers, electronic media and the NSFAS website. However, these channels did not always attract suitable candidates.

Employment changes

The table below reflects the changes in employment from the commencement of the financial year 2021 to the closing at the end of March 2022. We opened the year with 376 employees and closed with 356 due to employees finding better opportunities across their industries of choice. The vacancies could not be replaced to the organisational design project which had been underway.

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	5	2	2	5
Senior management	29	1	5	26
Professional qualified	53	-	6	45
Skilled	97	-	7	91
Semi-skilled	192	-	3	189
Unskilled	-	-	-	-
Total	**376**	**3**	**23**	**356**

Reasons for staff leaving

Twenty-one (21) full-time employees left the employ of NSFAS to pursue their careers with other organisations and companies.

The table below provides the contributors to the termination of employment:

Reason	Number	% contribution based on reason
Death	1	4.34%
Resignation	21	91.30%
Dismissal	1	4.34%
Retirement	-	-
Ill health	-	-
Expiry of contract	0	-
Other	-	-
Total	**23**	**100%**

Labour Relations: Misconduct and disciplinary action

The period under review saw the labour relations component of Human Resources issuing one (1) verbal warning, one (1) written warning and dismissing one (1) employee for various acts of misconduct. There were no final written warnings issued to employees during the same period.

Employment Equity (EE)

The 2022-2025 EE Plan has been submitted to the Department of Labour.

The tables below reflect the organization's compliance with the current Equity status.

A: Male

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	3	3	0	4	0	0	0	0
Senior management	8	8	1	7	5	1	1	1
Professional qualified	11	11	9	13	3	1	3	2
Skilled	22	15	1	17	0	0	0	1
Semi-skilled	29	51	12	55	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
TOTAL	**73**	**88**	**23**	**96**	**8**	**2**	**4**	**4**

B: Female

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	3	0	3	0	0	0	1
Senior management	6	6	2	7	1	1	1	2
Professional qualified	13	11	6	12	0	0	0	1
Skilled	45	16	22	16	0	0	0	5
Semi-skilled	103	74	43	52	0	0	2	10
Unskilled	0	0	0	0	0	0	0	0
TOTAL	**170**	**110**	**73**	**90**	**1**	**1**	**4**	**19**

C: Staff members with disability

We have four (4) staff members with disabilities in the organisation three (3) semi-skilled and one (1) skilled technical and academically qualified level, one (1) male and three (3) females. Our recruitment & selection process prioritised people living with disabilities in the period under review, however, there were no qualifying applications from the designated group.

Part E - Financial Information

In this section

Accounting Authority Statement of Responsibilities and Approval

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are 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 Accounting Authority 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 external auditors are engaged to express an independent opinion on the annual financial statements and were 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) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

In the prior period, the AGSA report highlighted some weaknesses in the effectiveness of internal control. The Accounting Authority together with management continued the process of strengthening the control environment. These measures include amongst others, systems improvement, approval of the revised organisational structure, revision and adoption of new policies and processes. Based on these interventions the Accounting Authority is of the view that the entity's system of internal controls is being strengthened on an ongoing basis to provide a reasonable platform for the preparation of reliable annual financial statements.

The organisation applies a co-sourced internal audit model. The internal audit function provides independent assurance on the organisation's risk management, governance, and internal control processes.

The organisation is in the initial stages of embedding Risk Management and Compliance in the organisation.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The entity has disclosed irregular expenditure in note 35. It should be noted that most of the irregular expenditure was incurred in the prior periods, it was identified as part of the process to address the AGSA findings and part of a management clean-up exercise. Where possible and appropriate the Accounting Authority will institute consequence management. The entity will also initiate a process of applying to National Treasury for condonement of this irregular expenditure.

The Accounting Authority has reviewed the entity's cash flow forecast for the year ended 31 March 2022 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 Auditor-General South Africa is responsible for independently auditing and reporting on the entity's annual financial statements.

The annual financial statements set out on pages 109 to 173, which have been prepared on the going concern basis, were approved by the Board and signed on its behalf by the Board Chairperson and Chief Executive Officer on 28 July 2023.

Ernest Khosa
Board Chairperson

Andile Nongogo
Executive Officer

Report of the Auditor-General

Adverse opinion

1. I have audited the financial statements of the National Student Financial Aid Scheme (NSFAS) set out on pages 107 to 170, 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 audior'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 3 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, deferre 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.

Report of the Auditor-General

8. Additionally, I was unable to obtain sufficient appropriate audit evidence to confirm the accuracy of the current and A 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

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.

Report of the Auditor-General

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 nett 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 173 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.

Report of the Auditor-General

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 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 reportedperformance 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	47 to 51

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%

Report of the Auditor-General

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 months	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 45 to 46 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 146 to 147 of this report.

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:

Report of the Auditor-General

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 theprescribed 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.

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.

Report of the Auditor-General

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 overdisbursements.

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.

Report of the Auditor-General

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 overdisbursements.

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 moneyowed by tertiary institutions should be re-performed. The quantification should considerthe 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:

  o Regular reconciliations between the cash payments to institutions and the total of detailed disbursement schedules to determine if any excess payments exist.
  o Annual reconciliations between NSFAS, tertiary institutions and Higher Education Management Information System (HEMIS) data for each academic year.

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 amaterial 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.

Report of the Auditor-General

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

Report of the Auditor-General

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.

Report of the Accounting Authority

The members submit their report for the year ended 31 March 2022.

1. Review of activities

Main business and operations

The National Student Financial Aid Scheme is a statutory entity established in terms of the National Student Financial Aid Scheme Act (Act 56 of 1999) as amended.

Performance highlights

- 270 134 students were assisted at the 50 TVET Colleges in the 2021 academic year and 261 404 in the 2020 academic year.
- 555 950 students were assisted at the 26 public universities in the 2021 academic year compared to 504 336 in the 2020 academic year.
- For the 2021/22 financial year a total of R39.6bn was disbursed as compared to 2020/21 where a total of R41,4bn was disbursed. This includes:
- R4.8bn (2021: R5.0bn) to TVET colleges (100% bursaries).
- R34.8bn (2021: R36.2bn) to universities.
- Total disbursements since inception amounts to R212.0bn.
- Nominal value of loan balances: R41.06bn (2021: R40.2bn).
- Carrying value of loan balances: R5.1bn (2021: R6.5bn).
- Loan recoveries in the current financial year amounts to R303.5m . This is a decrease of R84,7m from the prior financial year recoveries of R388.1m.

The activities of the entity for the accounting period under review are detailed in the annual financial statements. The results are summarised below:

Results (Figures in R'000)	2022	2021
New grants for student loans and bursaries (I)	43 613 472	36 208 171
Bursaries awarded (II)	(36 683 785)	(40 928 077)
Operational expenses (III)	(359 244)	(349 543)
University bursaries (IV)	31 901 801	35 945 989
TVET Colleges 100% bursaries (V)	4 781 984	4 982 088

I. During the period under review grants were received from the South African Government via the Department of Higher Education and Training (DHET), the Department of Basic Education, the Department of Agriculture, Forestry and Fisheries, the Department of Defence and Military Veterans, the National Skills Fund, the Department of Justice and Constitutional Development, the Department of Social Development, KwaZulu-Natal Premier's Office, Chemical Industries and Training Authority, Fibre Processing and Manufacturing SETA, Food and Beverage SETA, Health and Welfare SETA, Insurance Sector Education and Training Authority, Safety and Security SETA, Services SETA, Wholesale and Retail SETA and various other donors.

II. Total bursaries awarded in the prior year exceeds the new grants for student loans and bursaries. This excess funded from student loan recovery and interest received, as well as prior year unutilised grants. Bursaries awarded in the current year span across more than one loan year whereas the new grants received are for the 2021 academic year only.

III. Operational expenses comprise personnel costs, consulting and professional fees, audit fees and general expenses.

IV. 100% Bursaries (bursaries awarded to TVET College students) less credit balances due to NSFAS by institutions.

Report of the Accounting Authority

2. 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. NSFAS also disburses bursaries to students at Technical and Vocational Education and Training (TVET) 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 awarded in a particular year can be converted into a bursary dependent upon the number of courses a student passes in that year of study.

Following the pronouncement of the bursary funding programme by the former President of the Republic South Africa in December 2017, financial assistance from the Department of Higher Education and Training (and certain funders) to all eligible students is now in the form of bursaries from the 2018 academic year onwards.

Repayment of student loans

Prior to the 2018 academic year, full bursaries were earmarked for, amongst others, scarce skills and carried conditions specified by individual donors, mainly national government departments. Some of these bursaries may become repayable if the conditions are not fulfilled by the beneficiaries. Following the Presidential pronouncement on 16 December 2017, all financial assistance offered by DHET and administered by NSFAS to qualifying students is now in the form of bursaries from the 2018 academic year onwards.

Bursary programme

Prior to 2018 NSFAS mainly provided loans to students and based on academic progression some loans were converted into bursaries. In 2018 NSFAS became a bursary scheme, the qualification criteria is that students whose household income that is up to R350 000 are fully funded, however, for those students that had entered the system prior to 2018, the family income qualification threshold remained at R122 000. Furthermore, students with disabilities qualify if the household income does not exceed R600 000.

3. Going concern

We draw attention to the fact that at 31 March 2022, the entity had an accumulated surplus (deficit) of - and that the entity total liabilities exceed its assets by 20 276 050.

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.

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the members continue to procure funding for the ongoing operations for the entity and that the subordination agreement referred to in these annual financial statements will remain in force for so long as it takes to restore the solvency of the entity

4. Effectiveness of internal controls

In the prior period, the AGSA report highlighted several weaknesses in the effectiveness of internal control. The Accounting Authority together with management have initiated process of strengthening the control environment. These measures include amongst others, the establishment of Board oversight sub-committees; review of the organisational structure; improving systems, instituting processes and policies within the organisation. Based on these interventions the Accounting Authority is of the view that the entity's system of internal controls is being strengthened on an ongoing basis to provide a reasonable platform for the preparation of reliable annual financial statements.

5. Assumption set used in the loan valuation model

NSFAS is required, by the Standards of Generally Recognised Accounting Practice (GRAP), to determine the fair value of student loans at the initial recognition stage at fair value and subsequently at amortised cost for financial reporting purposes. The assumptions used in the valuation model are based on an analysis of the NSFAS loan book historical data and other relevant sources of information.

The primary assumptions in the valuation of the loan book that are not directly driven by market variables and where judgement is required reflect the progression of the student from receiving a loan, to exiting the university, to commencing payment and then the pattern of payment once payment has commenced. The assumptions are set with reference to the actual experience of the entity over time.

Report of the Accounting Authority

Assumption set used in the loan valuation model (continued)

Assumption setting history:

In the current year under review the assumptions were not changed materially but were reviewed to include experience for the 2021/22 financial year. In addition to this the payer definition was amended to only include debtors who had made payments in the preceding 2 years. The classification of student and debtor was also reconsidered to use externally available data (HEMIS) to determine this.

All the valuation effects have been accounted for appropriately.

6. Non Executive Directors

The Board Chairperson and Board Members of the entity during the year and to the date of this report are as follows:

Name	Appointment / Resignation date
Ernest Khosa (Chairperson)	Appointed 1 January 2021
Bamanye Matiwane (Board Member)	Appointed 1 January 2021
Yonke Twani (Board Member)	Appointed 1 January 2021
Jullie Beya (Board Member)	Appointed 1 January 2021
Lindiwe Matlali (Board Member)	Appointed 1 January 2021
Cyril Madiba (Board Member)	Appointed 1 January 2021
Max Fuzani (Board Member)	Appointed 1 January 2021
Pumela Msweli (Board Member)	Appointed 1 January 2021
Sanele Zondi (Board Member)	Appointed 1 January 2021
Pretty Makukule (Board Member)	Appointed 1 January 2021
Reshma Mathura (Board Member)	Appointed 1 January 2021
Lisa Seftel (Board Co-opted Member)	Appointed 25 February 2021
Melosi Baloyi (Board Co-opted Member)	Appointed 25 February 2021

7. Corporate governance

General

The Accounting Authority exercises effective control over the entity, plans its strategy and 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.

An Audit & Risk Committee, established in terms of the PFMA, was in operation during the year. The organisation has appointed an independent Audit and risk committee as prescribed by the PFMA section 7. The Committee has performed its responsibilities in accordance with its Term of Reference.

The organisation applies a co-sourced internal audit model. The internal audit function provides independent assurance on the organisation's risk management, governance, and internal control processes.

Report of the Accounting Authority

8. Student awards and repayments

The following table sets out the student awards by institutional category for the academic years 2021 and 2020:

	Academic years			
	2021		2020	
Student awards by institution category	R'000	Number of students	R'000	Number of students*
Universities	31 367 807	555 950	30 840 538	504 336
TVET Colleges	5 640 017	270 134	6 228 061	261 404
	37 007 824	826 084	37 068 599	765 740

Since its inception in 1991, the entity has awarded approximately R212.0b(2020: R171.0b) in loans and bursaries to students, with a total of 5 325 517 students assisted (3 124 875 university students, 2 198 656 TVET students and 1 986 other institution students). For the year under review, the entity assisted 826 084 (2020: 765 740) students with awards.

Loan repayments excluding credits on fee accounts, were at a monthly average of R28.4 million (2021: R32.2 million). The net amount recovered from debtors of R303 533 178 was 28.6% below the collections target of R425 000 000.

	Academic years			
	2021		2020	
Student awards by funder category	R'000	Number of students	R'000	Number of students*
Department of Higher Education and Training				
General / returning student allocation	3 310 797 233	72 974	6 299 973 361	111 153
First time entrants	30 202 611 454	463 589	23 132 462 080	377 338
Students with disabilities	136 364 935	1 804	94 361 888	1 421
National Skills Fund	301 707 939	3 873	15 528 186	157
SAICA partnership - Thuthuka Fund	61 632 793	771	29 506 246	421
TVET bursaries	4 628 875 127	270 134	6 217 972 079	261 144
Department of Basic Education				
Funza Lushaka teacher bursaries	1 177 323 355	11 487	1 215 455 265	12 964
Sector Education and Training Authorities	731 540	12	12 768 918	408
Other funding categories (I)	128 351 234	1 440	50 570 868	734
Total	39 948 395 610	826 084	37 068 598 891	765 740

* The difference between the number of student awards by institution category and by funder is due to students being funded from more than one funder category.

I. Other funding categories include funds from government entities, private donors and funds recovered from institutions.

Statement of Financial Position as at 31 March 2022

Figures in Rand thousand	Notes	2022	2021 Restated*
Assets			
Current Assets			
Inventories	3	214 192	-
Prepayments to institutions	4	2 070 926	1 435 594
Student loans	5	419 373	558 037
Amounts owing by institutions	6	7 663 637	5 467 627
Receivables from non-exchange transactions	11	4 286 165	702 506
Receivables form exchange transactions	7	11 407	9 307
Cash and cash equivalents	8	11 227 518	12 076 133
		25 893 218	**20 249 204**
Non-Current Assets			
Property, plant and equipment	9	21 955	9 008
Intangible assets	10	1 959	3 591
Student loans	5	4 634 782	5 881 398
Amounts owing by institutions	6	1 174 207	(32 369)
		5 832 903	**5 861 628**
Total Assets		**31 726 121**	**26 110 832**
Liabilities			
Current Liabilities			
Operating lease liability		1 498	-
Provisions	12	24 934	25 959
Amounts due to institutions	13	7 477 208	7 728 397
Deferred income from non-exchange transactions	14	658 028	1 191 349
Trade and other payables	15	690 107	934 429
		8 851 775	**9 880 134**
Non-Current Liabilities			
Deferred income from non-exchange transactions	14	2 598 296	2 348 676
Total Liabilities		**11 450 071**	**12 228 810**
Net Assets		**20 276 050**	**13 882 022**
Reserves			
Capital fund		20 276 050	13 882 022
Total Net Assets		**20 276 050**	**13 882 022**

Statement of Financial Position as at 31 March 2022

Figures in Rand thousand	Notes	2022	2021 Restated*
Revenue			
Revenue			
Commission received	16	102	149
Administration fees	17	44 590	42 565
Interest revenue	18	897 787	976 133
Other income	19	1 786	633
Total revenue from exchange transactions		**944 265**	**1 019 480**
Revenue from non-exchange transactions			
Unallocated debtor receipts	20	813	825
Administration grants	21	367 782	337 582
Grants received for student awards	22	43 613 472	36 208 171
Total revenue from non-exchange transactions		**43 982 067**	**36 546 578**
Total revenue		**44 926 332**	**37 566 058**
Expenditure			
Employee related costs	23	(193 448)	(216 773)
Depreciation and amortisation	24	(6 386)	(11 851)
Irrecoverable debts written off	25	-	(147 895)
Bursaries - TVET Colleges	26	(4 781 984)	(4 982 088)
Bursaries - Universities	26	(31 901 801)	(35 945 989)
Audit fees	27	(9 644)	(8 451)
Consulting and professional fees	28	(59 356)	(33 798)
General expenses		(90 925)	(79 495)
Total expenditure		**(37 043 544)**	**(41 426 340)**
Operating surplus (deficit)		**7 882 788**	**(3 860 282)**
Loss on disposal of property, plant and equipment		(298)	-
Impairment - student loans	30	(1 485 215)	(359 217)
Residual valuation adjustments		-	1 610 856
Impairment (reversal)/loss - Amounts owing by institutions long-term (exchange)		(3 247)	45 685
		(1 488 760)	**1 297 324**
Surplus (deficit) for the year	**29**	**6 394 028**	**(2 562 958)**

PART E - FINANCIAL INFORMATION

Statement of Changes in Net Assets

Figures in Rand thousand	Capital fund	Accumulated surplus	Total net assets
Opening balance as previously reported	14 832 020	-	14 832 020
Surplus for the year	-	2 607 237	2 607 237
Transfer to Capital Fund	2 607 237	(2 607 237)	-
Balance at 01 April 2020 as restated*	**17 439 257**	**-**	**17 439 257**
Changes in net assets			
Surplus for the year	-	(2 562 958)	(2 562 958)
Transfer of income surplus to trust capital	(2 562 958)	2 562 958	-
Prior year adjustments Note 34	(994 277)	-	(994 277)
Total changes	(3 557 235)	-	(3 557 235)
Balance at 01 April 2021 as restated*	**13 882 022**	**-**	**13 882 022**
Changes in net assets			
Surplus for the year	-	6 394 028	6 394 028
Transfer of income surplus to trust capital	6 394 028	(6 394 028)	-
Total changes	6 394 028	-	6 394 028
Balance at 31 March 2022	**20 276 050**	**-**	**20 276 050**
Note(s)	34		

Cash Flow Statement

Figures in Rand thousand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Grants for student awards and administration costs		40 160 372	38 362 105
Student loan repayments - capital		299 901	392 723
		40 460 273	38 754 828
Payments			
For student awards		(41 260 881)	(32 669 886)
To employees and suppliers		(528 798)	(347 479)
		(41 789 679)	(33 017 365)
Net cash flows from operating activities	31	**(1 329 406)**	**5 737 463**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(18 263)	(2 237)
Proceeds from sale of property, plant and equipment	9	292	-
Purchase of other intangible assets	10	-	(290)
Interest received		498 763	487 168
Net cash flows from investing activities		**480 792**	**484 641**
Net increase/(decrease) in cash and cash equivalents		**(848 614)**	**6 222 104**
Cash and cash equivalents at the beginning of the year		12 076 133	5 854 029
Cash and cash equivalents at the end of the year	8	**11 227 518**	**12 076 133**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand thousand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference to note
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Commission received	-	-	**-**	102	**102**	44.1
Administration fees	35 106	4 916	**40 022**	44 590	**4 568**	44.2/44.3
Interest received	1 346 493	1 784	**1 348 277**	897 787	**(450 490)**	44.3/44.4
Other income	35 052	35 627	**70 679**	1 786	**(68 893)**	44.3/44.5
Total revenue from exchange transactions	**1 416 651**	**42 327**	**1 458 978**	**944 265**	**(514 713)**	
Revenue from non-exchange transactions						
Unallocated debtors receipts	-	-	**-**	813	**813**	44.1
Administration grants	302 782	65 000	**367 782**	367 782	**-**	44.2/44.3
Grants received for student awards	36 919 989	3 238 259	**40 158 248**	43 613 472	**3 455 224**	44.2/44.3/44.6
Total revenue from non-exchange transactions	**37 222 771**	**3 303 259**	**40 526 030**	**43 982 067**	**3 456 037**	
Total revenue	**38 639 422**	**3 345 586**	**41 985 008**	**44 926 332**	**2 941 324**	
Expenditure						
Employee related costs	(238 808)	41 884	**(196 924)**	(193 448)	**3 476**	44.2/44.3
Depreciation and amortisation	(9 555)	4 459	**(5 096)**	(6 386)	**(1 290)**	44.7
Consulting and professional fees	(19 526)	(113 283)	**(132 809)**	(59 356)	**73 453**	44.10
Bursaries - TVET Colleges	(6 644 063)	-	**(6 644 063)**	(4 781 984)	**1 862 079**	44.8
Bursaries - Universities	(30 274 149)	(3 238 259)	**(33 512 408)**	(31 901 801)	**1 610 607**	44.2/44.3/44.9
Audit fees	(7 283)	(2 360)	**(9 643)**	(9 644)	**(1)**	44.2
General expenses	(109 098)	(33 586)	**(142 684)**	(90 925)	**51 759**	44.11
Total expenditure	**(37 302 482)**	**(3 341 145)**	**(40 643 627)**	**(37 043 544)**	**3 600 083**	
Operating surplus	**1 336 940**	**4 441**	**1 341 381**	**7 882 788**	**6 541 407**	
Actuarial gains/losses	-	-	**-**	(298)	**(298)**	44.1
Model adjustments	(1 338 218)	-	**(1 338 218)**	(1 485 215)	**(146 997)**	44.2
Impairment loss - Amounts owing by institutions long-term	-	2 529	**2 529**	(3 247)	**(5 776)**	44.3/44.12
	(1 338 218)	**2 529**	**(1 335 689)**	**(1 488 760)**	**(153 071)**	
Surplus for the year	**(1 278)**	**6 970**	**5 692**	**6 394 028**	**6 388 336**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(1 278)**	**6 970**	**5 692**	**6 394 028**	**6 388 336**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand thousand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference to note
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	**-**	214 192	**214 192**	44.1
Receivables form exchange transactions	9 583	2 812	**12 395**	11 407	**(988)**	44.3/44.15
Prepayments to institutions	4 326 214	(2 163 107)	**2 163 107**	2 070 926	**(92 181)**	44.2/44.3
Student loans	866 352	-	**866 352**	419 373	**(446 979)**	44.13
Amounts owing by institutions	124 408	-	**124 408**	7 663 637	**7 539 229**	44.14
Receivables from non-exchange transactions	-	-	**-**	4 286 165	**4 286 165**	
Cash and cash equivalents	4 499 174	7 275 055	**11 774 229**	11 227 518	**(546 711)**	44.2/44.3
	9 825 731	**5 114 760**	**14 940 491**	**25 893 218**	**10 952 727**	
Non-Current Assets						
Property, plant and equipment	12 900	(4 342)	**8 558**	21 955	**13 397**	44.3/44.16
Intangible assets	11 494	-	**11 494**	1 959	**(9 535)**	44.17
Student loans	3 214 214	1 758 297	**4 972 511**	4 634 782	**(337 729)**	44.2/44.3/44.13
Amounts owing by institutions	21 992	703 474	**725 466**	1 174 207	**448 741**	44.3/44.18
	3 260 600	**2 457 429**	**5 718 029**	**5 832 903**	**114 874**	
Total Assets	**13 086 331**	**7 572 189**	**20 658 520**	**31 726 121**	**11 067 601**	
Liabilities						
Current Liabilities						
Operating lease liability	-	-	**-**	1 498	**1 498**	44.1
Trade and other payables	697 852	-	**697 852**	690 107	**(7 745)**	44.20
Provisions	22 183	-	**22 183**	24 934	**2 751**	44.2
Amounts due to institutions	1 449 281	(1 200 000)	**249 281**	7 477 208	**7 227 927**	44.3
Deferred income from non-exchange transactions	3 935 767	-	**3 935 767**	658 028	**(3 277 739)**	44.19
	6 105 083	**(1 200 000)**	**4 905 083**	**8 851 775**	**3 946 692**	
Non-Current Liabilities						
Deferred income from non-exchange transactions	-	-	**-**	2 598 293	**2 598 293**	44.1
Total Liabilities	**6 105 083**	**(1 200 000)**	**4 905 083**	**11 450 068**	**6 544 985**	
Net Assets	**6 981 248**	**8 772 189**	**15 753 437**	**20 276 053**	**4 522 616**	
Net Assets						
Reserves						
Capital fund	6 981 248	8 772 189	**15 753 437**	20 276 050	**4 522 613**	44.3

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand thousand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference to note
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Grants for student awards and administration costs	37 592 940	2 904 275	**40 497 215**	40 160 372	**(336 843)**	44.2/44.3
Student loan repayment - capital	893 945	(468 445)	**425 500**	299 901	**(125 599)**	44.3/44.20
Amounts by from institutions	(112 436)	112 436	**-**	-	**-**	44.1
	38 374 449	**2 548 266**	**40 922 715**	**40 460 273**	**(462 442)**	
Payments						
For student awards	(37 229 649)	(10 429 283)	**(47 658 932)**	(41 260 881)	**6 398 051**	44.2/44.3/44.21
To employees and suppliers	(393 263)	9 055	**(384 208)**	(528 798)	**(144 590)**	44.3/44.22
	(37 622 912)	**(10 420 228)**	**(48 043 140)**	**(41 789 679)**	**6 253 461**	
Net cash flows from operating activities	**751 537**	**(7 871 962)**	**(7 120 425)**	**(1 329 406)**	**5 791 019**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(5 081)	(781)	**(5 862)**	(18 263)	**(12 401)**	44.3/44.23
Purchase of other intangible assets	(6 128)	6 128	**-**	292	**292**	44.1/44.3
Interest income	535 132	-	**535 132**	498 763	**(36 369)**	44.2
Net cash flows from investing activities	**523 923**	**5 347**	**529 270**	**480 792**	**(48 478)**	
Net increase/(decrease) in cash and cash equivalents	1 275 460	(7 866 615)	**(6 591 155)**	(848 614)	**5 742 541**	44.3
Cash and cash equivalents at the end of the year	**1 275 460**	**(7 866 615)**	**(6 591 155)**	**(848 614)**	**5 742 541**	

Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021

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 a Schedule 3A public entity in terms of the Public Finance Management Act, 1999 (Act 1 of 1999), as amended (PFMA).

The annual financial statements have been prepared in accordance and are in compliance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations (IGRAP), guidelines and directives issued by the Accounting Standards Board of South Africa and are in compliance with Section 91(1) of the PFMA.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement. They are presented in South African Rand and rounded to the nearest thousand (R'000), except where noted otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The Statement of Cash Flows has been prepared in accordance with the direct method.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented 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. Significant judgements include:

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 material adjustment within the next financial year include:

1.1.1 Initial recognition of Student loans at fair value

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

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

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

NSFAS loans have no fixed repayment terms and the debt is only due and payable one year after exit from the higher education system and, if the student has become employed and is earning more than R30 000 per annum.

The following assumptions have been applied in determining the amount at initial recognition:

- 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.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

- 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 writes off loans in the event of permanent disability and death, this has not been included in the valuation model as the impact is not considered material.
- The contingency relating to the awarding of the student loans are for a full qualification of study rather than one academic year.

1.1.2 Deferred income from non-exchange transactions

Classification
Funder accounts amounts are classified as non-current where the bank accounts has had no movement other than interest in the past 12 months, and the expectation is that the funder will not be requiring NSFAS to return the funds within the next 12 months. Furthermore, NSFAS proactively engages all the “dormant” funders to confirm whether the funds should be returned or used for the original intended purpose.

Deferred income adjustments amounts are classified as non-current liabilities because they have not satisfied the definition of a current liability, according to Grap 1.17 .All other liabilities shall be classified as non-current.The deferred income adjustments are not expected to be settled in the normal operating cycle, nor are they due to be settled within twelve months after the reporting date, nor does the entity have an unconditional right to settle the obligation for at least twelve months after the reporting date.

Derecognition of Deferred income and recognition of revenue

Where funds have been disbursed to students and NSFAS assesses that the specific conditions are not met, this will be disclosed as Irregular Expenditure. Where the transferor does not exercise its rights to enforce a requirement to return the funds disbursed for three consecutive reporting periods, the associated revenue will be recognized in that third reporting period.

In the assessment of the likelihood that the funder will exercise its rights, the results of communication to funders are considered and the operating status of the entity is also investigated. These factors affect the decision to recognise revenue.

1.1.3 Contingent Liability : Financial Structure

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

NSFAS 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.

1.1.4 **Student loans impairment**

The student loans offered by the entity are impaired on the basis of mortality, actual transition from student status 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 verified against the Department of Home Affairs database 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 Accounting Authority.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

The entity considers evidence of impairment for loans and receivables at both a specific asset and collective level. All loans and receivables are assessed for specific impairment. All 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.

1.1.5 Impact of the Bursary Funding Programme on the valuation of the Loan Book

On 16 December 2017, former President Zuma announced a new bursary funding programme for students from poor and working-class families whose gross combined family household income is up to a maximum of R350 000 per annum, with effect from the 2018 academic year studying at public higher education institutions.

The pronouncement was silent regarding the current debt owed to NSFAS. The DHET subsequently clarified that the issue of NSFAS previous debt will be dealt with after a due diligence exercise has been completed by the DHET in consultation with the Department of Planning, Monitoring and Evaluation (DPME) and the National Treasury.

Government has not pronounced on whether or not the student debt will be written off. Recoveries of loans provided to students pre the 2017 announcement will remain a critical component of the overall NSFAS strategy.

The Department of Higher Education and Training, in collaboration with National Treasury and the DPME, undertook a due diligence exercise to quantify the historic debt of NSFAS qualifying senior students (who qualified on the R122 000 family income threshold per annum) who were registered in the 2018 academic year. These are known as "capped" students. The due diligence exercise quantified the debt that NSFAS supported students, registered in 2018 and who had received insufficient funding in prior years of study, owe to universities. The funds allocated to NSFAS in March 2019 will be utilised to settle historic debt for students that were funded under the NSFAS cap funding in 2018 and 2019, to effectively deal with student debt going forward and allow the group of students who qualify (as described above) to graduate debt-free.

As disclosed in the accounting policies, the fair value of student loans on initial recognition is estimated by using an actuarial discounted cash flow model.

Management determined that it would be appropriate to value the entire loan book to determine recoverability assuming that collections will continue into the future based on the following:

- All debt remains payable per current terms (loan agreement forms) and NSFAS Act (Act 56 of 1999).
- In the interest of prudence, the current year assumptions (relating to collections estimations) were reversed.

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

1.1.6 Amounts owing by institutions

NSFAS has a right to recover amounts paid to tertiary institutions where advance payments exceeds the cost of the courses due to the tertiary institutions or where the relevant institutions claimed amounts and payment was made but the student was not eligible to receive funds from NSFAS. The right to recover these amounts are classified and recognised as a financial asset measured at amortised cost when the amounts becomes due to the NSFAS in accordance with the agreements entered into with the tertiary institutions. The amounts are due on demand and discounting is considered immaterial. These receivables are classified as receivables from exchange transactions as NSFAS expects the amount to be recovered to be equal to the amount paid in advance. Delays in settlement may results from disputes with the relevant institution and are not considered in the classification of the asset as current.

Amounts owing by institutions are considered for impairment when recoverability is in doubt. Indicators of impairment include disputes with the institutions, inability to verify recoverability due to lack of confirmations received from institutions (close-out reports) and an increase in the credit risk of the institution to whom the advance was made (e.g. insolvency).

The Close out process was finalised for academic periods 2017 -2021 during the 2022 financial period. There are some institutions that failed to submit student data during the reconciliation period. NSFAS elected to disclose the amounts for non-submitting institutions using registration data without adjusting for estimates. NSFAS elects to use the available registration data to inform recognition of assets and liabilities. This information is verifiable and supportable as registration data was received from the institutions.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

1.17 Trade receivables and receivables

Unfunded students

Unfunded students are those students where NSFAS initially funded but did not meet the criteria and became unfunded or the registration was incorrect.

The amount paid relating to these students needs to be recovered and should be recognised as a receivable as there is a contractual and legal right to do so in terms of the signed agreement.

1.2 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 measured reliably.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment is initially measurement at cost at the acquisition date and subsequently at cost less accumulated depreciation and impairment.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Costs include 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. 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.

Subsequent measurement - cost model

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.

Depreciation

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	50 years
Furniture and office equipment	Straight-line	5 years
Motor vehicles	Straight-line	5 years
Information technology equipment	Straight-line	3 years
Leasehold improvements	Straight-line	5 years

The residual value, the useful life of an asset and the depreciation method are reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Impairment

Accounting Policies

1.2 Property, plant and equipment (continued)

All NSFAS's items of property, plant and equipment are considered to be non-cash generating assets for the purposes of considering impairment as no commercial return is generated from these assets. If there is an indication of impairment, the NSFAS considers the impact based on the recoverable service amount and any impairment loss is recognised in the Statement of financial performance.

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.

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 de-recognition of an item of property, plant and equipment is recognised in the Statement of Financial Performance.

1.3 Intangible assets

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 measured initially at cost and subsequently at cost less accumulated amortisation and impairment.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	3 years

The gain or loss arising from the derecognition of an item of intangible assets is included in surplus or deficit when the item 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 the 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 and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The Phoenix loan and bursaries management system is considered to be a cash generating asset as a commercial return is expected from the use thereof. All other items of intangible assets are considered to be non-cash generating assets as no commercial return is expected from them.

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an assets may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable service amount, it is written down immediately to its recoverable service amount and an impairment loss is charged to the Statement of Financial Performance.

Accounting Policies

1.3 Intangible assets (continued)

Intangible assets are derecognised when the asset are disposed of, or when there is no further economic benefits or service potential expected from the use of the asset. The gain or loss arising from the derecognition of an intangible asset is included in the surplus or deficit when the asset is derecognised.

1.4 Financial instruments

Classification and measurement

All financial instruments are initially measured at fair value. The financial instruments included in the financial statements were classified into the following categories which indicates the measurement bases for subsequent measurement purposes:
- Financial assets measured at amortised cost
- Financial liabilities measured at amortised cost

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

Financial assets comprise cash and cash equivalents, receivables from non-exchange transactions, amounts owing by institutions, student loans and receivables from exchange transactions.

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

Financial liabilities comprise of operating lease liability, payables, Deferred income from non-exchange transactions from non-exchange transactions and amounts due to institutions.

Recognition and derecognition

The entity initially recognises financial assets and liabilities when the entity becomes a party to the contractual provisions of the instrument. 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.

The entity derecognises a financial liability when its contractual obligations are discharged or cancelled or expire or 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.

Impairment of financial assets

At each reporting date the entity assesses whether there is objective evidence that financial assets carried at amortised cost 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.

Accounting Policies

1.4 Financial instruments (continued)

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, when the entity determines that the loan is uncollectable. This determination is made after notification of the death or permanent disability of the borrower.

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. Impairment losses are recognised in the Statement of Financial Performance and reflected in an allowance account against loans and advances. Interest on impaired 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 in 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 considers evidence of impairment for amounts owing by institutions at a specific asset level. All institutions are assessed for specific impairment. Therefore, the entity has considered that institutions with long outstanding balances, which have no movement on the financial system since 2017 and no commitment to make a payment on the amount owing by that specific institution should be impair.

The impairment test is performed by academic year and amounts are considered to be impaired where there has been no payments by institutions for 5 financial years after the respective academic years.

Student loans

Measurement

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 from the tertiary institution 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.

In prior years, a student could apply for a new loan for each year of study which, if granted, resulted in the student having multiple loans payable. From the 2017 academic year onwards, students who qualify for funding will have funding approved for the entire qualification. Funding for subsequent years is dependent on students meeting progression requirements.

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 valuation 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 these homogenous groups is calculated individually and then combined to calculate the aggregated value of the portfolio.

Residual valuation adjustments may be necessary due to the manually processed loans and bursaries. These are effectively timing differences recognised at the reporting date. Any residual valuation adjustments passed to bring the student loan book in line with the valuation is disclosed as Other losses in the Statement of Financial Performance.

Accounting Policies

1.4 Financial instruments (continued)

Social benefit component of student loans

Prior to the 2018 academic year, a concessionary loan, in the NSFAS context, was a loan granted to or received by students on terms that were 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 repaid. Subsequent to initial recognition, the entity measures the loan component at amortised cost using the effective interest rate method less impairment losses.

1.5 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.

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 recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.6 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

1.7 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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.

Accounting Policies

1.7 Employee benefits (continued)

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.

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

1.9 Revenue from 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. Interest on student loans and interest on investments, administration fees, other income and commission revenue are classified as revenue from exchange transactions.

Measurement

Revenue is measured at the fair value of the consideration received or receivable.

Interest received

Finance income comprises interest on funds invested and interest received on student loans.

Finance income is recognised using the effective interest method over the estimated life of the financial assets.

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions shall be recognised using the accounting treatments when:

a) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and

b) the amount of the revenue can be measured reliably.

Irrecoverable debts recovered

Amounts received after student loans have been written off as irrecoverable debts are recorded as other income.

Administration fees and NSFAS Wallet commission

Revenue is recognised on the accrual basis in accordance with the substance of the relevant agreements and measured at fair value of the consideration receivable.

1.10 Revenue from non-exchange transactions

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. Administration grants and Grants received for student loans and bursaries are considered to be revenue from non-exchange transactions.

Accounting Policies

1.10 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the fair value of the consideration received or receivable.

Unconditional 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.

Conditional grants

Conditional grants are classified as Deferred income from non-exchange transactions until such time as the conditions attached to the grant are met. Once the conditions have been met the liability is transferred to revenue. 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.

1.11 Prepayments

Prepayments to institutions

Payments are made to institutions during January, February and March of each year for initial student registration fees as well as payments made throughout the year towards allowances and tuition fees to assist with the administration of NSFAS funding.

NSFAS classifies payments made to tertiary institutions during January to March of each academic year (1 January to 31 December) as prepayments. Included in the prepayments balance is historical upfront debt payments where the decision to recover the amount is still outstanding.

An executive decision was made to treat historic debt payments as upfront payments.

Prior year prepaid amounts (not fully utilised during the period for which they were intended) are included in prepayments at reporting date.

Prepayments are initially measured at the value of funds disbursed to institutions and subsequently measured at the same value.

Prepayments to institutions are recognised when payments are made to tertiary institutions based on initial registration information obtained from the institutions but the funds advanced have not yet been allocated to students based on NSFAS validation processes. These amounts are not discounted due to the short-term nature thereof. These prepayments are settled by the confirmation of valid claims. The settlement of the advance results in the recognition of bursary expenditure by NSFAS or a derecognition of obligations where NSFAS receives funds from other institutions as an agent (refer to the accounting policy on Principal Agency Agreements).

Prepayments are considered for impairment when the recoverability is in doubt. Indicators of impairment include disputes with the institutions, inability to verify recoverability due to lack of confirmations received from institutions (close-out reports) and an increase in the credit risk of the institution to whom the advance was made (e.g. insolvency).

Prepayments for Goods and Services

Prepayments are initially measured at the value of goods and services procured by NSFAS and subsequently measured at the same value.

1.12 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where these has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. See note 34 for prior period errors.

Accounting Policies

1.13 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.14 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Legislative prescripts. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation.

Irregular expenditure is generally accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year-end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required, with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement by the Accounting Authority is obtained at year-end must be recorded in the irregular expenditure register.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law.

Immediate steps must, thereafter, be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.15 Budget information

The budget figures have been prepared in accordance with the applicable GRAP standards, and are consistent with the accounting policies adopted by the Accounting Authority 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 Accounting Authority both at the beginning and during the year.

The approved budget covers the fiscal period from 1 April 2021 to 31 March 2022.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of Budget and Actual Amounts.

Variances of 15% or more between budget and actual amounts are regarded as material. All material differences are explained in the notes to the annual financial statements.

Accounting Policies

1.16 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.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.17 Reserves

Capital fund reserve

The reserve comprises accumulated surpluses.

The Statement of Financial Performance shows a surplus arising from how NSFAS accounts for its revenue in terms of GRAP 23 and the related expense. While NSFAS accounts for the total transfers received as revenue, disbursements (100% conversion bursaries and valuation adjustments) is recognised as expenses. The surplus in the Statement of Financial Performance is not represented by cash and is not available for normal operations. A transfer is therefore made from the accumulated surplus to the capital fund each year.

1.18 Student loans and Bursary Accounting policy

In terms of Section 4(a) of the NSFAS Act (Act 56 of 1999), NSFAS is mandated to "allocate funds for loans and bursaries to eligible students".

Prior to the introduction of the NSFAS bursary funding programme after the December 2017 Presidential pronouncement, NSFAS disbursed funds as either loans or bursaries. Loans issued were further segmented, and sub-classified as one the following:

- 100% loans
- Convertible loans

Convertible and final year loans have a convertible bursary element based on the student’s academic performance where the loan was fully or partially converted to a bursary (expensed). (Refer to the bursary policy below).

On 16 December 2017, former President Zuma announced a new bursary funding programme. The new bursary funding programme is for students from poor and working-class families whose gross combined family household income is up to a maximum of R350 000 per annum from the 2018 academic year for students studying at public higher education institutions.

The Presidential pronouncement was silent regarding the current debt owed to NSFAS. The Department of Higher Education and Training (DHET) subsequently clarified that the issue of NSFAS previous debt will be dealt with after a due diligence exercise has been completed by the DHET in consultation with the Department of Planning, Monitoring and Evaluation (DPME) and the National Treasury.

Government has not pronounced on whether or not the student debt will be written off. Recoveries of loans provided to students pre the 2017 announcement will remain a critical component of the overall NSFAS strategy.

The DHET, in collaboration with National Treasury and the DPME, undertook a due diligence exercise to quantify the historic debt of NSFAS qualifying senior students (who qualified on the R122 000 family income threshold per annum) who were registered in the 2018 academic year. These are known as "capped" students. The due diligence exercise quantified the debt that NSFAS-supported students, registered in 2018 and who had received insufficient funding in prior years of study, owe to universities. The funds allocated to NSFAS in March 2019 will be utilised to settle historic debt for students that were funded under the NSFAS cap funding in 2018 and 2019, to effectively deal with student debt going forward and allow the group of students who qualify (as described above) to graduate debt-free.

Accounting Policies

1.18 Student loans and Bursary Accounting policy (continued)

Student Loans/Credits

After passing eligibility criteria, loans were awarded to eligible students. Historically the value of these loans were capped with the maximum thresholds determined annually. Maximum caps were determined based on the funder. Where the registration information reflected amounts less than the maximum cap, these students received full funding.

The loan value included in the Statement of Financial Position is recorded at the loan value granted to the student, net of any credits returned by the institution as a result of unutilised funds at the end of the academic year. A portion of these loans have been convertible (into a bursary), with the value of the bursary conversion dependent on the student results. (Refer to the bursary policy below).

Recognition of student loan

Student loans are 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.

Initial measurement

As disclosed in the accounting policies, the fair value of student loans on initial recognition is estimated by using an actuarial discounted cash flow model.

Management determined that it would be appropriate to value the entire loan book assuming collections will continue into the future based on the fact that all debt remains payable per current terms (loan agreement forms) and NSFAS Act (Act 56 of 1999).

Subsequent measurement

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

In instances where Institutions have not confirmed the credits due to NSFAS, an estimate is made of the credit amount based on historical information using the total historical credit as a percentage of the total loan amount, and changes to these estimates, if necessary, are processed prospectively. This is done on an annual basis and to the extent that this does not meet the Asset definition in terms of GRAP 1, this is disclosed as a contingent asset. Refer to note 37 & 46.

Impact of the Bursary Funding Programme on the valuation of the Loan Book

After the change to a predominantly bursary administering entity from a loan administering entity, our major funder DHET no longer provides funding in the form of loans and consequently, the relative value of the student loan book has decreased over the past two reporting periods.

Derecognition

Student loans (financial asset) are derecognised to the extent that they are partially converted to a bursary, settled or written off as irrecoverable. Any gains or losses are recognised in the statement of Financial Performance.

Bursaries

After passing eligibility criteria, funded students who have secured registration at a public tertiary institution are offered bursaries. Bursaries are offered at a value equal to that provided in the registration data received from the public institution, or the amounts capped depending on the bursary funder, whichever is less.

Prior to the introduction of the NSFAS bursary funding programme, NSFAS disbursed funds as either loans or bursaries.

Based on the categories of loans in the background information, convertible and final year loans have a convertible bursary element based on the student's academic performance where the loan was fully or partially converted to a bursary (expensed).

Accounting Policies

1.18 Student loans and Bursary Accounting policy (continued)

In accordance with the December 2017 Presidential pronouncement, the updated NSFAS Bursary funding programme provides financial support for students from poor and working-class families studying at a public higher education institution. This could include either Universities or TVET colleges. Funds are awarded to eligible students in the form of bursaries.

Bursary expenditure (attributable to Universities or TVET colleges) comprises of tuition and allowances. Tuition is paid over to the respective institutions where the eligible students are registered. These institutions then credit the eligible student fee account. Allowances are either paid over to the institutions, in which case the institutions disburse those allowances to the eligible students, or are disbursed to the students directly via the NSFAS wallet.

Bursaries are either processed systematically (by the NSFAS loan and bursary system) through the NSFAS disbursement process, or by manual claims process where these are not able to follow the standard disbursement process.

Bursary expenditure: Universities and TVET Colleges

Expenses are defined as decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence's of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

Recognition

Bursary expenditure (both University and TVET) with reference to bursaries both pre and post December 2017 Presidential pronouncement are further subdivided into the following categories and the associated expenditure is recognised as follows:

- 100% bursaries (tuition and allowances paid to the respective institutions): Recognised once these funds have been processed and disbursed by the NSFAS loan and bursary management system.
- Loan conversion bursaries: Recognised once the student academic results are received and the applicable conversion is processed.
- Allowances paid directly to students via the NSFAS wallet: Recognised once the cash vouchers are created and NSFAS is liable to settle potential merchant claims after the voucher utilisation.
- Manual claims: Recognised on payment to the respective institution or eligible student. This includes funders other than DHET.

Even though NSFAS disburses funds to eligible students for specific academic years, NSFAS recognises bursary expenditure in the financial year incurred and this is recognised net of any credits in respect of unutilised funds declared by the respective institutions.

All movements to bursaries expenditure (TVET Colleges and Universities) due to the implementation of the Close out project: Final reporting will be treated as tuition fees as all claims are institution driven.

Measurement

Bursary expenditure is measured at the fair value of the consideration paid or exchanged, net of credits returned by institutions. Credits may be returned by institutions for unutilised funds at the end of the academic year.

To the extent that credits have not yet been declared by the respective institutions, and where reliable information exists to estimate the applicable credits, these credits are estimated and the associated expenditure reduced. To the extent that this does not meet the Asset definition in terms of GRAP 1, this is disclosed as a contingent asset. Refer to note 37 & 46.

In instances where Institutions have not confirmed the subjects enrolled and subjects passed in order for a bursary conversion to be done by the end of the financial year, an estimate of the bursary amount is calculated based on the most representative data. This may include average pass rates per institution received for the current or prior financial year. Where these estimates require a revision, due to updated results being received, this is accounted for as a change in estimate with adjustments being made prospectively.

Accounting Policies

1.19 Amounts owing to institutions

Amounts owing to institutions arise where NSFAS has an obligation to settle the debt of a student arising from bursary agreements and agreements entered into with the relevant tertiary institutions. These obligations are classified as financial liabilities measured at amortised cost included in payables from non-exchange transactions as it relates to bursary funding. Initial recognition occurs when NSFAS receives a claim from the tertiary institution for a student that is approved and validated as eligible by NSFAS. Initial measurement is based on the course fees applicable for eligible students. These obligations are due on demand and are expected to be settled within 12 months. Delays in settlement occurs when NSFAS are not receiving close out reports from the universities in time and/or cannot confirm the eligibility of the claim. These delays are not considered in the classification of the liability as a current obligation.

Where NSFAS receives claims from the relevant institutions, and the claim cannot be validated based on our internal records, NSFAS disclose a contingent liability for these. Where NSFAS verified that the student does not qualify for assistance (ineligible), the amount claimed is excluded from the contingent liabilities as the outflow of resources are considered remote.

Although social benefit obligations are not within the scope of GRAP 19 *Provisions, Contingent Liabilities and Contingent Assets*, NSFAS applied the principles in that Standard to develop its accounting policies for the recognition, measurement, and presentation of these, applying the principles in GRAP 3, *Accounting Policies Changes in Accounting Estimates and Errors*, paragraph .10.

The Close out process was finalised for academic periods 2017 -2021 during the 2022 financial period. There are some institutions that failed to submit student data during the reconciliation period. NSFAS elected to disclose the amounts for non-submitting institutions using registration data without adjusting for estimates. NSFAS elects to use the available registration data to inform recognition of assets and liabilities. This information is verifiable and supportable as registration was received from the institutions.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity . “Contract” and “contractual” refer to an agreement between two or more parties that has clear economic consequences that the parties have little, if any, discretion to avoid, usually because the agreement is enforceable by law .

NSFAS has a contractual obligation to pay an agreed amount to the institution therefore this amount represents a financial liability in terms of the agreement.

1.20 Accounting by principals and agents

Identification

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes the transactions with third parties on behalf, and for the benefit of, another entity (the principal).

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

Identifying whether an entity is a principal or an agent

When an entity is party to a principal-agent arrangement, it shall assess whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

A binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

An entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Accounting Policies

1.20 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

When an entity in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If an entity concludes that it is not the agent, then it is the principal in the transactions.

The entity is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where an entity has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether an entity is an agent.

Recognition

The entity, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

1.21 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2021	The impact of this standard is not material.

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	Unlikely there will be a material impact
• GRAP 25: Employee Benefits	01 April 2022	Unlikely there will be a material impact
• iGRAP 7 (as revised 2021): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	Unlikely there will be a material impact
• GRAP 104 (amended): Financial Instruments	01 April 2022	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2022	Unlikely there will be a material impact

3. Inventories

Inventory	214 192	-

The inventory represents digital devices procured from appointed third party service providers, which has not yet been delivered to NSFAS students as part of the student laptop project.

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021

4. Prepayments to institutions

Prepayments - digital devices	101	-
TVET Colleges	562 625	342 363
Universities	-	1 889 642
Prefunders/other funders	156 104	126 480 647
	718 830	**146 804**
Prior year Prepayment Balances		
TVET Colleges	389 403	370 969
Universities	233 263	191 015
Pre-funders/Other funders	2 624	-
	625 290	**561 984**
Historic debt 2017 - 2018	**726 806**	**726 806**
Prepayments to institutions	**2 070 926**	**1 435 594**
Current asset	2 070 926	1 435 594

Upfront payments are made to institutions during January, February and March each year. Advance payments are made in subsequent months to ensure the uninterrupted funding of eligible students.

Prior year prepayment balances relate to upfront balances for which disbursements have not yet been processed.

Historic debt payments were treated as prepayments due to further eligibility clarification obtained from the DHET.

5. Student loans

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 (or decline) of the portfolio through new lending less repayments, bursary conversions and other adjustments such as irrecoverable debt written-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.

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021

5. Student loans (continued)

Reconciliation of student loans (exchange)		
Opening balance	6 443 879	6 702 317
Interest	399 022	459 886
Repayments (I)	(303 532)	(388 184)
Impairment	(1 485 214)	(330 139)
	5 054 155	6 443 880
Unallocated debtor receipts	(859)	(5 556)
Carrying value	**5 054 155**	**6 439 435**
Current (II)	419 373	558 037
Non-current	4 634 782	5 881 398
	5 054 155	**6 439 435**

The relationship between the Nominal Value and Carrying Value is as follows:		
Nominal value	41 038 213	40 229 768
Less accumulated valuation and impairment adjustment	(35 984 917)	(33 791 444)
	5 053 296	**6 438 324**

I. Collections (repayments received) fell by 22% to R303.5 million after falling by 30% in the previous financial year.

II. The current portion of the student loan is measured as the expected cash flows for the next twelve months based on the amortised cost calculations.

The impact on the loan book valuation of the current year collection experience was as follows:

- There was significant impact on the transition from student to exit in the current year due to incorporating available HEMIS data.

6. Amounts owing by institutions

Credit balances on student fee accounts due by institutions.

Amounts owing by institutions - Short term (I)	7 663 637	5 467 627
Amounts owing by institutions - Long term (II)	1 174 207	(32 369)
	8 837 844	**5 435 258**

I. Amounts outstanding which are expected to be realised within 12 months from the end of the financial year.

II. Amounts outstanding which are expected to be realised in a period greater than 12 months from the end of the financial year.

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021

7 Receivables form exchange transactions

7.1 Receivables

NSFAS Wallet - commission receivable (I)	314	312
Other debtors	299	8
Interest receivable	10 794	8 985
Operating lease asset	-	2
	11 407	**9 307**

I. NSFAS Wallet - commission receivable relates to commission earned on transactions for the NSFAS Wallet voucher system used to disburse allowances to students funded by NSFAS through the implementation of the student centered model.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	2 715	2 902
Call accounts	11 224 803	12 073 231
	11 227 518	**12 076 133**

Restrictions on the use of cash balances

Cash and cash equivalents include R558 485 634 (2021: R1 635 788 889) recovered funds that NSFAS holds for re-injection into student loans. A further R10 053 673 078 (2021: R9 199 239 675) is held by NSFAS on behalf of funders for allocation by the entity on instruction by the funder and represents unspent grants and interest thereon. A further amount of R524 700 318 (2021: R1 187 990 080) is committed for the redemption of NSFAS Wallet vouchers. The balance of R90 657 351 (2021: R53 103 605), comprises operational funds attributed to administration grants and fees.

Notes to the Annual Financial Statements

Figures in Rand thousand

9. Property, plant and equipment

	2022			2021		
	Cost	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost**	**Accumulated depreciation-and accumulated impairment**	**Carrying value**
Land*	770	-	770	770	-	770
Buildings	4 047	(1 468)	2 579	4,047	(1 387)	2 660
Furniture and fixtures	5 890	(1 533)	4 357	8 791	(7 412)	1 379
Motor vehicles	-	-	-	294	(293)	1
IT equipment	17 558	(11 972)	5 586	49 218	(45 020)	4 198
Leasehold improvements	8 692	(29)	8 663	-	-	-
Total	**36 957**	**(15 002)**	**21 955**	**63 120**	**(54 112)**	**9 008**

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposal	Depreciation	Total
Land*	770	-	-	-	770
Buildings	2 660	-	-	(81)	2 579
1 379	1 379	3 957	(465)	(514)	4 357
Motor vehicles	1	-	-	(1)	-
IT equipment	9,057	5 642	(125)	(4 129)	5 586
Leasehold improvements	-	8 692	-	(29)	8 663
	9 008	**18 291**	**(590)**	**(4 754)**	**21 955**

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Depreciation	Total
Land*	770	-	-	770
Buildings	2 741	-	(81)	2 660
Furniture and fixtures	2 164	37	(822)	1 379
Motor vehicles	36	-	(35)	1
IT equipment	5 677	2 200	(3 679)	4 198
	11 388	**2 237**	**(4 617)**	**9 008**

* Land and buildings comprise erf 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.

Other information

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

Furniture and fixtures	10	6 431
Motor vehicles	-	119
IT equipment	106	35 286
	116	**41 836**

Notes to the Annual Financial Statements

Figures in Rand thousand

3. Intangible assets

	2022			2021		
	Cost	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost**	**Accumulated amortisation and accmlated impairment**	**Carrying value**
Computer software	6 181	(4 222)	1 959	82 365	(78 774)	3 591

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software	3 591	(1 632)	1 959

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software	10 534	290	(7 233)	3 591

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021

10. Intangible assets (continued)

Other information (Figures in R'000)

Fully amortised intangible assets still in use	9 099	9 781

11. Receivables from non-exchange transactions

National skills fund amount comes from the grants received and is not part of the exchange transactions and thus listed separately.

National Skills fund	3 301 989	-
Unfunded Students	984 176	702 506
	4 286 165	**702 506**

12. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Amount paid as refunds (II)	Reversal of provisions (III)	Deceased refund debtors (IV)	Closing balance (V)
Credit balances to be refunded (I)	25 959	(28)	(808)	(189)	24 934

Reconciliation of provisions - 2021

	Opening Balance	Amount paid as refunds (II)	Reversal of provisions (III)	Deceased refund debtors (IV)	Closing balance
Credit balances to be refunded (I)	26 375	-	-	(416)	25 959

I. During the 2010 Ministerial Review it was discovered that the NSFAS Loan and Bursaries Management System had not applied the legal principle of in duplum to accrue 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 management system had since inception been applying repayment incorrectly against student debt, by applying the student repayments against the outstanding capital balance first, rather than accrued interest. The Board resolved that where students have been advantaged, NSFAS will not attempt to recover the additional interest, as this was an error on NSFAS's part. However, where students have been charged interest in excess of in duplum, every attempt should be made to trace the respective account holders and to refund the credit balances.

II. This amount represents refunds paid in the current (and prior) periods in respect of historical debtors (as above).

III. An amount of R807 626 (2021: Rnil) could not be matched and has therefore been reversed to income.

IV. List of refund debtors was compared to the Home Affairs database and showed a match of 93 (2021:193) deceased debtors. This amount has been recognized as income.

V. The balance of R24 934 913 has been matched and refunds to the debtors will be processed as and when contact and/or banking details are obtained from these debtors and the necessary processes completed.

13. Amounts due to institutions

Payments due to institutions for student loans and bursaries awarded.

Amounts due to institutions (I)	7 477 208	7 728 397

I. This comprises disbursements approved, but not yet paid at the end of the financial year.

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021

14. Deferred income from non-exchange transactions

Unspent portions of conditional grants including interest received, which represents a liability.

These amounts are held in segregated call accounts until utilised.

Grants Received in Advance	24 050	72 796
Deferred income from non-exchange transactions - Current Liability	633 978	1 118 553
Deferred Income from non-exchange transactions Non-Current Liability	2 598 296	2 348 676
	3 256 324	**3 540 025**

15. Trade and other payables

Accruals	34 679	3 315
Accrued leave pay due to employees	10 969	11 724
NSFAS Wallet - unutilised vouchers (I)	505 364	552 119
Trade payables	63 436	59 268
Unallocated receipts (II)	73 679	307 356
Other creditors	1 980	647
	690 107	**934 429**

I. Amounts payable on receipt of claims from merchants for NSFAS Wallet vouchers issued to students.

II. Unallocated receipts relate to amounts refunded by institutions to NSFAS when students cancel registration and the student detail has not been submitted to NSFAS.

16. Commission received

NSFAS Wallet	102	149

The entity implemented a mobile payment solution (NSFAS Wallet) for the disbursement of allowances to students registered at institutions included in the first phase of the student-centred operating model. Commission is payable by accredited merchants for student transactions on their food and learning materials allowances at no cost to the students. The commission is shared equally between NSFAS and the provider of the mobile payments platform. The commission disclosed is the amount payable to NSFAS.

17. Administration fees (exchange)

Department of Agriculture, Forestry and Fisheries	1 140	1 080
Department of Social Development	122	713
Funza Lushaka	32 701	32 290
National Skills Fund	7 933	7 476
Sector Education and Training Authorities (SETA)	468	1 006
Department of Labour Compensation Fund (COID)	2 226	-
	44 590	**42 565**

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021

18. Interest revenue

Interest charged on receivables (debtors)	399 024	488 965
Interest on funds invested*	498 763	487 168
	897 787	**976 133**

* Interest on funds invested relates to the following categories:

By funding source		
Administration grants and fees	2 309	5 032
Donor funds	451 514	408 734
Recovered funds	44 940	73 402
	498 763	**487 168**
By investment type		
Call accounts	462 010	45 577
Corporation for Public Deposits	36 753	441 591
	498 763	**487 168**

19. Other income

Reversal of provision (I)	997	416
Bank SETA money recovered	467	217
Other	322	-
	1 786	**633**

I. Refer to note 12

20. Unallocated debtor receipts (non-exchange)

Unallocated debtor receipts	813	825

Amounts received by the entity without a valid reference to loan accounts or not yet allocated at year end to individual loan accounts, are recorded in the annual financial statements against student loans. Every attempt is made to establish the identity of the depositor with the relevant bank. When these unidentified amounts have been outstanding for more than five (5) 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 accounts as payments and reflected as an expense in the financial statements. The amount written back to income is R813 263 (2021: R825 035).

21. Administration grants (non-exchange)

Department of Higher Education and Training (DHET)	367 782	337 582

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021

22. Grants received for student awards (non-exchange)

Operating grants		
Department of Basic Education	1 100 048	1 259 316
Department of Higher Education and Training (DHET) (I)	41 579 012	34 829 268
National Skills Fund	285 495	373 810
Other South African Government Departments	22 533	40 941
Private funders	472	-
SETA Funding	8 363	12 665
CHIETA Funding	-	3 610
Deferred income movement	545 907	(311 439)
Compensation Fund Bursaries	71 642	-
	43 613 472	**36 208 171**

I. Includes grants to provide for loans and bursaries for students studying at Technical and Vocational Education Training Colleges and Universities, received from the Department of Higher Education and Training (DHET).

23. Employee related costs

Basic salaries	118 809	132 892
Employee benefits - other	75 393	79 546
Leave pay provision charge	(754)	4 335
	193 448	**216 773**

Employee benefits - other include Medical and Pension Fund contributions, disability and all other costs. The entity operates a defined contribution retirement plan for all employees.

24. Depreciation and amortisation

Property, plant and equipment	4 754	4 617
Intangible assets	1 632	7 234
	6 386	**11 851**

25. Irrecoverable debt written off

Less than R50 debtor balance written off	30	5
Deceased debtors balances written off (I)	(30)	114 052
Irrecoverable debt (II)	-	33 838
	-	**147 895**

I. The NSFAS policy states that once a debtor has been confirmed as deceased by the Department of Home Affairs, the outstanding debt will be written off. During the current year, the loan book was matched to the Department of Home Affairs database and 120 950 (2021: 114 052) debtors were confirmed as deceased and outstanding balances to the value of R120m (2021: R114m) were written off.

II. Loans that are regarded as irrecoverable due to them being disbursed in excess of contractual amount etc. have been written off and are also disclosed as irregular expenditure (see note 35).

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021

26. Bursary expenditure

Bursary expenditure incurred during the year can be further broken down by type, comprising Tuition and Allowances. Tuition and allowances by year and institution type are shown below.

2022

Institution	Tuition	Allowance	Total
University	17 661 273	17 067 823	34 729 096
TVET	2 071 469	3 454 232	5 525 701
	19 732 742	**20 522 055**	**40 254 797**

2021

Institution	Tuition	Allowance	Total
University	17 825 156	17 226 199	35 051 355
TVET	2 038 214	3 398 779	5 436 993
	19 863 370	**20 624 978**	**40 488 348**

Included in the above allowances (Universities and TVETs) is inventory, with regards to student learning devices (laptops) recognised as expense in the current year as follows:

	2022	2021
University	12 740	-
TVET	433 124	-
	445 864	**-**

27. Audit fees

	2022	2021
Audit fees	9 644	8 451

External audit fees		
Fees for 2019/20 audit	-	8 006
Fees for 2020/21 audit	8 807	445
Fees for 2021/22 audit	837	-
	9 644	**8 451**

28. Consulting and professional fees

	2022	2021
Finance	12 152	2 902
ICT	7 495	13 848
Legal expenses	7 090	5 186
Other professional fees	32 619	11 862
	59 356	**33 798**

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021

29. Surplus/(deficit) for the year

Surplus/(deficit) for the year is stated after accounting for the following:

Operational		
Administration grants	367 782	337 582
Administration fees	44 590	42 565
Interest received	897 787	976 133
Other income	1 786	633
Commission revenue	102	149
Less: Administration and investments costs	(359 244)	(349 543)
Total operational	**952 803**	**1 007 519**

Capital		
Grants received for student awards	43 613 472	36 208 171
Bursaries - Universities	(31 901 801)	(35 945 989)
Bursaries - TVET Colleges	(4 781 984)	(4 982 088)
Irrecoverable debts	-	(147 895)
Valuation Adjustments	-	1 610 856
Impairment Adjustments	(1 485 215)	(359 217)
Impairment loss - Amounts owing by institutions (exchange) - long term	(3 247)	45 685
Total capital	5 441 225	(3 570 477)
TOTAL	**6 394 028**	**(2 562 958)**

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021

30. Debtors loan book movements (non-exchange)

Assumption set used in the loan valuation model:

For the 31 March 2021 valuation it was considered appropriate to perform the valuation using the prior year assumptions.

Impairment Adjustments

The Impairment adjustment in the current year assumptions has been updated and adjusted to take into account:

- reassessment of the assumptions based on data up to 31 March 2022; and
- truncation of payments after 300 months.

As a result of the impact of changes in assumptions, impairment adjustments, change in the repo rate and experience adjustments, a net difference in value of the student portfolio of R(1 485 214) (2021: R(371 358) restated) was recorded.

The table below shows the impact of the change in assumptions and impairment adjustments per loan year of issue:

Year of issue of student loan		
1991 - 2002	(11 908)	(22 822)
2003 - 2008	(37 156)	(48 304)
2009	(17 474)	(7 998)
2010	(28 240)	(13 792)
2011	(37 771)	(18 763)
2012	(60 076)	(29 022)
2013	(178 460)	(70 052)
2014	(170 337)	(48 342)
2015	(201 931)	(41 534)
2016	(315 222)	(79 590)
2017	(414 942)	11 255
2018	(10 654)	(2 336)
2019	(1 044)	(58)
	(1 485 214)	**(371 358)**

In order to enable the user of the financial statements to have a sense of the potential impact of changes to certain assumptions in the model, the following sensitivity analysis has been performed:

Sensitivity to 100 basis point changes in the repo rate

The assumption for the change in repo rate is key to the determination of the value of the loans. The table below considers the impact of a change in the repo rate 100 basis points since exit.

2022	Amortised value (base)	100 basis point increase	Change	100 basis point decrease	Change
Student	53 399	446	0.83%	(420)	-0.79%
Non-payer	4 336 395	16 15	0.37%	(14 57	-0.34%
Payer	664 362	1 198	0.18%	(1 060)	-0.16%
	5 054 156	**17 798**	**0.35%**	**(16 058)**	**-0.32%**

2021	Amortised value (base)	100 basis point increase	Change	100 basis point decrease	Change
Student	1 958 566	4 233	0.22%	(3 336)	-0.17%
Non-payer	959 144	1 75	0.18%	(1 52	-0.16%
Payer	3 526 170	9 811	0.28%	(8 750)	-0.25%
	6 443 880	**15 796**	**0.25%**	**(13 609)**	**-0.21%**

Sensitivity to change in transition from Exit to Payer

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021

30. Debtors loan book movements (non-exchange) (continued)

The assumption for the transition from debtor to payer is key to the determination of the value of the loans. The table below considers the impact of a level change in the transition from exit to paying percentages by 10% at each duration since exit.

2022	Amortised value (base)	10% increase in T2	Change	10% decrease in T2	Change
Student	53 399	5 340	10.00%	(5 340)	-10.00%
Non-payer	664 362	No change	0%	No change	0%
Payer	4 336 395	489 767	11.28%	(477 548)	-11.00%
	5 054 156	**495 107**	**9.80%**	**(482 888)**	**-9.60%**

2021	Amortised value (base)	10% increase in T2	Change	10% decrease in T2	Change
Student	1 958 566	195 857	10.00%	(195 857)	-10.0%
Non-payer	959 144	No change	0%	No change	0%
Payer	3 526 170	432 263	12.26%	(413 400)	-11.7%
	6 443 880	**628 120**	**9.75%**	**(609 257)**	**-9.5%**

Sensitivity to change in the payment profile

2022	Amortised value (base)	10% decrease in payment profile	Change
Student	53 399	(2 106)	-3.9%
Non-payer	664 362	(35 864)	-5.4%
Payer	4 336 395	(164 899)	-3.8%
	5 054 156	**(202 869)**	**-4.0%**

2021	Amortised value (base)	10% decrease in payment profile	Change
Student	1 958 566	(84 907)	-4.3%
Non-payer	959 144	(59 769)	-6.2%
Payer	3 526 170	(133 237)	-3.8%
	6 443 880	**(277 913)**	**-4.4%**

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021

31. Cash (used in) generated from operations

Surplus for the year	6 394 028	(2 562 958)
Adjustments for:		
Depreciation and amortisation	6 386	11 851
Impairment - student loans	1 485 215	313 532
Loss on disposal of PPE	298	-
Interest income	(897 785)	(976 133)
Residual Value adjustment	-	(1 610 856)
Unallocated debtors receipts	(4 444)	3 714
Debt impairment	3 247	147 895
Movements in provisions	(1 025)	(416)
Changes in working capital:		
Inventories	(214 192)	-
Receivables form exchange transactions	(2 100)	2 109 987
Student loan receipts	303 532	388 184
Prepayments to institutions	(635 332)	6 159 714
Receivables from non-exchange transactions	(3 583 659)	(702 506)
Trade and other payables	(244 350)	305 397
Amounts owing by institutions (exchange)	(3 405 833)	(687 041)
Amounts due to institutions (non-exchange)	(251 189)	2 472 872
Deferred income from non-exchange transactions	(283 701)	364 227
Operating leases	1 498	-
	(1 329 406)	**5 737 463**

32. Taxation

The entity has obtained income tax exemption from the Commissioner of the South African Revenue Service 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.

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021

33. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	3 301 989	3 301 989
Receivables from exchange transactions	11 407	11 407
Student loans	5 054 155	5 054 155
Amounts owing by other institutions (exchange)	8 837 844	8 837 844
Cash and cash equivalents	11 227 518	11 227 518
	28 432 913	**28 432 913**

Financial liabilities

	At amortised cost	Total
Amounts due to institutions (non-exchange)	7 477 208	7 477 208
Payables from exchange transactions	690 107	690 107
	8 167 315	**8 167 315**

2021

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	576 985	576 985
Student loans	6 439 435	6 439 435
Amounts owing by other institutions (exchange)	5 435 258	5 435 258
Cash and cash equivalents	12 076 133	12 076 133
	24 527 811	**24 527 811**

Financial liabilities

	At amortised cost	Total
Amounts due to institutions (non-exchange)	7 728 397	7 728 397
Payables from exchange transactions	934 429	934 429
	8 662 826	**8 662 826**

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021

34. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2021

	Note	As previously reported	Correction of error	Restated
Prepayments to institutions (current)	1	1 837 183	(401 589)	1 435 594
Amounts owing by institutions	2	2 856 284	2 578 974	5 435 258
Student loans (exchange)	5	6 398 011	41 424	6 439 435
Amounts due to institutions	6	(89 184)	(7 639 213)	(7 728 397)
Deferred income - Current liabilities	7	(3 525 368)	2 334 019	(1 191 349)
Receivables from non exchange transactions and exchange	3	15 494	696 319	711 813
Payable from exchange transactions	4	(934 430)	1	(934 429)
Deferred income - Non-Current liabilities	8	-	(2 348 676)	(2 348 676)
Capital funds (Opening balance)	9	(18 620 763)	4 738 741	(13 882 022)
		(12 062 773)	**-**	**(12 062 773)**

Statement of financial performance

2021

	Note	As previously reported	Correction of error	Restated
Capital Fund (Opening Balance)		-	3 744 464	3 744 464
Grants received for student awards	10	36 186 094	22 077	36 208 171
Bursaries - TVET Colleges	11	(5 645 926)	663 838	(4 982 088)
Bursaries - Universities	12	(31 474 185)	(4 471 804)	(35 945 989)
Impairment adjustments	13	(400 642)	41 425	(359 217)
Surplus for the year		**(1 334 659)**	**-**	**(1 334 659)**

Errors and reclassifications

The following prior period errors adjustments occurred:

1. Prepayments to institutions (current)

Figures in R'000	
Balance previously reported	1 837 183
Close out project: Final reporting (I)	(401 589)
Restated opening balance	**1 435 594**

I. Implementation of the Close out project: Final reporting. Academic years 2017-2020: The movement in this line item is attributable to it being reclassified as "Amounts owing to Institutions" and the only item accounted for under this line item is "Historic Debt 2017-2018" which was not included in the Close Out Project.

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021

34. Prior-year adjustments (continued)

2. Amounts owing by institutions

Figures in R'000	
Balance previously reported	2 856 284
Close out project: Final reporting (I)	2 578 974
Restated opening balance	**5 435 258**

I. Implementation of the Close out project: Final reporting. Academic years 2017-2020: The movement in this line item is attributable to it being reclassified as "Amounts owing to Institutions".

3. Receivables from non-exchange transactions

	2022	2021
Balance previously reported	-	15 494
Adjustments made to opening balance (I)	-	696 319
Restated balance	**-**	**711 813**

4. Payables from exchange transactions

Figures in R'000	2022	2021
Balance previously reported	-	934 430
Adjustments made to opening balance (I)	-	(1)
Restated opening balance as at 31 March 2021	**-**	**934 429**

I. During the current financial year the entity sent out debtors circulars to institutions to confirm credits to be returned for all academic years up to 2021. This was as a result of the delay in the prior year close out processes for the 2017 to 2020 academic years.

5. Student loans (exchange)

Figures in R'000	
Balance previously reported	6 398 011
Close out project: Final reporting (I)	41 425
Restated opening balance	**6 439 436**

I. Implementation of the Close out project: Final reporting. Academic years 2017-2020: The movement in this line items is attributable to loans that were generated during the 2017 and 2018 academic year.

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021

34. Prior-year adjustments (continued)

6. Amounts due to institutions

Figures in R'000		
Balance previously reported		(89 184)
Close out project: Final reporting (I)		(7 639 213)
Restated opening balance		**(7 728 397)**

I. Implementation of the Close out project: Final reporting. Academic years 2017-2020: The movement in this line items is attributable to underpayments made to institutions.

7. Deferred income - Current liabilities

Figures in R'000		
Balance previously reported		(3 525 368)
Disclosing of non-current portion (I)		2 339 398
Derecognising revenue which did not meet the conditions as per the MoAs (II)	-	(5 379)
Restated opening balance		**(1 191 349)**

I. Disclosing of non-current portion.

II. It was estimated that of the total amount declared by institutions, a portion would relate to students funded by Other Funders (less than 10%). This portion of the total declared amount was not linked to valid students and their actual cost of study and therefore did not meet the conditions set out in the Other Funders' MoAs. Therefore this small portion (less than 10%) needed to be de-recognised as revenue (or Accumulated surplus) and recognised as Deferred income from non-exchange transactions.

8. Deferred income - Non-Current liabilities

Figures in R'000		
Balance previously reported		-
Disclosing of non-current portion (I)		2 348 676
Restated opening balance		**2 348 676**

I. Disclosing of non-current portion.

9. Capital funds (Opening balance)

Figures in R'000		
Balance previously reported		(18 620 763)
Close out project: Final reporting (I)		4 389 244
Derecognising revenue which did not meet the conditions as per the MoAs (II)		349 497
Restated opening balance		**(13 882 022)**

I. Effect of implementation of the close out final project for academic years 2017 - 2019.

II. It was estimated that of the total amount declared by institutions, a portion would relate to students funded by Other Funders (less than 10%). This portion of the total declared amount was not linked to valid students and their actual cost of study and therefore did not meet the conditions set out in the Other Funders' MoAs. Therefore this small portion (less than 10%) needed to be de-recognised as revenue (or Accumulated surplus) and recognised as Deferred income from non-exchange transactions.

10. Grants received for student awards

Figures in R'000		
Balance previously reported		36 186 094

PART E - FINANCIAL INFORMATION

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021

34. Prior-year adjustments (continued)

Derecognising revenue which did not meet the conditions as per the MoAs (I)		22 077
Restated opening balance		**36 208 171**

I. It was estimated that of the total amount declared by institutions, a portion would relate to students funded by Other Funders (less than 10%). This portion of the total declared amount was not linked to valid students and their actual cost of study and therefore did not meet the conditions set out in the Other Funders' MoAs. Therefore this small portion (less than 10%) needed to be de-recognised as revenue (or Accumulated surplus) and recognised as Deferred income from non-exchange transactions.

11. Bursaries - TVET Colleges

Figures in R'000		
Balance previously reported		(5 645 926)
Implementation of close out project (I)		663 838
Restated opening balance		**(4 982 088)**

I. Implementation of close out project: final reporting for the 2020 academic year relating to TVET Colleges.

12. Bursaries - Universities

Figures in R'000		
Balance previously reported		(31 474 185)
Implementation of close out project (I)		(4 471 804)
Restated opening balance		**(35 945 989)**

I. Implementation of close out project: final reporting for the 2020 academic year relating to TVET Colleges.

13. Impairment adjustments

Figures in R'000		
Balance previously reported		(400 642)
Interest (II)	-	41 425
Restated opening balance		**(359 217)**

I. Implementation of the Close out project: Final reporting. Academic years 2017-2020: The movement in this line items is attributable to loans that were generated during the 2017 and 2018 academic year.

II. Relationship between interest & Impairment adjustments in terms of the amortised cost model.

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021

35. Irregular expenditure

	2022	2021
	82 397 245	52 016 008
Opening balance as restated	**82 397 245**	**52 016 008**
Add: Irregular Expenditure	1 994 875	32 343 143
Less: Amount written off - current	-	(1 961 906)
Closing balance	**84 392 120**	**82 397 245**

Incidents/cases identified in the prior year include those listed below:

Irregular expenditure recognition is defined in the accounting policy to the annual financial statements and provides the reader with a basic definition of irregular expenditure. The irregular expenditure incurred relates to the eligibility criteria that were not published in terms of the Regulations on Additional Functions Assigned to the National Student Financial Aid Scheme (Government Notice 413 dated 3 April 2018). This regulation has since been repealed. The impact of this non-compliance resulted in all bursary payments to DHET funded students for the pre-2017 and 2017, 2019 and 2020 academic years, including valid eligible students paid at the correct amount. Due to the retrospective impact of this matter, the irregular expenditure opening balance had to be adjusted. The opening balance was also adjusted to correct errors in prior year calculations of irregular expenditure. The irregular expenditure incurred may be further categorised as administrative, institutional and internal control in nature.

Administrative matters

This constitutes the most significant proportion of irregular expenditure and relates to matters of non-compliance which did not result in payments to an ineligible student or an incorrect payment. The lack of issuing regulations in terms of Government Gazette notice (Government Notice 413 dated 3 April 2018) and the system failure to generated bursary agreements during the 2020 academic year are examples of matters in this category.

The irregular expenditure relates to overspending on Bursaries universities. The funding agreement was concluded/ signed by DHET, NSF and NSFAS in March 2022 as such there was not sufficient time to update the NSFAS budget R825.8m.

Institutional matters

NSFAS is highly dependent on the receipt of valid and accurate data from institutions in order to fund students correctly and determine accurate allowance and tuition payments. There have been instances where institutions provided NSFAS with incorrect course information and determined incorrect allowances for students, resulting in irregular expenditure incurred by NSFAS. NSFAS has initiated processes to recover these amounts from institutions.

Internal control matters

As reported in previous annual reports, NSFAS systems and processes did not enforce eligibility rules, resulting in incorrect funding decisions and inaccurate payments. Improved system and processes controls have been implemented since 2019, reducing irregular expenditure incurred. Continued effort is being directed at improving systems and processes further in order to prevent irregular expenditure from being incurred in the future.

Irregular expenditure under assessment

NSFAS identified possible additional irregular expenditure relating to:
- The completeness of supporting documents and academic results for TVET students during the 2019 academic year due to the process being decentralised to institutions during that year.
- The interpretation of section 9 of the NSFAS Act as it pertains to NSFAS staff salaries.

Not included in the balance is incorrectly funded students.

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021

36. Commitments

Authorised operational expenditure

	2022	2021
Already contracted for but not provided for		
• Computer expenses	32 014	20 578
• Consulting and other services (I)	174 171	43 430
• Student laptops (II)	-	656 805
	206 185	**720 813**
Total operational commitments		
Already contracted for but not provided for	206 185	720 813

I. The increase from the prior year is due to multi-year contract obligations increasing during the current year.

II. The service provider conducts an Information and Communication Technology distribution company which includes the supply of laptops. Purchase orders were issued for the supply of laptops. As at 31 March 2021 no invoices have been received as the laptops have not been delivered to the students.

Operating leases - as lessee (expense)

	2022	2021
Minimum lease payments due		
- within one year	24 288	6 117
- in second to fifth year inclusive	107 165	-
	131 453	**6 117**

The minimum lease payments comprises of lease agreements for office space and printers.

37. Contingencies

Contingent liability: Financial Structure

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 R20 000 000 (2020: R20 000 000). A 10% notional risk is effected on the debtor's facility in the event of unpaid collections.

NSFAS has entered into agreements with various donors and educational institutions to fund students. The arrangement is that institutions will advance loans to students on NSFAS loan agreement forms. NSFAS then accounts for these loans as part of 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 re-injected 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 are available to fund future students as at the reporting date is R143 290 740 (2021: R148 064 903). As a result, there is a possibility that in future more universities might request to be paid back money from the recoveries.

Contingency: Claim for services rendered

A supplier is claiming an unpaid invoice from its Reseller and NSFAS, which is in conflict with the terms of NSFAS' Service Level Agreement. This contingency amounts to R604 874 plus interest at a rate of 10.25% per annum.

Contingent Assets and Liabilities arising from legal matters

Contingent assets: Afriforum

NSFAS was served with an Urgent High Court Application in the Western Cape Local Division of the High Court of RSA, to perform the following. That the decision of the First to Third Respondents to cancel the funding awarded to the Second to Fourth Applicants in terms of section 19 of the Act 56 of 1999, are reviewed and set aside. That the First and Third Respondents are ordered to reinstate the Second to Fourth Applicants funding granted to them in terms of section 19(1) of the NSFAS Act, with immediate effect.

Notes to the Annual Financial Statements

The First to Third Respondents are ordered to ensure that all arrear payments in respect of the Second to Fourth Applicants are made to the Second to Fourth Applicants, and to the respective educational institutions, and other service providers at which the Second to Fourth Applicants study, including all arrear interest which may have accrued on any update amounts. Judgement has been reserved in this matter and the parties have been afforded an opportunity to deliver supplementary submission with respect to the question of costs. To this end, NSFAS' legal representative has prepared extensive submissions wherein diligent efforts were undertaken to source suitable case law in favour of NSFAS being awarded costs, given the material deficiencies in the relief sought by Afriforum.

Contingent liability: Unfair dismissal

NSFAS was served a Statement of claim for unfair dismissal. The dispute remains unresolved.

Contingent assets: Over-swiping at Private Accommodation Merchants

The University of Johannesburg (UJ) discovered what they call over-swiping (This is when a private accommodation provider claims for more students than they are accredited for, i.e. they have more students than their number of beds available).

Cession agreement was entered into between NSFAS and UJ and in terms of this agreement and the update provided on 18 February 2022, the following feedback was provided: Eight (8) summonses have been issued where six (6) have not responded and one defendant made a settlement offer and the other has requested mediation.

38. Risk management

Financial risk management

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

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 is 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:

Liquidity risk

Market risk.

Credit 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.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year. The entity has invested all recovered surplus funds with the Corporation for Public Deposits of the South African Reserve Bank. The other surplus funds were invested with fixed income managers.

Notes to the Annual Financial Statements

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.

Fair value

The carrying value of financial instruments approximates fair value, due to the short-term nature of the receivables and payables.

Maturity analysis of financial liabilities

At 31 March 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Amounts payable (I)	679 138	-	-	-
Amounts due to institutions	7 477 208	-	-	-

At 31 March 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Amounts payable (I)	922 705	-	-	-
Amounts due to institutions	7 728 397	-	-	-

I. These balances exclude accrued leave pay and accrued bonuses due to employees as these are not financial liabilities.

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.

Credit risk

Credit risk is the risk of financial loss to the entity if a 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 pre-determined threshold level. Fair value 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 R23 052 143 (2021: R21 407 568), 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. 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.

Credit quality of student loans

GRAP 104 - Financial instruments requires the disclosure of:

Credit quality of financial assets that are neither past due nor impaired.

Credit quality of financial assets that are past due but not impaired.

Notes to the Annual Financial Statements

All student loans are collectively impaired on the basis of mortality, actual transition from student state and changes in payment. Accordingly no additional disclosures are required in respect of the credit quality of student loans.

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 verification of the notification of the death or permanent disability of the debtor.

A list of identity numbers is verified against the Department of Home Affairs database on a quarterly basis for verification of deceased debtors while medical certification of permanent disability is required. The specific loans are then written off on approval by the Accounting Authority.

During the financial year under review the entity wrote off debts amounting to R120 950 363 (2021: R114 052 485) after verification of deceased and permanently disabled debtors in respect of whom the required notification had been received.

Loans and other receivables and Cash and cash equivalents

The entity only deposits cash with major banks with high quality credit standing (P-3 short term local currency credit rating) and limits exposure to any one counter party. Consequently, the entity does not consider there to be any significant exposure to credit risk.

Market risk

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 Repurchase 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	5 054 155	6 439 435
Other variable rate instruments (I)	11 227 518	12 076 133
	16 281 673	**18 515 568**

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 R112 275 180 (2021: R 120 761 330). This analysis assumes that all other variables remain constant

Refer to note 8.

Valuation sensitivity analysis for student loans

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

31 March 2022		
100 basis points increase	17 798	0.35%
100 basis points decrease	(16 059)	-0.32%

31 March 2021		
100 basis points increase	15 797	0.25%
100 basis points decrease	(13 609)	-0.21%

Notes to the Annual Financial Statements

38. Risk management (continued)

Portfolio risk

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 riskier 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 are also considered as these have 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 subsequent loans.

Loan number	Number of loans	Transaction value (R000`s)	% of total value
1	745 499	14 852 578	36
2	510 313	12 084 849	29
3	319 130	8 056 166	20
4	160 340	4 013 602	10
5+	90 920	2 031 018	5
	1 826 202	**41 038 213**	**100**

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 the ones 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.

	Currently paying	Not currently paying
Student	-	322 699
Drop-out	48 988	743 657
Graduate	97 825	744 706
	146 813	**1 811 062**

39. Accounting by principals and agents

NSFAS materiality framework 2022/23 was used to determine which funders would be aggregated together and which funders will remain as separate lines on the tables below.

Other Funders

These are funders mainly from government who provide funds for purposes of providing financial aid to eligible students at Public Universities and Technical and Vocational Education and Training (TVET) colleges.

NSFAS administers such loans and bursaries on behalf of the funders in terms of the NSFAS Act No. 56 of 1999. NSAFS is an agent of the funders. For the financial year ended 31 March 2022, NSFAS had custodianship of financial resources as allocated for funding purposes. NSFAS carries the risk of managing funds from funders. The entity recognised administration fees as a results of NSFAS being an agent of the following funders:

An assessment of a principle agent relationship was performed through assessing the contractual relationship between NSFAS and the funders. The terms and conditions are that the funds should be used for student funding in the form of loans or bursaries. The funding requirements differ per funder based on the contract. Other funders pay administration fees to NSFAS.

For risk mitigation the funds are kept in specific ring-fenced accounts per funder. Quarterly reconciliations are communicated to the funders on the uitlisation of funds.

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

NSFAS and/or the funder reserve the right to terminate the contract. All funds and interest are due and payable to the funder upon termination or expiration of the contract.

Notes to the Annual Financial Statements

39. Accounting by principals and agents

NSFAS materiality framework 2022/23 was used to determine which funders would be aggregated together and which funders will remain as separate lines on the tables below.

Other Funders

These are funders mainly from government who provide funds for purposes of providing financial aid to eligible students at Public Universities and Technical and Vocational Education and Training (TVET) colleges.

NSFAS administers such loans and bursaries on behalf of the funders in terms of the NSFAS Act No. 56 of 1999. NSAFS is an agent of the funders.

For the financial year ended 31 March 2022, NSFAS had custodianship of financial resources as allocated for funding purposes. NSFAS carries the risk of managing funds from

funders. The entity recognised administration fees as a results of NSFAS being an agent of the following funders:

An assessment of a principle agent relationship was performed through assessing the contractual relationship between NSFAS and the funders. The terms and conditions are that the funds should be used for student funding in the form of loans or bursaries. The funding requirements differ per funder based on the contract. Other funders pay administration fees to NSFAS.

For risk mitigation the funds are kept in specific ring-fenced accounts per funder. Quarterly reconciliations are communicated to the funders on the uitlisation of funds.

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

NSFAS and/or the funder reserve the right to terminate the contract. All funds and interest are due and payable to the funder upon termination or expiration of the contract.

***Material Funders**

Department Of Basic Education (Funza Lushaka) and National Skills Fund (NSF) are considered material funders for NSFAS. These are government funders who provide funds for purposes of providing financial aid to eligible students at Public Universities and Technical and Vocational Education and Training (TVET) colleges.

NSFAS administers such loans and bursaries on behalf of the funders in terms of the NSFAS Act No. 56 of 1999. NSAFS is an agent of the funders.

For the financial year ended 31 March 2022, NSFAS had custodianship of financial resources as allocated for funding purposes. NSFAS carries the risk of managing funds from funders. The entity recognised administration fees as a results of NSFAS being an agent of the following funders:

An assessment of a principle agent relationship was performed through assessing the contractual relationship between NSFAS and these material funders. The terms and conditions are that the funds should be used for student funding in the form of loans or bursaries. The funding requirements differ per material funder based on the contract.

For risk mitigation the funds are kept in specific ring-fenced accounts per funder. Quarterly reconciliations are communicated to the funders on the uitlisation of funds.

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

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Figures in Rand thousand	2022	2021

NSFAS and/or the funder reserve the right to terminate the contract. All funds and interest are due and payable to the funder upon termination or expiration of the contract

1. Principal arrangement: Funder

Funder 2022	Bank	Amounts owing	Amounts due	Amounts received	Amounts disbursed	Agency fees	Interest
*Department Of Basic Education (Funza Lushaka)	379 417 374	(6 040 206)	27 580	1 275 323 400	(1 182 893 945)	(327 006 000)	28 867 182
Department Of Social Development (DSD)	52 220 147	(4 550 481)	42 173	-	(7 015 086)	(122 119)	1 788 189
Department Of Agriculture, Forestry And Fisheries	9 667 331	-	-	22 532 638	(33 187 001)	(1 139 800)	44 127
Compensation Fund (COID)	7 820 985	(3 867 289)	135 222	89 056 730	(163 650 407)	(2 226 418)	-
Culture Art Tourism Hospitality Sport Sector Education And Training Authority	4 702 327	(114 972)	-	6 668 809	(13 617 080)	(468 085)	70 420
*National Skills Fund (NSF)	376 274 090	(47 295 753)	24 247 951	396 633 080	(302 298 524)	(7 932 662)	17 262 426
Fiber Processing And Manufacturing Sector Education And Training Authority	-	-	-	4 872 265	(19 749 705)	-	354 750
Department Of Justice And Constitutional Development	26 803 564	-	-	-	(19 634 116)	-	-
Department Of Military Veterans (DMV)	25 139 309	(5 075 813)	1 113 382	-	(14 850 700)	-	1 016 611
Nelson Mandela Metropolitan University	8 052 077	-	-	-	-	-	248 511
Construction Education And Training Authority	10 007 975	-	-	-	-	-	308 876
Food And Beverage Sector Education And Training Authority	14 025 113	-	-	-	-	-	432 857
Health And Welfare Sector Education And Training Authority	8 326 593	-	-	-	-	-	256 983
Manufacturing Engineering And Related Services Sector Education And Training Authority New	41 630 427	-	-	-	-	-	1 284 839
Mining Qualifications Authority	11 179 293	-	-	-	-	-	345 026
Aggregated funders	41 184 890	-	9 152	4 414 957	-	-	1 284 509
	1 016 451 495	**(66 944 514)**	**25 575 460**	**1 799 501 879**	**(1 756 896 564)**	**(338 895 084)**	**53 565 306**

Funder 2021	Bank	Amounts owing	Amounts due	Amounts received	Amounts disbursed	Agency fees	Interest
*Department Of Basic Education (Funza Lushaka)	263 480 674	-	-	1 259 315 850	(1 242 524 926)	(32 290 150)	17 370 673
Department Of Social Development (DSD)	67 237 874	(84 820)	37 632	19 539 000	(17 902 488)	(712 606)	1 741 929
Department Of Agriculture, Forestry And Fisheries	28 706 715	-	-	21 402 137	(20 996 199)	(1 080 400)	42 268
*National Skills Fund (NSF)	306 416 531	(5 530 695)	31 098 973	373 810 332	(319 865 455)	(7 476 207)	13 273 332
Fiber Processing And Manufacturing Sector Education And Training Authority	-	-	-	12 665 226	(6 345 833)	-	477 687
Department Of Justice And Constitutional Development	20 744 508	-	-	-	(13 693 680)	-	-
Department Of Military Veterans (DMV)	42 513 000	(97 449)	978 655	-	(8 290 274)	-	1 487 341

Notes to the Annual Financial Statements

Figures in Rand thousand						2022	2021
Wholesale And Retail Sector Education And Training Authority	21 500 499	-	-	-	(8 926 329)	-	767 491
Nelson Mandela Metropolitan University	7 803 566	-	-	7 850 000	-	-	93 849
Construction Education And Training Authority	9 699 099	-	-	-	-	-	303 769
Food And Beverage Sector Education And Training Authority	13 592 256	-	-	-	-	-	425 700
Health And Welfare Sector Education And Training Authority	8 069 610	-	-	-	-	-	243 382
Manufacturing Engineering And Related Services Sector Education And Training Authority New	40 345 588	-	-	-	-	-	1 263 596
Mining Qualifications Authority	10 834 267	-	-	-	-	-	339 317
Services Sector Education And Training Authority	7 896 302	-	-	-	-	-	245 255
Aggregated funders	37 464 210	-	-	3 610 000	(8 110 018)	(1 005 500)	1 192 148
	886 304 699	**(5 712 964)**	**32 115 260**	**1 698 192 545**	**(1 646 655 202)**	**(42 564 863)**	**39 267 737**

2. Principal arrangement: NSFAS Mobile Wallet

NSFAS has a suitable payment/distribution platform, hereinafter, NSFAS Mobile Wallet.

This service provider manages the settlement of NSFAS Mobile Wallet Merchant Claims arising through the use of the NSFAS Mobile Wallet by students. All NSFAS Mobile Wallet Merchants are required to enter into a written merchant registration agreement with the agent.

The agent shall pay to NSFAS its share of the Net Commission based on the Agreed Commission Sharing Rate by the end of the month in which the NSFAS invoice is received by the agent.

3. Principal arrangement: Debt collectors

The Parties have agreed that the debt collectors act on behalf of NSFAS in the Provision of External Debt Collection Services in the onboarding of debtors, collecting on outstanding loans and arrears of overdue debtors by obtaining debit order mandates, payroll deduction mandates or full outstanding balance settlements.

As remuneration for the services to be provided by the agent, NSFAS shall pay a % fixed collection fee, including VAT and disbursements, for the duration of the contract period.

NSFAS will only settle commission invoices after successful collections have taken place, i.e. money received in NSFAS bank account.

	2022	2021
Fee Paid		
Fee paid as compensation to the agent - NSFAS Mobile Wallet (R'000)	474	8 147
Fee paid as compensation to the agent - Debt collectors (R'000)	6 298	14 435
	6 772	**22 582**

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

NSFAS Mobile Wallet termination rights and consequences

The principal-agent arrangement in terms of the NSFAS Mobile Wallet Merchant Claims may be terminated on a 3 (three) calendar month written notice. All funds remaining in the nominated account (an account held by the agent at a reputable financial institution and nominated by the agent as the account reserved for NSFAS transactions), less all obligations by the agent on behalf of NSFAS, which may exist as at the final day of the notice period, shall be returned to NSFAS as soon as reasonably possible.

Debt collectors' rights and consequences

NSFAS reserves the right to terminate the arrangement, provided that a three (3) month early termination is provided. All amounts due and payable, including unamortised expenses and reasonable costs incurred as a consequence of the termination, to the agent for services rendered prior to termination, shall become due and payable even if they have not been invoices.

40. Related parties

Relationships	
Board Members	Refer to Accounting Authority's report note
Executive Authority (Minister of Higher Education, Science and Technology)	Dr Bonginkosi Emmanuel Nzimande
Controlling Entity	Department of Higher Education and Training
Entities with significant influence	Department of Agriculture, Forestry and Fisheries Department of Basic Education Department of Defence and Military Veterans Department of Justice and Constitutional Development
Public Entities (that transacted with NSFAS during the reporting period and had balances)	Agricultural Sector Education and Training Authority Bank Sector Education and Training Authority Chemical Industries Education and Training Authority Construction Education and Training Authority Culture Art Tourism Hospitality Sport Sector Education and Training Authority Education Training and Development Practices Sector Education Training Authority Fiber Processing and Manufacturing Sector Education and Training Authority Financial and Accounting Services Sector Education and Training Authority Food and Beverage Sector Education and Training Authority Health and Welfare Sector Education and Training Authority Insurance Services Sector Education and Training Authority Local Government Education and Training Authority Manufacturing Engineering and Related Services Sector Education and Training Authority Mining Qualifications Authority Media Information and Communication Technologies Sector Education and Training Authority National Skills Fund National Institute for Humanities and Social Sciences Safety and Security Sector Education and Training Authority Services Sector Education and Training Authority Energy and Water Sector Education and Training Authority Transport Education and Training Authority Wholesale and Retail Sector Education and Training Authority

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021

40. Related parties (continued)

TVET Colleges

Boland College
Buffalo City College
Capricorn College for TVET
Central Johannesburg College
Coastal KZN TVET College
College of Cape Town for TVET
East Cape Midlands
Ehlanzeni TVET College
Ekurhuleni East College for TVET
Ekurhuleni West College for TVET
Elangeni College for TVET
Esayidi TVET College
False Bay College for TVET
Flavius Mareka TVET College
Gert Sibande TVET College
Goldfields TVET College
Ikhala Public Further Education and Training College
Ingwe Public TVET College
King Hintsa Public TVET College
King Sabata Dalindyebo TVET College
Lephalale TVET College
Letaba TVET College
Lovedale Public TVET College
Majuba College for TVET
Maluti TVET College
Mnambithi TVET College
Mopani South East TVET College
Motheo TVET College
Mthashana TVET College
Nkangala TVET College
Northern Cape Rural TVET College
Northern Cape Urban TVET College
Northlink College
Orbit TVET College
Port Elizabeth College
Sedibeng College for TVET
Sekhukhune TVET College
South Cape College
South West Gauteng College
Taletso TVET College
Thekwini TVET College
Tshwane North College for TVET
Tshwane South College for TVET
Umfolozi College for TVET
Umgungundlovu TVET College
Vhembe TVET College
Vuselela TVET College
Waterberg TVET College
West Coast College
Western College for TVET

There were no other transactions that were not in the ordinary course of business to the state. Transactions between NSFAS and the listed entities are consistent with a normal operating relationship; arm`s length transactions have been omitted from presentation.

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021

41. Non Executive Directors expenses and Executive Management emoluments

Key management

2022

	Board fees	Financial Committee fees	HRRC fees (II)	Other (I)	Total package 2022	Total package 2021
Board expenses						
Meeting fees	1 961	132	30	-	2 123	396
Travel and accommodation	-	-	-	2 162	2 162	185
Total Board expenses*	**1 961**	**132**	**30**	**2 162**	**4 285**	**581**

	Board fees	Financial Committee fees	HRRC fees (II)	Other (I)	Total package 2022	Total package 2021
***Board meeting fees and expenses per board member**						
Ernest Khosa (Chairperson)	526	22	-	847	1 395	124
Yonke Twani (Member)	135	-	-	164	299	28
Bamanye Matiwane (Member)	263	-	-	361	624	51
Julie Beya (Member)	76	-	19	96	192	71
Cyril Madaiba (Member)	99	-	-	29	128	23
Max Fuzani (Member)	163	-	11	192	366	99
Pumela Msweli (Member)	161	-	-	88	249	42
Richard Msweli (Member)	-	-	-	-	-	21
Sanele Zondi (Member)	194	-	-	95	289	44
Lindiwe Matlali (Member)	88	-	-	45	133	24
Reshma Mathura (Member)	119	13	-	41	173	29
Lisa Seftel (Co-opted member)	-	-	-	60	60	10
Melosi Baloyi (Co-opted member)	137	-	-	83	220	15
Thomas Kgokolo (FinCom member)	-	28	-	22	50	-
Khumo Mzozoyana (FinCom member)	-	69	-	39	107	-
Total Board expenses	**1 961**	**132**	**30**	**2 162**	**4 285**	**581**

I. Included in 'other' is travel and accommodation expenses.

II. Human Resource and Risk Committee fees.

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021

41. Non Executive Directors expenses and Executive Management emoluments (continued)

	Meeting Fees	Other (l)	Total Package 2022	Total Package 2021
Audit and Risk Compliance expenses				
Meeting fees	155	-	155	147
Travel and Accommodation	-	2	2	-
Total ARC Expenses	**155**	**2**	**157**	**147**
		4		

	Meeting fees	Other (l)	Total Package 2022	Total Package 2021
ARC meeting fees and expenses per member				
Bulani Mahlangu (ARC Chairperson)	58	2	60	54
Joe Samuels (ARC member	24	-	24	31
Crystall Abdoll (ARC member)	44	-	44	31
Zakariya Hoosain (ARC member)	13	-	13	31
Reshma Mathura (ARC member)	16	-	16	-
Total ARC Expenses	**155**	**2**	**157**	**147**

	Salary of fee	Retirement fund contribution	Medical contribution	Other	Total package 2022	Total package 2021
Executive Managers						
Executive Officer (a)	3 119	-	-	33	3 152	1 273
Acting Chief Financial Officer (b)	-	-	-	-	-	1 389
Human Resources Executive (c)	-	-	-	-	-	1 304
Acting Human Resources Executive (d)	-	-	-	-	-	690
Chief Operations Officer (e)	1 554	161	-	17	1 732	1 677
Acting Chief Information Officer (f)	-	-	-	-	-	1 071
Acting Chief Information Officer (g)	-	-	-	-	-	757
Chief Corporate Services Officer (h)	1 533	153	-	16	1 702	1 566
Governance Risk and Compliance Executive (i)	1 210	-	67	13	1 290	1 641
Acting Chief Financial Officer (o)	508	-	19	6	533	-
Acting Chief Corporate Services Officer (p)	351	24	10	4	389	-
Chief Financial Officer (q)	793	-	21	9	823	-
Chief Information Officer (r)	827	-	-	9	836	-
Total Executive Managers	**9 895**	**338**	**117**	**107**	**10 457**	**11 368**

	Salary or fee	Retirement fund contribution	Medical contribution	Other	Total package 2022	Total package 2021
Key Managers (Advisors to the Administrator)						
Administrator (j)	-	-	-	-	-	2 762
Risk and Finance Advisor- k	-	-	-	-	-	1 977
ICT Advisor (l)	-	-	-	-	-	1 416
TVET Advisor to the Administrator (m)	-	-	-	-	-	1 228
Stakeholder Advisor to Administrator (h)	-	-	-	-	-	201

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021

41. Non Executive Directors expenses and Executive Management emoluments (continued)

OHSA (Security and Business Advisor Advisor (n)	-	-	-	-	-	1 503
Total Key Managers (Advisors to the Administrator)	-	-	-	-	-	9 087

a. Andile Nongogo - Executive Officer appointed 1 December 2020.

b. Itayi Daringo- Chief Financial Officer (Acting) appointed from 9 December 2019 to 28 February 2021.

c. Vuyokazi Dwane - Human Resource Executive was appointed from 1 December 2017 to 24 June 2020.

d. Lungisa Mtumtum - Acting Human Resource Executive was appointed from 1 February 2019 to 30 June 2019, and from 12 June 2020 to 31 December 2020.

e. Nthuseng Maphahlele - Chief Operations Officer was appointed on 1 April 2020.

f. Dr Sibongiseni Thotsejane - Data Advisor to the Administrator was appointed 1 February 2020 and acted from 7 March 2020 to 15 September 2020 as Acting Chief Information Officer.

g. Luyanda Mathomana-Chief Information Officer (acting) appointed from 21 September 2020 to 28 February 2021.

h. Sibongile Mnwcabe - Stakeholder Advisor to the Administrator was appointed from 20 September 2019 to 10 June 2020 and appointed as Chief Corporate Services Officer from 11 June 2020.

i. Thaaniya Isaacs - Governance Risk and Compliance Executive was appointed on 17 June 2019 to 15 December 2021.

j. Dr Randall Carolissen - Administrator was appointed as Administrator by the Minister of Higher Education and Training in terms of section 17A(1)(c) of the NSFAS Act for the period 21 August 2018 to 20 August 2019. The second term effective the Administrator was appointed by the Minister of Higher Education, Science and Innovation from 21 August 2019 to 20 August 2020 (per Government Gazette 42662) was extended to 31 December 2020.

k. Prakash Mangrey - Acting Chief Financial Officer from 1 January 2019 to 8 December 2019. No acting allowance was paid. Risk and Finance Advisor to the Administrator was appointed from 1 October 2018 to 31 December 2020.

l. Colin Fourie - ICT Advisor to the Administrator and Acting Chief Information Officer was appointed from 20 October 2018 to 6 March 2021.

m. Samuel Zungu -TVET Advisor to the Administrator was appointed from 1 January 2020 to 31 December 2020.

n. Mukhtar Mohamed - OHSA (Security and Business Continuity Advisors) was appointed from 1 April 2019 to 31 December 2020.

o. Ché Muller- Chief Financial Officer (Acting) appointed from 1 August 2021 to 30 November 2021.

p. Kagisho Mamabolo- Chief Corporate Services Officer (Acting) appointed from 1 January 2022.

q. Masile Ramorwesi - Chief Financial Officer appointed from 1 December 2021.

r. Modibedi Oliphant - Chief Information Officer appointed from 1 November 2021.

42. Going concern

We draw attention to the fact that at 31 March 2022, the entity had a surplus of R6,4 billion and that NSFAS`s total assets exceed its liabilities by R20,3 billion.

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.

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021

42. Going concern (continued)

The ability of NSFAS to continue as a going concern is dependent on a number of factors. The going concern assessment was based on the below financial, operating and other considerations:

- Budget to support the APP for the financial year 2022-23 was approved with an overall spend of R39.7 billion;
- The current assets exceed current liabilities by R20.3 billion, of the current ratio is at 2.8:1;
- The NSFAS has a positive balance of R11,2 billion in relation to cash flow from operating activities;
- The surplus for the year amounted to R6,4 billion;
- There are no long term liabilities or borrowings against the NSFAS other than Deferred income from non-exchange transactions of R2,6 billion;
- All contingent liabilities against NSFAS, if successful can be settled.

43. Segment information

General information

Identification of segments

For management purposes, the NSFAS is organised and operates in key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level.

The information relating to primary and secondary regularly reviewed by management to make funding decisions. The revenue and bursary expenditure and the related surplus are considered regularly by management in making funding decisions. Other financial information is not assessed per segment for reporting or decision making purposes.

Aggregated segments

The NSFAS operates nation wide the information is aggregated by funder and not by location.

The key functional segments comprise of:

The segments were organised around the type of service delivered (bursary) and the target market (TVET vs University Student).

Since the Primary and Secondary segments do cross over, GRAP 18 does allow for a matrix approach to be employed.

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
TVET Students	Student Bursaries
University Students	Student Bursaries

Notes to the Annual Financial Statements

Figures in Rand thousand

43. Segment information (continued)

Segment surplus or deficit, assets and liabilities

Segment surplus or deficit

2022

	Grants received for student awards	Total Segment revenue	Bursary expenditure	Total Segment expenditure	Total segment (deficit) surplus
Revenue					
DHET: TVET	-	-	(4 781 984)	(4 781 984)	(4 781 984)
DHET: Universities	43 613 472	43 613 472	(31 901 801)	(31 901 801)	11 711 671
Other Funders: TVET	-	-	-	-	-
Other Funders: Universities	1 312 860	1 312 860	(1 768 537)	(1 768 537)	(455 677)
Total	**44 926 332**	**44 926 332**	**(38 452 322)**	**(38 452 322)**	**6 474 010**
Revenue related reconciling items					
Commission received		102			102
Administration fees		44 590			44 590
Interest revenue		889 707			889 707
Other income		1 786			1 786
Unallocated debtor receipts		813			813
Administration grants		367 782			367 782
Entity's revenue		**46 231 112**			
Expenditure related reconciling items					
Employee related cost					(193 448)
Depreciation and amortisation					(6 386)
Audit fees					(9 644)
Consulting and professional fees					(59 356)
General expenses					(90 925)
Loss on disposal of property, plant and equipment					(298)
Impairment adjustment					(1 485 215)
Impairment (reversal)/Loss - Amounts owing by institutions long-term (exchange)					(3 247)

43. Segment information (continued)

Entity's Surplus (deficit) for the period					**5 930 271**

Notes to the Annual Financial Statements

Figures in Rand thousand

43. Segment information (continued)

Segment assets and liabilities

2022

	Prepayments to institutions	Amounts owing by Institutions	Amounts due to Institutions	Total segment assets	Total segment liabilities
DHET: TVET	562 625	1 694 243	(2 643 368)	2 256 868	(2 643 368)
DHET: Universities	885 635	6 290 153	(9 649 256)	7 175 788	(9 649 256)
Other Funders: Universities	156 104	981	(14 750)	157 085	(14 750)
Total segment assets	**1 604 364**	**7 985 377**	**(12 307 374)**	**9 589 741**	**(12 307 374)**
Reconciling items					
Inventories				214 192	-
Student loans (exchange)				5 054 155	-
Receivables				4 297 572	-
Cash and cash equivalents				11 227 518	-
Property, plant and equipment				21 955	-
Intangible assets				1 959	-
Operating lease liability				-	(1 498)
Provisions				-	(24 934)
Deferred income from non-exchange transactions				-	(3 256 324)
Payables				-	(690 107)
Total as per Statement of financial Position				**30 407 092**	**(16 280 237)**

On the first-time adoption of GRAP 18, comparative segment information is not required.

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Other information

On the first-time adoption of GRAP 18, comparative segment information is not required in terms of the transitional provisions.

44. Budget information

Material differences between budget and actual amounts

The Minister approved the initial budget as per the budget submitted in the Annual Performance Plan. The variances 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.

44.1 : The following were not budgeted for:

Notes to the Annual Financial Statements

Figures in Rand thousand 2022 2021

44. Budget information (continued)

Inventories (amount is not material)
Operating lease liability (amount is not material)
Commission Revenue - sBux (amount is not material)
Unallocated Debtors Receipts (amount is not material)
Irrecoverable debts written off
Social benefit component on student loans issued
Impairment loss - Amounts owing by other funders
Residual valuation adjustments
Impairment loss - Amounts owing by institutions long-term (exchange)
Amounts owing by institutions
Proceeds from sale of property, plant and equipment (amount is not material)
Purchase of other intangible assets
Other cash item (amount is not material)

44.2 : The variances calculated for these amounts were less than 15% and do not require further explanation.

44.3: Adjustments

Statement of Financial Performance:

Administration fees - The entity received additional funding from the National Skills Fund and onboarded the Department of Labour Compensation Fund as a new funder. The revised funding allocations has had an impact on the receipt of related administration fees.

Interest revenue - The entity made an adjustment to the interest revenue projections based on the expected utilisation of the additional funding received.

Other Income - The entity obtained approval for the roll-over of unspent committed budget from the prior year as well as approval for the utilisation of the cash surplus from the prior financial year.

Administration grants - The entity obtained additional funding re-prioritised by its Executive Authority as an earmarked grant to support the core business system.

Grants received for student awards - The Minister of the Higher Education, Science, and Innovation made additional funding available for the NSFAS funding shortfall for the 2021 academic year.

Personnel costs - Budget adjustments were approved during the year to make provision for mission critical projects, governance improvement projects and the NSFAS office premises move.

Depreciation and amortisation - A budget adjustment was made based on the audited outcome of the prior financial year and expected capital investments.

Bursaries - Universities - The Minister of the Higher Education, Science, and Innovation made additional funding available for the NSFAS University funding shortfall for the 2021 academic year.

Audit fees - The budget adjustment was to align the approved budget with the approved audit plan.

Consulting and professional fees - The entity received an additional budget allocation for funds requested during the financial year for earmarked projects. Additional funds were reprioritized to provide for other projects.

General Expenses - Budget was reprioritized for the NSFAS office premises move, increased rental costs of the new premises and unavoidable expenses related to communications costs.

Impairment loss - Amounts owing by institutions long-term - A budget adjustment was made based on the audited outcome of the prior financial year.

Statement of Financial Position:

There was a budget adjustment based on the audited outcome of the prior financial year which applies to the following line items in the Statement of Financial Position:

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021

44. Budget information (continued)

- Prepayments to institutions
- Receivables from non-exchange transactions
- Cash and cash equivalents
- Property, plant and equipment
- Student loans (exchange)
- Amounts owing by institutions (exchange)
- Amounts due to institutions (non-exchange)
- Capital fund

Statement of Cash Flows:

Grants for capital fund and administration costs - The entity received additional funding for the NSFAS University funding shortfall for the 2021 academic year from DHET.

Student loan repayments - capital - A budget adjustment was made based on the audited outcome of the prior financial year.

For student awards - A budget adjustment was made based on the expected completion of the 2017, 2018 and 2019 close-out project.

To employees and suppliers - This budget adjustment is based on the delays that were anticipated with the completion of the governance improvement projects.

Purchase of property, plant and equipment - A budget adjustment was made based on the reprioritizations of budget during the year for purchase of network infrastructure assets.

Purchase of other intangible assets - A budget adjustment was made based on a change in plans to procure software and rather have it developed.

Net increase/(decrease) in cash and cash equivalents - Combined outcome of all other budget adjustments.

Statement of Financial Performance

44.4 : Interest revenue (exchange)
Interest revenue is below the budgeted interest as the balances in the call accounts were below what was expected to be received. Additional expected grant funding was received after year end. In addition to this, the impact of the loan book valuation on the interest resulted in a further negative variance.

44.5 : Other income (exchange)
Other income budgeted for relates to the movement of recoveries funding to fund the Debt Collection Commission expenditure. Other income actually received relates to the re-imbursive portion of skills development levies received from the Bank SETA and insurance claims received for lost or stolen staff laptops.

44.6 : Grants received for student awards
The material variance is due to the additional funding made available for the NSFAS University funding shortfall for the 2021 academic year.

44.7 : Depreciation and amortisation
The overspending is due to an urgent need that arose to invest computer infrastructure hardware.

44.8 : Bursaries - TVET Colleges
There due to Covid 19 impact on households and loss of income the demand for university bursaries increased. There was a projected budget shortfall, the shortfall was covered additional funding provided by NSF.

44.9 : Bursaries - Universities
The demand for TVET bursaries was lower than predicted resulting in a lower bursary spend.

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021

44. Budget information (continued)

44.10 : Consulting and professional fees
The majority of underspending resulted from a delay in the receipt of the earmarked grant to support the core business system. Underspending on debt collection commission was due to data issues previously identified with the files sent to the External Debt Collectors which affected the debt collection process and the corresponding debt collection commission paid. Additional underspending resulted from the suspended use of credit bureaus for applicant income verifications.

44.11 : General Expenses
Underspending resulted from delays experienced with the finalisation of the fit-out of the new NSFAS office premises and the setting up of the network infrastructure at the new premises.

44.12 : Impairment loss - Amounts owing by institutions long-term
The associated balance was assessed for impairment in the current year. To the extent that NSFAS determines that the balances are impaired, after performing its impairment test, these balances are written off.

Statement of Financial Position:

44.13 : Student loans (exchange) - short term
The short-term portion of the student loans is measured as the expected cash flows for the next twelve months based on the amortised cost calculations. Cash flow projections were reduced by a further 20% after considering the impact of the current Covid-19 pandemic and the associated impact on the macro economic conditions.

44.14 : Amounts owing by institutions (exchange) - short term
Estimates of amounts due by institutions were reassessed based on prior year actual outcomes. This has resulted in amounts accrued during the current year being higher than the revised budget.

44.15 : Receivables from non-exchange transactions
The increase is due to allocation agreement signed late in the financial period, and funds not received before period end.

44.16 : Property, plant and equipment
Property, plant and equipment is over budget as a result of additional furniture and fittings required for the new NSFAS office space relocation.

44.17 : Intangible assets
Intangible assets is under budget due to the annual licenses not being capitalized due to the terms of these licenses.

44.19: Amounts owing by institutions (exchange) - long term
As part of the debtors circularisation process in the current year, institutions were asked to confirm when they expect to settle the amounts declared. In addition to this, the current close out project is expected to be completed by the second quarter of the 2022/23 financial year. Due to the ongoing processes that are expected to be finalised within the current financial year, it is expected that a greater proportion is recovered sooner and therefore the non current portion is less that the budget.

44.19 : Deferred income from non-exchange transactions - short term
The variance is due to reclassification in the financial period of Deferred income from non-exchange transactions between non-current and current.

44.20 : Payables from exchange transactions
Payables were higher than expected for accruals, unutilised vouchers and unallocated receipts.

Cash Flow:

44.21 : Student loan repayments - capital
There has been lower rates of recoveries associated with the challenging macroeconomic conditions. This is also impacted by debtors not making the initial contact with the NSFAS and providing updated contact information as the debts become due and payable.

44.22 : For student award
The current close out project was expected to be completed during the period under review. Underspending relates to the funds that was planned to be disbursed based on the finalisation of the close out project.

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021

44. Budget information (continued)

44.23 : To employees and suppliers
The variance is due to an unexpected increase in prepayments due to the renewal of multi year contracts and the additional costs for the NSFAS office premises move.

44.24 : Purchase of property, plant and equipment
Property, plant and equipment is over budget as a result of additional furniture and fittings required for the new NSFAS office space relocation.

45. BBBEE Performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

46. Non-submitting institutions

The Close out process was finalised for academic periods 2017 -2021 during the 2022 financial period. There are some institutions that failed to submit student data during the reconciliation period. NSFAS elected to disclose the amounts for non-submitting institutions using registration data without adjusting for estimates. NSFAS elects to use the available registration data to inform recognition of assets and liabilities. This information is verifiable and supportable as registration data was received from the institutions. There is a risk that the amounts due and amounts owing from institutions can change within the next financial year, should the institutions choose to submit the outstanding information. This would affect note 4, 6, 13 and note 26.

PART E - FINANCIAL INFORMATION

Supplementary Information

Figures in Rand thousand	2022	2021
1. General expenses		
Advertising	1 075	950
Assessment rates & municipal charges	238	225
Bank charges	1 073	1 032
Cleaning	2 715	26
Collection costs	6 298	14 435
Commission paid	474	4 896
Compliance - National Credit Regulator	330	330
Computer expenses	417	415
IT expenses	26 640	27 198
Electricity	1 528	1 200
Insurance	797	751
Lease rentals on operating lease	11 212	8 129
Media costs	245	250
Motor vehicle expenses	21	17
Office expenses	181	387
Placement fees	112	489
Printing and stationery	60	151
Promotions	1 502	983
Renovation costs	-	181
Repairs and maintenance	2 291	1 823
Payroll services	969	811
Security services	1 324	917
Subscriptions and membership fees	1 853	1 098
Telephone and fax	17 957	3 760
Training	2 045	730
Travel - local	9 568	8 311
	90 925	**79 495**

National Student Financial Aid Scheme

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