



NSFAS

National Student Financial Aid Scheme



2016/2017 Annual Report



Years of Funding
Post-School Education
1991 - 2016





List of Abbreviations

AGSA	Auditor-General of South Africa	NDP	National Development Plan
AOPO	Audit of Predetermined Objectives	NSDS	National Skills Development Strategy
APP	Annual Performance Plan	NSF	National Skills Fund
ASB	Accounting Standards Board	NSFAS	National Student Financial Aid Scheme
ASISA	Association for Savings and Investment South Africa	OHSA	Occupational Health and Safety Act
BBBEE	Broad Based Black Economic Empowerment	PACS	Payment and Collection Services
MEC	Member of Executive Council	PAIA	Promotion of Access to Information Act
CAMS	Corporate Access Management Services	PAJA	Promotion of Administrative Justice Act
CFO	Chief Financial Officer	PCHET	Portfolio Committee on Higher Education and Training
CIO	Chief Information Officer	PFMA	Public Finance Management Act
CRO	Chief Risk Officer	PIC	Public Investment Corporation
COO	Chief Operating Officer	PPPFA	Preferential Procurement Policy Framework Act
DBE	Department of Basic Education	SAICA	South African Institute of Chartered Accountants
DHET	Department of Higher Education and Training	SAMSA	South African Maritime Safety Authority
DMV	Department of Military Veterans	SARS	South Africa Revenue Service
ECPG	Eastern Cape Provincial Government	SCER	Select Committee on Education and Recreation
EO	Executive Officer	SCM	Supply Chain Management
ETDP	Education, Training and Development Practices	SCOPA	Standing Committee on Public Accounts
EXMA	Executive Management	SETA	Sector Education and Training Authority
GM	General Manager	SOP	Schedule of Particulars
GRAP	General Recognised Accounting Practices	TR	Treasury Regulations
HR	Human Resources	TVET	Technical and Vocational Education and Training
ICT	Information and Communication Technology	KPI	Key Performance Indicator
LAF	Loan Agreement Form	CGICTAS	Corporate Governance of Information and Communication Technology Assessment Standards
LRA	Labour Relations Act	IT	Information Technology
MEC	Member of the Executive Council	FRM	Funder Relationship Management
MTEF	Medium Term Expenditure Framework	PDO	Predetermined Objectives
NCA	National Credit Act	TEFSA	Tertiary Education Fund of South Africa
NCR	National Credit Regulator		
NCOP	National Council of Provinces		
NCV	National Certificate (Vocational)		



Table of Contents

	Statement by the Minister	vi
	Performance Highlights	iv
	About NSFAS	x
1.	Strategic Overview	1
2.	Legislative and other mandates	2
2.1	Vision	4
2.2	Mission	4
2.3	Values	5
3.	Organisational Structure	6
4.	Foreword by the Chairperson	8
5.	Overview by the Executive Officer	10
6.	Report of the Chief Financial Officer	12

A

General Information

1	Statement of Responsibility for Performance Information	18
2.	Overview of Performance	19
3.	Situational Analysis	20
4.	Annual Performance Report	22

B

Performance Information

1.	Introduction	30
2.	Human Resources Oversight Statistics	31

C

Human Resources and Administration

1.	Introduction	36
2.	Committees of Parliament	36
3.	Executive Authority	37
4.	Board Secretary	37
5.	NSFAS Board	38
6.	Board Committees	38
7.	Board Meetings Attendance	39
8.	Executive Committee Meetings Attendance	40
9.	Finance Committee Meetings Attendance	40
10.	Audit and Risk Committee Meetings Attendance	41
11.	Joint Meetings of the Audit and Risk and Finance Committees Meetings Attendance	42
12.	Human Resources and Remuneration Committee Meetings Attendance	42
13.	Information and Communications Technology Committee Meetings Attendance	43
14.	Board Appointments	44
15.	Board Expenses	45
16.	Report of the Audit and Risk Committee	46
17.	Internal Audit and Audit Committees	50
18.	Compliance with Laws and Regulation	50
19.	Fraud and Corruption	51
20.	Minimising Conflict of Interest	51
21.	Code of Conduct	51
22.	Health, Safety and Environmental Issues	52

D

Governance

1.	Financial Information	54
2.	Report of the External Auditors	60
3.	Financial Statements	68

E

Financial Information



Performance Highlights

(for the 2016/17 financial year)



255 557
STUDENTS

assisted at 50 Technical and Vocational
Education and Training (TVET) colleges



R12,4 billion

disbursed in student financial aid as follows:

R2.1 billion students

to TVET college (100% bursaries)

R10.3 billion

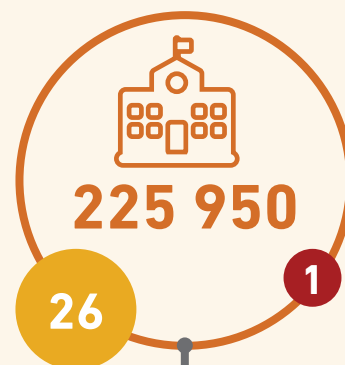
TO UNIVERSITY STUDENTS AS
FOLLOWS:

R2.3 billion

100% bursaries

R8 billion

in convertible loans (R2,9 billion + converted to bursaries
based on student performance)



225,950 students assisted at
26 public universities

R3,53 billion


recognised as the social
benefit component after
bursary conversion



NOMINAL VALUE OF LOAN BALANCES:

R29.8 billion





No approved student who meets the NSFAS means test and has been offered a place at any university, will be required to make upfront payments or registration fee.

— Minister Blade Nzimande



Statement by the Minister

Government is pleased that the National Student Financial Aid Scheme (NSFAS) has now progressed into the implementation phase of the much talked about student-centred model, which is being fully rolled out for the first time, in the 2017 academic year.

There could not have been a better time for this transition to happen than the scheme's 25th anniversary. As NSFAS celebrated 25 years of existence in 2016, I am delighted to share with you some of the significant achievements we have done.

As government, we are proud that through NSFAS, we have provided much needed transformation in higher education since the establishment of the scheme. From 1991 with a then significant funding budget of R21.4 million, the scheme grew gradually to a funding budget of R70.4 million in 1994, and R510 million in the year 2000. It is however, in the 2010 academic year that government massively increased the scheme's funding to R3.6 billion to respond to the growing need of access to higher education.

It was also in this year (2010) that I established a Ministerial Review Committee to look into the state of student funding as it was, and proposed effective ways of enhancing the NSFAS experience for the growing number of our students. From 2010, our NSFAS funding budget increased by almost 50% to R5.6 billion in the 2011 academic year. This escalated to R9 billion in 2014 and R10 billion in 2016. By end of 2014, NSFAS had disbursed R7 billion to assist

university students and R2 billion to assist TVET college students. This is a clear indication of government's commitment to progressively increase access to institutions of higher learning for our young people.

NSFAS remains a strategic vehicle for government to progressively deliver financial support and partial free education to our country's poorest students. Recent enrolment statistics at institutions of higher learning have shown that there is a growing demand of quality higher education amongst young people who come from previously disadvantaged background.

My executive colleague in cabinet, Minister of Basic Education – Ms Angie Motshekga, reported – during her announcement of 2016 matric results – that the 2016 matric class was the biggest class yet in terms of learner population. This is obviously a clear indication of the growing student population that needs access into higher education. We welcome this growth as it takes the country on an upward trajectory in both developmental and socio-economic stakes.

Education remains the central nervous system of growth in our country's general development.



As such, we have taken note as government and have moved swiftly in creating a positive environment for higher education to thrive. As the Minister responsible for Higher Education and Training, two things are of utmost importance to me:

- Ensuring speedy transformation in our institutions of higher learning; and
- Providing progressive financial aid to poor students whose families cannot afford the rising cost of higher education.

It is for this reason that as part of our efforts to give strategic general support to the mandate of NSFAS, my department has approved the University Capacity Development Program (UCDP), which will prioritise historically disadvantaged universities. This programme will allocate R900 million in its first year of implementation, increasing nominally in subsequent years, to enable the implementation of capacity development activities in universities that are focused on

student success, staff development and curriculum transformation. This will include the recruitment and training of new academics.

While government has gradually increased the funding budget of NSFAS, it is still not sufficient to cover all eligible students who require financial aid and meet the requisite academic requirements at universities. We are also piloting a scheme for the missing middle which is not yet a final product. We have invited all stakeholders to engage with us on this matter so that we can come up with a conclusive funding method.

I would like to thank the NSFAS Board, under the stewardship of Mr Sizwe Nxasana; the NSFAS executive management; and employees who all played a role during the 2016/17 financial year, to make the first year of the Student-Centred Model a success. We have noted the challenges experienced by all parties in the system, and I am delighted that the Board has consistently reported solutions and progress in this regard, to the portfolio committee responsible for higher education.



Dr Blade Nzimande, MP

Minister of Higher Education and Training

“The historic debt of all students who qualify for NSFAS has been resolved. The R2, 543 billion will assist 71 753 identified students with loans, who qualified for NSFAS funding but were either partially or not funded at all over the past three academic years

— Minister Blade Nzimande



A

General Information

The background of the slide features a photograph of a large, multi-story university building with a central palm tree in the foreground. The image has a warm, yellowish-orange tint. In the bottom right corner, there is a white outline map of South Africa.

Cape Peninsula University of Technology

R324,6 million

Students assisted

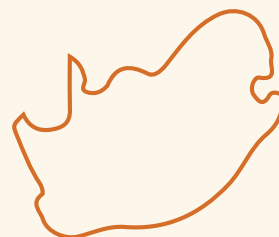
8 793



About NSFAS

Registered Name and Country of Incorporation and Domicile:

National Student Financial Aid Scheme, South Africa

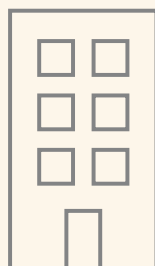


Nature of Business and Principal Activities

The business of the entity is to provide financial assistance in the form of loans or bursaries to eligible students at public higher education institutions and Technical and Vocational Education and Training (TVET) colleges, to administer such loans and bursaries, and to recover the loans from students once they are employed.

Registered Office & Business Address

2nd Floor, House Vincent
10 Brodie Road, Wynberg Mews
Cape Town
7800



Postal Address

Private Bag X1
Plumstead, Cape Town
7800

Contact Details

+27 21 763 3200
0860 067 327
info@nsfas.org.za

Bankers

FNB Corporate Bank (Cape Town) a division of First Rand Bank Limited

Website Address

www.nsfas.org.za

1

Strategic Overview

The National Student Financial Aid Scheme (NSFAS) was established in terms of the National Student Financial Aid Scheme (Act 56 of 1999).

It is responsible for providing loans and bursaries to eligible students at all public universities, Technical and Vocational Education and Training (TVET) colleges throughout the country. Further mandates of the entity include the recovery of student loans and raising funds for the student loans and bursaries.

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

NSFAS IS RESPONSIBLE FOR:

- Providing loans and bursaries to eligible students;
- Developing criteria and conditions for the granting of loans and bursaries to eligible students in consultation with the Minister of Higher Education and Training;
- Raising funds;
- Recovering loans;
- Maintaining and analysing a database of students and undertaking research for better utilisation of financial resources;
- Advising the Minister on matters relating to student financial aid; and;
- Performing other functions assigned to it by the NSFAS Act or by the Minister.

2

Legislative and other mandates

1. CONSTITUTIONAL MANDATE

THE BILL OF RIGHTS STATES IN SECTION 29:

Education:

(1) Everyone has the right-

a) to a basic education, including adult basic education; and

b) 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.

2. OTHER LEGISLATIVE MANDATES

In addition to the NSFAS Act, legislation and regulation applicable to NSFAS include the following:

- Basic Conditions of Employment Act, 1997
- Employment Equity Act, 1998

- Education Laws Amendment Acts, 2007, 2011
- Further Education and Training Act, 1998
- Higher Education Act, 1997
- Labour Relations Act, 1995
- National Credit Act, 2005
- National Education Policy Act, 1996
- National Qualifications Framework Act, 2008
- National Environmental Management Act, 1998 amended 2003
- Occupational Health and Safety Act, 1993
- Preferential Procurement Policy Framework Act (PPPFA), 2000
- Promotion of Access to Information Act, 2000
- Promotion of Administrative Justice Act, 2000
- Protection of Personal Information Act, 2013
- Public Finance Management Act, 1999
- Skills Development Act, 1998
- Skills Development Levies Act, 1999
- National Treasury Regulations
- SETA Grant Regulations

3. POLICY MANDATES

(a) National Development Plan - 2030

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.

(b) The National Skills Development Strategy III

The National Skills Development Strategy III - The key driver of this strategy is improving the effectiveness and efficiency of the skills development system. This strategy represents an explicit commitment to encouraging the linking of skills development to career paths, career development and promoting sustainable employment and in-work progression.

NSFAS contributes to the attainment of the rights described in Section 29 of the Bill of Rights by providing financial aid to students from poor and working class families.



2.1

Vision

A model public entity that provides financial aid to all eligible public university and Technical and Vocational Education and Training (TVET) college students from poor and working class families.

2.2

Mission

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

The mission statement is made up of three distinct elements which describe why NSFAS exists, what 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 loans and bursaries and collects student loan repayments to replenish the funds available for future generations of students; and
- 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.

2.3

Values

EXTERNAL VALUES TOWARDS OUR STUDENTS AND STAKEHOLDERS:

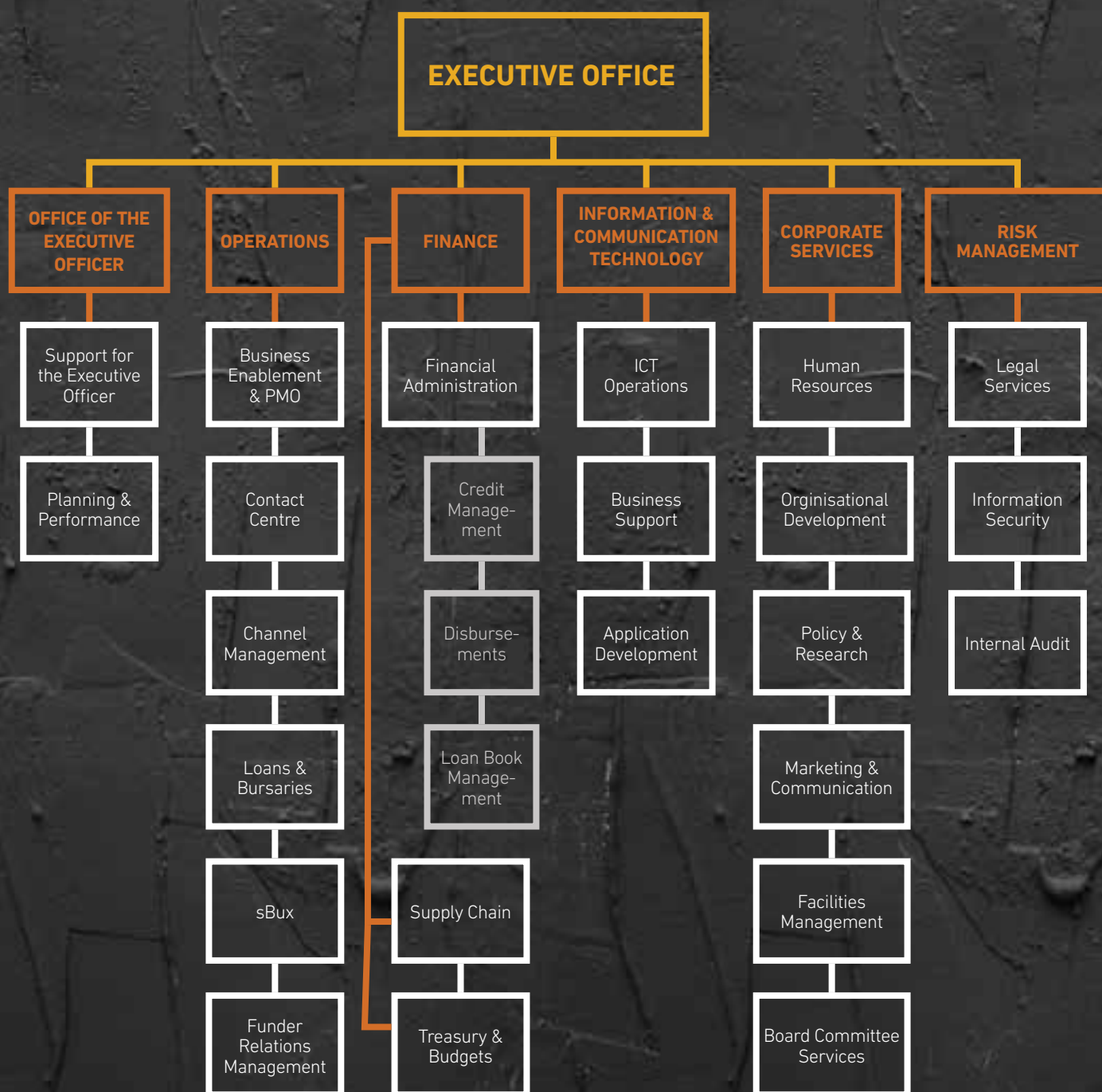
ACCESSIBILITY	We create an environment that allows efficient, effective and direct access to NSFAS and the funding it provides to eligible students.
TRANSPARENCY	We are open and honest with all students and stakeholders.
AFFORDABILITY	We offer affordable solutions for students to study at public universities and TVET colleges.
RELIABILITY	We honour our commitments and strive to deliver on our mandate.
AUTHENTICITY	We protect our students and stakeholders by offering quality services and information.

INTERNAL VALUES TOWARDS OUR EMPLOYEES AND THE ORGANISATION:

INTEGRITY	We act with integrity towards all stakeholders, and support clients that uphold the same values.
ACCOUNTABILITY	We take responsibility for our actions that drive performance management.
RESPECT	We treat all our staff members with respect and fairness.
INNOVATION	We strive to innovate in communicating with and serving students.

3

Organisational Structure





4

Foreword by the Chairperson

This financial year was the 25th year since NSFAS was established with the sole purpose and mandate of providing financial support to poor and academically deserving students to get access to higher education institutions.

Established in 1991 as the Tertiary Education Fund of South Africa (TEFSA) with an initial funding budget of R21.4 million, the scheme has grown to disbursing R12 billion in 2016. This is a clear indication that government has prioritised the funding of students and increasing equity and access at institutions of higher learning.

The second notable milestone for the scheme has been the migration of all public universities and Technical and Vocational Education and Training colleges to the student-centred model for the 2017 academic year wherein students apply directly to NSFAS for financial aid. This transition required a significant increase in NSFAS resources and involved major changes to the systems and processes of NSFAS to handle a large number of student applications. The transition from the pilot phase in 2014 to the full roll-out of the model during the fourth quarter of this financial year brought with it a huge number of challenges around technology and communication. The NSFAS Board acted swiftly to deal with migration challenges and avert what might have been a calamitous crisis in the higher education sector in the 2015/16 financial year, I

expressed that the NSFAS board's vision for the 2016/17 year was to provide more benefit to more students. Three elements remain the most critical pillars underlying the NSFAS mandate:

- To provide funding in the form of loans and bursaries to more eligible students;
- To source extra funding from alternative sources; and
- To recover money from working NSFAS beneficiaries.

This financial year saw an increase in funding from the Department of Higher Education and Training for the 2016 academic year, and this has resulted in additional students being funded compared to the prior academic year. This is a notable outcome and shows government's responsiveness in making higher education accessible to poor students, especially given the slow economic growth and fiscal constraints.

The public and students are often not aware of the significant subsidies and grants which are enjoyed by NSFAS-funded students at South African public universities. As part of ensuring that access to higher



education for the students is further increased, the scheme has a number of benefits which include:

- The conversion of 40% of NSFAS loans to grants if funded university students pass their first and second years of study;
- The conversion of the total amount of the loan in the final year of study to a grant if funded university students pass their final year of study;
- No repayment of student debt during the course of study is required;
- Interest charges are also deferred during the course of study, including 12 months after exit from a public university;
- Interest charged on outstanding amounts is heavily subsidised at 80% of repo rate. This is a significant subsidy if one considers that the prime rate is typically 350 basis points above the repo rate. If the prime interest rate is 10.25%, NSFAS funded students would only pay interest of 5.6% on their outstanding loans;

The board's vision remains the same as in the previous year: To lead an efficient and effective funding scheme that is student centric and responsive to the needs of all its stakeholders.

- The funding to the TVET colleges, is a full bursary, with no expectation for a repayment.

The total social benefit enjoyed by NSFAS students during the year under review was R10.5 billion. Without the social benefits measures outlined above, access to higher education for potentially deserving students would be much lower than is currently the case.

As part of the measures of ensuring that the student funding pool is increased, during the prior financial year, the board and management crafted a new debt collection strategy. The outcome of such an initiative can be clearly demonstrated with the entity exceeding its collection targets. A special thanks is therefore extended to management for their commitment in ensuring that outstanding debt is continuously collected, thus increasing the pool of available funding for students.

Having said this, we will continue to do more in the sector in the 2017/18 financial year. We invite our partners and other stakeholders invested in South Africa's future to join us on this journey by supporting our initiatives through shared capability building.

FUNDING SCHEME FOR LOWER AND MISSING MIDDLE

As board chairperson, I feel honoured to have been selected to chair the Ministerial Task Team which is investigating the feasibility of providing fully subsidised university education to poor students and progressively subsidised university education to students from working class backgrounds. I am committed to continue executing all my respective duties with the required diligence to ensure that all categories of disadvantaged students are fully supported by government and all involved stakeholders. I believe that my role as chairperson of NSFAS has played a tremendous part in providing important lessons about the dynamics of the higher education sector.

LOOKING TO THE FUTURE

The board's vision remains the same as in prior years: To lead an efficient and effective funding scheme that is student-centric and responsive to the needs of all its stakeholders. The rollout of the student-centred model and the changes that were made during the last quarter of this financial year, including the investment in additional capacity and improvement of operating efficiencies will ensure that, going forward, the entity is well positioned to deliver on its mandate.

GRATITUDE

I would like to take this opportunity to thank the Management, board of NSFAS and the shareholder for their support, focus and dedication in what was an extremely challenging financial year. I would also like to thank our broader stakeholders who worked with the entity during the challenging part of this financial year, in trying to find solutions to the problems of the rollout of the student-centred model and demands for increased student funding. A special thanks is extended to Universities South Africa (USAF) for their continued support, the Minister of Higher Education and Training, Dr. Bonginkosi (Blade) Nzimande, the Director General in the Higher Education and Training, Mr. Gwebinkundla Qonde, National Treasury and the Minister of Finance, Mr. Malusi Gigaba.

We also thank the Portfolio Committee on Higher Education and Training and the Select Committee for their oversight, guidance and commitment in ensuring that NSFAS fulfils its mandate of increasing access to higher education for financially needy and academically deserving students. I would also like to take this opportunity to thank the Executive Officer, Mr. Msulwa Daka, for his service during his employment at NSFAS.



Mr. Sizwe Nxasana
Board Chairperson

5

Overview by the Executive Officer



The 2016/17 financial year marked NSFAS' 25th anniversary.

The 2016/17 financial year, marks the 25th year since NSFAS' inception. From humble beginnings in 1991 to 2016, student funding that is being managed by the entity has grown significantly and that has ensured that many deserving students are funded.

The 2016 academic year has seen the organisation funding 225,950 of students at 26 public universities and 225,557 students at 50 TVET Colleges across the country. The number of funded students has increased by 9% to 451,507 in the current year compared to 414,949 in the 2015 academic year. The increase in funded students was mainly driven by the additional funding that was made available by National Treasury, through the Department of Higher Education and Training.

The last quarter of this financial year coincided with the full roll-out of the student-centred model for the 2017 academic year, wherein students applied directly to NSFAS for financial aid. The transition brought with it many challenges around the system performance, communication and required a resolve from NSFAS staff and different stakeholders to work together to avert what might

have been a crisis and ensure that student funding decisions were communicated to the Institutions timeously.

The 2016/17 financial year was the most difficult in the history of the organisation, since the Ministerial Review in 2010. It is against this background that I am presenting the annual performance of NSFAS, where only four out of the seven (57%) strategic objectives were achieved. The Organisational performance can be further analysed as follows: key performance indicators achieved – seven (7) (54%) and key performance indicators not achieved/partially achieved – six (6) (46%).

The Organisation however recorded an outstanding achievement in debt recoveries. Collections increased by 73% to R392.4 million from R226.7 million in the prior year and has exceeded the performance target of R285 million by 38%. This demonstrates management's commitment to increase the pool of funding available for student funding. The funds recovered are particularly important for student funding, as every last quarter of the financial year (first quarter of the academic year), NSFAS utilises the

recoveries to fund upfront payments to universities and TVET Colleges. Upfront payments enable institutions to waive registration fees for NSFAS funded students.

Another notable achievement was in the strides made in building the knowledge management unit and being able to produce the four research reports as per the annual performance plan. The research reports will inform policy relating to post school education. This achievement also demonstrates the intention of the organisation to provide the Minister of Higher Education and Training with advice on matters regarding financial aid as stipulated by the NSFAS Act.

I would like to express my heartfelt gratitude to all the NSFAS staff who work tirelessly day and night, often under challenging circumstances, to ensure that students are funded.

I would also like to take this opportunity to thank the Board of NSFAS for their continued support during this difficult period, the Minister of Higher Education and Training and the Minister of Finance.

Management understands that: theirs is not a right; but rather a privilege to work for an entity that is central to human development. It is therefore very important that we treat interaction with the students and stakeholders with the sensitivity and the respect it deserve.

FORWARD LOOKING STATEMENT

The organisation anticipates receiving a huge volume of applications for funding via its online platform from potential students for the 2018 academic year. A lot of effort has gone into addressing issues that were experienced by applicants in submitting applications for the 2017 academic year. Attention has also been given to reviewing the adequacy of ICT systems, performance and capacity, building organisational capacity and improving the student experience through a streamlined and user-friendly application form. The objective is to turn NSFAS into an organisation that places the needs of the students and various stakeholders at the heart of its operations.

The higher education sector is currently going through a transformation journey, and that is experienced through the demand for free education by students and the work currently being undertaken by the Presidential Fees Commission. The outcome of this work will potentially have a significant impact on the work done by the entity.

Management understands that theirs is not a right; but rather a privilege to work for an entity that is central to human development. It is therefore very important that we treat the interaction with the students and stakeholders with the sensitivity and the respect they deserve.

I am confident that under the guidance and leadership being provided by the Ministry of Higher Education and Training and the NSFAS Board. Management will ultimately deliver on the mandate of creating an effective and efficient financial aid scheme and ensure that funding reaches all the deserving applicants.



Mr Lerato Nage
Executive Officer (Acting)

6

Report of the Chief Financial Officer

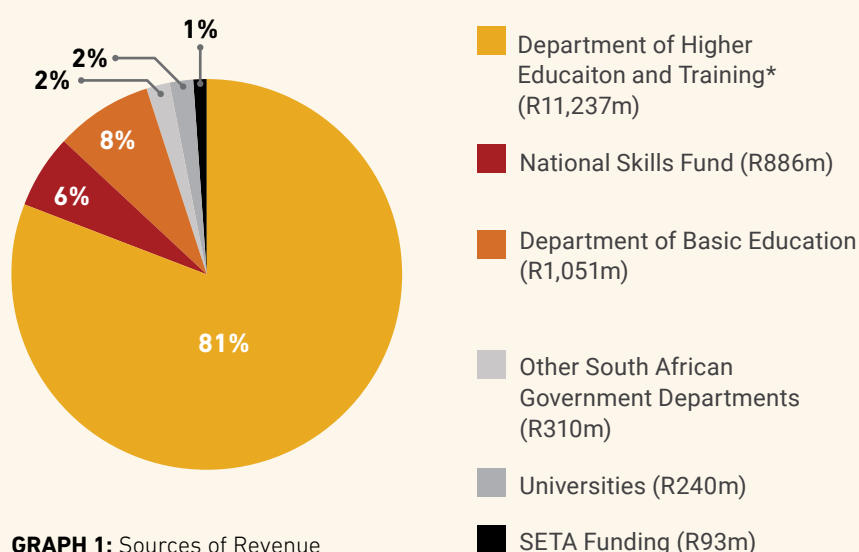
The year ended 31 March 2017 has been a challenging one for NSFAS for the reasons that have been highlighted in the Acting Executive Officer's report.

Highlights from the year under review include a significant increase in the number of students funded following the allocation of historic debt funding, the rollout of the student centred model to remaining institutions and the capacity issues that emerged during the rollout. In this report, I will discuss how the entity has responded to the emerging issues from a financial perspective and the significant achievement in meeting the collections target.

FUNDING: STUDENT FINANCIAL AID

The demand for funding continues to exceed the funding that is available from NSFAS and other funders. To this end, National Treasury, through the Department of Higher Education and Training (DHET) made available additional funding for historic debt amounting to R4.6 billion for the 2016 academic year. This has resulted in grants received for student awards revenue, before the impact of accounting adjustments in terms of GRAP 23, increasing by 51% to R13,8 billion from R9,1 billion in the prior year.

The graph below illustrates the different sources of student funding for the 2016/17 financial year.



GRAPH 1: Sources of Revenue



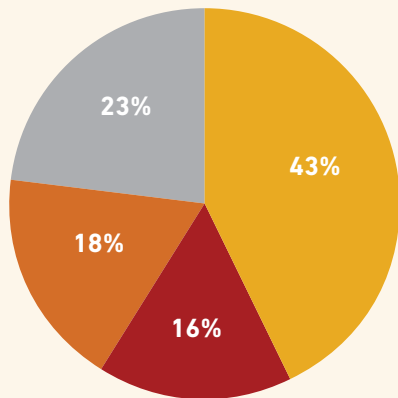
The graph shows that DHET makes the largest contribution to student funding of 81%, followed by the Department of Basic Education (8%) and the National Skills Fund (6%).

DISBURSEMENT OF FINANCIAL AID

During the year, NSFAS disbursed R12,4 billion (R2015/16: R9,36 billion) in student financial aid, an increase of 33.6% compared to the prior year. Universities were allocated R10,3 billion of the funding (83.0%) while TVET colleges were allocated R2,1 billion (17.0%). The statement of comparison of actual amounts to budget – cash flow shows that the entity has underspent grants for student awards by R2,6 billion. The underspending comprises of historic debt funding R1,4 billion and other funders R1,2 billion. Underutilisation of historic debt funding by universities resulted in a re-allocation

of the funding to first time entrants for the 2016 academic year in the last quarter of the academic year. Due to timing of the academic year, universities were unable to utilise the allocated first time entrants funding by the end of the entity's financial year. Consequently, NSFAS was unable to meet its performance target for claims paid to institutions outside of the student-centred model by 31 December, having paid 84% of the claims against a target of 100%.

The amount disbursed to students during the past financial year can be analysed as follows.



GRAPH 2: Analysis of disbursements

- Net loans at nominal value - R5,4bn
- TVET 100% Bursaries - R2,1bn
- 100% University Bursaries - R2,3bn
- 40% University Bursaries - R2,9bn

Funding disbursed to institutions increased by 33.6% to R12.4 billion from R9.36 billion in the previous year.

— Morgan Nhiwatiwa

It is worth noting that only 43% of the amount disbursed to new students is recognised as loans, at nominal value.

Collections have increased by 73% to R392.4 million from R226.7 million in the prior year.

RECOVERIES

The implementation of the Board approved recoveries strategy has continued to bear fruit, as demonstrated by collections continuing to increase throughout the year. I am pleased to report that collections have increased by 73% to R392,4 million from R226,7 million in the prior year and have exceeded the performance target of R285,0 million by 38%. This is significant given that NSFAS has not met this performance target for the past few years.

The out-performance can be attributed to assistance provided by SARS in identifying debtors who are now working, assistance from employers and improved capacity of the recoveries unit through

the employment of external debt collection companies.

STUDENT LOANS

As at 31 March 2017, the entity recorded a loan book with a cumulative nominal value of R29.8 billion (2016/17: R24,2 billion) and a carrying value of R9,3 billion (2016/17: R7,2 billion). Net new loans issued during the year increased by 100% to R5,4 billion from R2,7 billion in the prior year. The valuation adjustments due to non-repayment of amounts due, deferred payment terms and concessionary rates came to 70% (R3.5 billion) (2016/17: 66%, R1,8 billion), resulting in a net increase in loans recognised of R1,7 billion (2016/17: R916 million).

INCREASE IN CASH BALANCES AND DEFERRED INCOME

The statement of financial position shows that cash and bank balances have increased by 321% from R912 million to R3,9 billion in the current year and deferred income increased by a 315% from R825 million to R3,4 billion. The reason for the significant increase in cash and bank balances and deferred income is the under-utilisation of allocations by institutions.

CONTINGENT LIABILITY

In the student centred model, NSFAS commits to fund students for the term of study provided they meet the progression requirements. In terms of GRAP 3, NSFAS has recognised a contingent liability for the commitment to fund students in the future. The contingent liability has increased by 400% from R5,0 billion in the prior year to R25,1 billion in the current year due to the migration of all students to the student-centred model.

FUNDING: ADMINISTRATION BUDGET

The developments in the last few years, in particular, the increase in the funds administered by NSFAS and the rollout of the student-centred model have placed considerable strain on the organisation's operations, its systems and its administration budget.

NSFAS' administration budget for the current year was funded from DHET, R177,1 million (2015/16: R148,9 million) and administration fees charged to other funders, R20,4 million (2015/16: R22,3 million). While the administrative budget of the entity has increased from the prior year, the administrative budget remains under significant strain. This is illustrated by the administration

Total bursaries awarded to students during the year amounted to R7.3 billion, an increase of 14% from the prior year amount of R6.4 billion.

expenses ratio to total funding administered of 1.85% (2016/17: 1.90%) which is lower compared to entities of similar size.

COST CONTAINMENT

In line with National Treasury instructions, NSFAS has implemented cost containment measures on the use of consultants, travel expenditure and entertainment costs. Operational expenses have however increased by 30% from R176,1 million in the prior year to R229,7 million in the current year, due to the increased mandate of the entity and organisational transformation to support the rollout of the student-centred model.

ORGANISATIONAL SUSTAINABILITY

The annual financial statements have been prepared on the basis of accounting policies applicable to an ongoing 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 entity has appropriated funds which are contained in the Medium Term Expenditure Framework (MTEF) and is confident that it will continue to disburse funding in the new financial year.

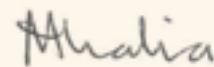
LOOKING AHEAD

The Finance Department is in the process of conceptualising and designing an improved recoveries strategy, which will be presented at the Board workshop in September 2017. The strategy currently under review will seek to build on the momentum established during the 2016/17 financial year. Key initiatives planned include obtaining further assistance from South African Revenue Service (SARS) to identify NSFAS debtors who have started working and to confirm contact details, and further engagement with targeted employers in the public sector and the private sector to effect salary deductions.

The challenges that the organisation experienced with the rollout of the student-centred model have highlighted capacity constraints that the organisation has in key processes, human resources and ICT systems. National Treasury has acknowledged the need for additional administration budget funding and has allocated R87 million in additional funding to NSFAS over the MTEF period. This will go a long way in properly capacitating NSFAS to operate effectively and efficiently.

NSFAS would like to express its heartfelt appreciation to the Department of Higher Education and

Training and National Treasury for their continued support. I also wish to express my appreciation to SARS and the employers in the public and private sector who have indicated willingness to assist NSFAS with our collection efforts. And, lastly, I wish to thank our funders for their partnership and support.



Mr. Morgan Nhiwatiwa
Chief Financial Officer (Acting)



B

Performance Information



Mangosuthu University of Technology

R275,4 million

Students assisted

7 380

1

Statement of Responsibility for Performance Information

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

All information and amounts disclosed in this annual report are consistent with the annual financial statements audited by the Auditor-General of South Africa. The annual report is complete, accurate, and free from any omissions. The annual report has been prepared in accordance with guidelines of annual report as issued by National Treasury.

The accounting authority is responsible for the preparation of annual performance report and the judgements made in this information. The accounting authority is responsible for establishing, and implementing a system of internal controls, which has been designed to provide reasonable assurance on the integrity and reliability of the performance information, and the human resources information.

In our opinion, the annual report fairly reflects accurate facts on operations, performance information, human resource information, governance and the financial affairs of NSFAS for the financial year under review.

Yours faithfully



Mr. Lerato Nage
Executive Officer (Acting)



Mr. Sizwe Nxasana
Board Chairperson

2

Overview of Performance

The annual performance report is based on the strategic objectives and the performance indicators as set out in the 2015/16 to 2019/20 Strategic Plan and the 2016/17 Annual Performance Plan.

The Strategic Plan and the Annual Performance Plan outline the seven (7) strategic objectives and thirteen (13) performance indicators of the entity. In the financial year under review, NSFAS achieved the targets set for four (4) (57%) out of seven (7) of the strategic objectives and the targets set for seven (7) (54%) out of the thirteen (13) of the key performance targets, as shown in the pie charts on the right.

NSFAS exceeded its performance targets for money recovered from NSFAS debtors (Strategic Objective 2) and the migration of all institutions to the student-centred model (Strategic Objective 3). Exceeding the collections target by more than 30% is a remarkable and a significant achievement for the entity, having failed to meet this performance targets for several consecutive years. Successful execution of the activities outlined in the recoveries strategy which was initiated towards the end of the 2015 financial year accounts for this outperformance.

The entity has met its performance targets for employee engagement

(Strategic Objective 6), which indicated that 70% of our employees are happy to work for NSFAS; and also achieved the targets for research, by producing four (4) substantive research reports with actionable recommendations.

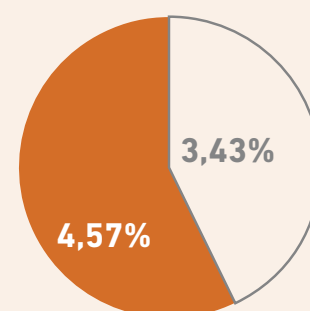
The annual performance report indicates that NSFAS' performance in disbursing allowances to students and institutions, declined in comparison to the previous year. The entity was unable to meet its targets for the disbursement of allowances to students within the seven (7) days mainly due to system configuration issues. As NSFAS was migrating all institutions to the student-centred model in preparation for the 2017 academic year, there was limited capacity to address the issues that were causing delays in the disbursement of allowances. NSFAS was also unable to meet its target for paying 100% of claims to institutions outside the student model by 31 December, as a significant number of claims were only received in December and could therefore not be processed before 31 December.

With respect to Strategic Objective 5, much effort has gone into improving the quality and reliability of reporting and improving the ICT control environment, but this has not yet yielded the desired results. Management is confident that the corrective actions, both already

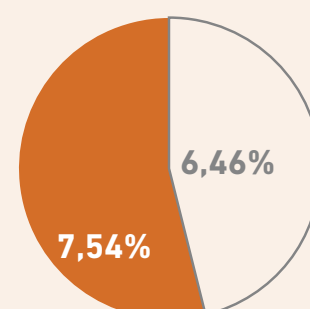
implemented and those in the process of being implemented, will achieve the desired results in the forthcoming financial year.

The performance report indicates that the entity partially met its targets for fundraising. Although the performance target for funding raised from new funders was exceeded, the target for funding raised from current funders was not achieved. Several SETAs did not renew their funding in 2016 due to historic issues experienced with reporting. NSFAS has invested time and effort in addressing these issues during the year and expects to raise additional funds from SETAs going forward.

PIE CHART 1: Overall performance - Strategic Objectives



PIE CHART 2: Overall performance - Key Performance Indicators



■ Achieved □ Not Achieved

NSFAS achieved the targets set for four (4) (57%) out of seven (7) of the strategic objectives and the targets set for seven (7) (54%) out of the thirteen (13) of the key performance targets.

3

Situational Analysis

SERVICE DELIVERY ENVIRONMENT

There have been no changes in the external and internal environments that could have affected performance since the development of the Strategic Plan.

The Annual Performance Plan (APP) maps out the road that NSFAS will follow to achieve its strategic goals in the 2017/18 financial year, as set out in the NSFAS Strategic Plan for the fiscal years 2016/17 to 2020/21.

The APP further outlines initiatives that NSFAS will implement, on an annual basis, to realise its long-term strategic goals and objectives. The plan was used as the basis for monitoring progress against the Strategic Plan, where performance against the target was reported to stakeholders on a quarterly and annual basis.



4

Annual Performance Report

	STRATEGIC OBJECTIVES	KEY PERFORMANCE INDICATORS
Achieved	4 (57%) ●	7 (54%) ●
Partially Achieved	3 (43%) ●	6 (46%) ●

PROGRAMME 1 – ADMINISTRATION

NO.	STRATEGIC OBJECTIVE	OBJECTIVE STATEMENT	NO.	PERFORMANCE INDICATOR
1	Improve financial, performance management and IT governance audit outcomes.	To continually improve governance standards by improving financial, predetermined objectives and ICT audit outcomes.	1.1	AGSA audit opinion (Financial).
			1.2	AGSA audit opinion – predetermined objectives.
			1.3	Status level for CGICTAS achieved.
2	Strive for an improved organisational culture of high performance and high productivity by improving employee engagement.	To strive for a high performance culture by improving productivity and increasing employee engagement.	2	Percentage Employee engagement index.

	AUDITED PERFORMANCE 2015/16	ANNUAL TARGET 2016/17	ACTUAL PERFORMANCE 2016/17	VARIANCE	REASON FOR VARIANCE	STATUS
	New Indicator.	Clean Audit.	Unqualified audit opinion with material findings on AOPO and compliance laws and regulations. Not Achieved.	(100%)	In the previous year, material misstatements were identified on the valuation of the loan book and the loan to bursary conversion process.	●
	New Indicator. Achieved.	Clean Audit.	Material findings identified on PDOs (usefulness of indicators) and material non-compliance (collection of revenue and material misstatements). Not Achieved.	(100%)	Compliance <ul style="list-style-type: none"> Although the recovery strategy was implemented in 2015/16, the results were not sufficient to meet the Performance target set for collections. There was also non-compliance due to material misstatements on financial statements as per KPI 5.1. Reporting against predetermined objectives <ul style="list-style-type: none"> Audit findings were identified in respect of changes made to KPIs that were approved by the Board but not by the DHET and indicators that did not meet the usefulness criteria. Misstatements were identified on reported performance information due to the findings on usefulness of indicators as well as reported performance not agreeing to supporting documentation. 	●
	CGICTAS Level 3 - Full compliance. Achieved.	Maintain CGICTAS Level 3-Full.	CGICTAS level 3 and level 4 achieved. Achieved.		The performance for the year is in line with the target set at the beginning of the financial year.	●
	71% of employees engaged Achieved.	Employee engagement 60%.	70% of employees engaged Achieved.	(10%)	The entity invested significant effort in the launch of the leadership behaviors charter which was well received by employees. This accounts for the actual performance exceeding target.	●

NO.	STRATEGIC OBJECTIVE	OBJECTIVE STATEMENT	NO.	PERFORMANCE INDICATOR
3	Undertake research for better utilisation of financial resources.	To use the research findings as an input to decision making internally within NSFAS, and to potentially be able to influence policy.	3	Number of reports on Research or data analytics conducted.

PROGRAMME 2 – STUDENT CENTRED FINANCIAL AID

NO.	STRATEGIC OBJECTIVE	OBJECTIVE STATEMENT	NO.	PERFORMANCE INDICATOR
1	Increase in funding (Rand value) raised for financial aid for qualifying students.	To increase the pool of funding available for eligible student loans and bursaries incrementally each year through various fund raising mechanisms.	1.1	Amount of funds (Rand value) raised from new funders.
			1.2	Increase in amount of funds (Rand value) raised from current funders.
2	Increase the amount of money recovered (Rand value) from NSFAS debtors.	To improve loan recoveries incrementally each year through improving systems for recoveries.	2	Amount of money recovered (Rand value) from NSFAS debtors.

AUDITED PERFORMANCE 2015/16	ANNUAL TARGET 2016/17	ACTUAL PERFORMANCE 2016/17	VARIANCE	REASON FOR VARIANCE	STATUS
<p>Five research reports produced:</p> <p>Research topic 1: Research on the research available.</p> <p>Research topic 2: A Cohort analysis.</p> <p>Research topic 3: Prisoners.</p> <p>Research topic 4: The impact of NSFAS.</p> <p>Research topic 5: Meal allowances.</p> <p>Achieved.</p>	Four Reports produced per year.	<p>Four Reports drafted and finalised.</p> <p>Achieved.</p> <p>Report 1: Labour Market Absorption rate of NSFAS funded students.</p> <p>Report 2: Recoveries mechanisms on NSFAS type institutions around the world.</p> <p>Report 3: What are the drivers of throughput rate at universities and TVETs.</p> <p>Report 4: Impact of final year funding.</p>			
AUDITED PERFORMANCE 2015/16	ANNUAL TARGET 2016/17	ACTUAL PERFORMANCE 2016/17	VARIANCE	REASON FOR VARIANCE	STATUS
New Indicator.	R10m	<p>R104m was raised from new funders.</p> <p>Achieved.</p>	R94m	The FRM unit engaged with various funders throughout the year to raise new funding. At the end of the year, funding of R100m was secured from ETDP SETA. This accounts for the actual performance exceeding target.	
<p>R2,4 billion raised from current funders.</p> <p>Achieved.</p>	R188m	<p>Funds from current funders decreased by R114.9m versus the target set for the year.</p> <p>Not Achieved.</p>	(R285,9m)	Several SETAs (Service SETA & MQ SETA and funders DMV & ECPG) did not renew their funding or have reduced their funding to NSFAS for the 2016 academic year, due to historical challenges experienced with the quality of the reporting. The FRM unit has started the search for improved reporting processes and will seek new reporting timelines. These challenges account for the non-performance during the 2016/17 financial year.	
<p>61 % (R227.8m) of annual target (R372.7m) Collected.</p> <p>Partially achieved.</p>	R285m	<p>137% (R392m) of annual target (R285m) collected.</p> <p>Achieved.</p>	R107m	The entity met and exceeded the recoveries target. This was mainly driven by successfully executing against the activities outlined in the recoveries strategy which included continuously sending statements to debtors and the appointment of External Debt Collection Agencies. The entity also worked closely with the Office of the Accountant-General in the National Treasury to assist with recovering outstanding debt from debtors.	

PROGRAMME 2 – STUDENT CENTRED FINANCIAL AID

NO.	STRATEGIC OBJECTIVE	OBJECTIVE STATEMENT	NO.	PERFORMANCE INDICATOR	
3	Increase the percentage of students on student-centred model.	To roll-out the new student centred model by increasing the percentage of students on the model.	3.1	Percentage of students migrated to new student-centred model.	
4.	Improve the efficiency of payments of tuition, residence fees and allowances to NSFAS students and institutions.	To progressively improve the efficiency of payments of tuition, residence fees, allowances and claims to students and institutions.	4.1	Percentage of institutions in the student-centred model paid tuition and residence fees within 30 days.	
			4.2	Percentage of students in the student-centred model paid allowances within 7 days.	
			4.3	Percentage of claims paid to institutions outside of the student-centred model.	
			4.4	Upfront payment made to by 31 March as a percentage of total allocations.	

AUDITED PERFORMANCE 2015/16	ANNUAL TARGET 2016/17	ACTUAL PERFORMANCE 2016/17	VARIANCE	REASON FOR VARIANCE	STATUS
24% of NSFAS students migrated to the new student-centred model. Partially achieved.	80%	100% of students are on the student centred model. Achieved.	20%	The organisation decided to migrate 100% of institutions into the student-centred model, as opposed to the target of 80%.	●
The target was 90% students paid tuition and residence within 30 days. Over 90% achieved in all quarters, 98.5 % was achieved as average for the year. Achieved.	98%	The target was 98% students paid tuition and residence within 30 days. Over 98% achieved in all quarters, 99.4 % was achieved as average for the year. Achieved.	1.4%	The performance for the year is in line with the target set at the beginning of the financial year.	●
The target was 90% students paid allowances within 7 days. Over 90% achieved in all quarters, 94.2 % was achieved as average for the year. Achieved.	98%	40.8% of the students were paid allowances within 7 days. Not Achieved.	(57.2%)	The entity was unable to meet its targets for the disbursement of allowances to students within seven (7) days due to system configuration issues. The development work required to address the configuration issues was not prioritised as the ICT systems were being reconfigured for the rollout of the student-centred model to remaining institutions.	●
Paid 100% of all claims received (97% of total allocation). Achieved.	100%	84% (R9.2 billion), of claims received (R10.9 billion), were paid. Not Achieved.	(16%)	The target was not achieved as a significant number of claims were received in December and could not be paid before 31 December 2016. Claims were received late by NSFAS due to disruptions experienced by universities.	●
Institutions paid 30% of their allocation as an upfront payment 100%. Achieved.	30%	15% of upfront payments were paid. Not Achieved.	(15%)	The upfront payments to Institutions were limited to the available cash resources. The main contributor of only paying a limited amount is the increase in 2017 student funding allocations; only 15% of the allocations could be funded from the funds recovered from debtors (i.e. ex-students).	●



C

Human Resources
And Administration



Sefako Makgatho Health Sciences University

R86,1 million

Students assisted

1 585



1

Introduction

During the 2016/17 financial year, NSFAS experienced a number of significant changes within its operations, which impacted the human resources environment.

As a result, the Human Resources and Remuneration Committee (REMCO) of the Board engaged in a number of initiatives and objectives during the financial year. The strategic intent was to support the organisation and the new business model.

Human Resources (HR) continued to implement these strategies and objectives which included building capacity to support the student-centred model, the continuous review of the organisational structure to support the capacity requirements, the introduction of a Talent Management Framework, and the employee engagement initiatives.

The HR function has grown in capacity and competencies by the introduction of a specialised Organisational Development Unit whose mandate is to focus on specialised human resources functions, which include Talent Management, Change Management, Organisational Design and Learning & Transformation.

Capacitating the organisation in order to achieve its annual objectives

received much focus. In this regard NSFAS reports 204 new starters for the financial year which formed part of permanent and contract requirements of the organisation, as well as resources that were required for various projects, particularly Historic Debt. As part of the 2017 full implementation of the student-centred model, NSFAS employed at least 129 seasonal contract employees who assisted with the processing of applications in the Loans and Bursaries and the Contact Centre service units.

The total growth in the organisation's capacity was increased by 55%, and our vacancy rate, which stood at 31% in 2016, was at 9% by 31 March 2017. NSFAS also completed its first Graduate Internship Programme this year and retained many of the Interns who finished the programme.

As part of the outcomes of the 2016 Employee Engagement Survey which highlighted that the organisational "Values Dimension" required management interventions, management developed a set of Values Definitions and a Leadership Behavioural Charter which will be implemented during 2017.

Human Resources continued with efforts aimed at developing strategies to attract and recruit a skilled and capable workforce. The development of a talent management framework was completed and endorsed by the REMCO and the entity is now developing the associated policies and guidelines to support the implementation of the framework.

The review of the organisational structure was also one of the key initiatives undertaken to ensure that NSFAS is geared for the future. Management developed a student centred business value chain, and commenced with the development of the business processes which would guide the development of the ideal organisational structure.

Management presented their conceptual and high level management structure to the Board Committees as part of the first phase in the organisational redesign process.

2

Human Resource Oversight Statistics

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

PERSONNEL COSTS

Programme	Total Expenditure	Personnel expenditure	Personnel expenditure as % of total	No. of employees	Average personnel cost per employee
Administration	251,102,546	123,332,000	49%	401	307,561

PERSONNEL COSTS BY SALARY BAND

Level	Personnel Expenditure	% of total personnel expenditure	No. of employees	Average personnel cost per employee
Top Management	5,475,885	4.4%	3	1,825,295
Senior Management	24,478,794	19.8%	24	1,019,950
Professional/middle management	24,085,055	19.5%	34	708,384
Skilled	23,610,060	19.1%	55	429,274
Semi-skilled	36,939,823	30%	280	131,928
Unskilled	692,517	0,6%	5	138,503
Other & Provisions	8,049,866	6.5%	401	20,074
TOTAL	123,332,000	100.0%	401	307,561

EMPLOYMENT AND VACANCIES

Programme	2015/16 No. of employees	2016/17 Approved posts	2016/17 No. of employees	2016/17 No. of vacancies	% of vacancies
Administration	258	300	401	28	9.3%
Top Management	5	4	3	1	0.0%
Senior Management	23	26	24	2	7.7%
Professional/ middle management	31	47	34	13	27.7%
Skilled	52	67	55	12	17.9%
Semi-skilled	142	151	280	*0	0.0%
Unskilled	5	5	5	0	0.0%
TOTAL	258	300	401	28	9.3%

*The variation in calculation is due to the number of temporary resources that were employed in addition to the approved structure. Some of temporary resources were filled in lieu of vacant positions.

The percentages of vacancies are mostly as a result of available budget, in that vacancies were prioritised based on available budget. Senior management recruitment strategies included open adverts in the media, sourcing via recruiters, and headhunting initiatives. Current vacancies in this category are receiving high priority as part of the recruitment and selection strategy.

EMPLOYMENT CHANGES

Level	Employment at beginning of period	Appointments	Terminations	Employment at end of period
Top Management	5	0	2	3
Senior Management	23	10	9	24
Professional/middle management	31	11	8	34
Skilled	52	10	8	54
Semi-skilled	142	173	34	281
Unskilled	5	0	0	5
TOTAL	258	204	61	401

REASONS FOR LEAVING

Reason	Number	% of total number of staff leaving
Death	1	1.6%
Resignation	41	67.2%
Dismissal	1	1.6%
Retirement	0	0.0%
Ill-health	0	0.0%
Expiry of contract	18	29.5%
Other		
TOTAL	61	100%

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

Nature of disciplinary action	Number
Verbal warnings	4
Written warnings	6
Final written warnings	0
Dismissal	1
TOTAL	11



D

Governance

The background of the entire image is a dark, reddish-brown photograph of a young Black male student with short hair and glasses, looking down at a book. In the background, out of focus, are tall bookshelves filled with books.

University of Witwatersrand

R347,8 million

Students assisted

5 108



1

Introduction

NSFAS corporate governance embodies the processes and systems by which it is directed, controlled and held to account.

In addition to the legislative requirements in the NSFAS Act 56 of 1999, corporate governance is applied through the Public Finance Management Act (PFMA) (Act 1 of 1999) and incorporates the principles contained in the King Code of Governance Principles of South Africa, 2009.

2

Committees of Parliament

There are three committees of Parliament of the Republic of South Africa through which NSFAS accounts: (a) The Parliamentary Portfolio Committee on Higher Education and Training (PCHET) in the National Assembly; (b) The Select Committee on Education and Recreation (SCER), in the National Council Of Provinces (NCOP); and (c) The Standing Committee on Public Accounts (SCOPA) in the National Assembly.

During the year under review, NSFAS attended four meetings at the invitation of the Committees to present its Annual Report, Annual Performance Plan, Strategic Plan, and present its readiness for the 2016 academic year.

Key issues that were raised by the Committees were the 2015 student protests over inadequate funding; alleged fraud and corruption in the administration of NSFAS funds at the institutions; and improved governance and fund management systems. NSFAS was not required to appear before SCOPA during the year under review.

3

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.

Reports were submitted to the Executive Authority throughout the year and regular engagements took place on the utilisation of funds by universities and colleges. Interventions in the system to address issues such as the shortage of funding for loans at particular universities, or the provision of allowances to students at colleges resulted from these reports and engagements.

4

Board Secretary

The Executive Officer is designated as the secretary to the Board in terms of the NSFAS Act. The Executive Officer is assisted by the Board Committee Officer in carrying out these duties.

5

NSFAS Board

NSFAS is managed, governed and administered by the Board as the Accounting Authority.

The composition of the Board, in terms of NSFAS Act Section (5) (1) subject to subsection (4), is as follows: (a) 13 members appointed by the Minister of whom: (i) One member must be employed by the Department of Higher Education and Training; (ii) One member must be nominated by the Minister of

Finance; (iii) One member must be designated by the Minister as Chairperson of the Board; and (iv) Three members must be nominated by national organisations representing students; (b) Not more than four members who may be co-opted by the board; and (c) The Executive Officer contemplated in

section 9(1) of the NSFAS Act, who is the secretary. During the financial year, three members were co-opted to the board.

6

Board Committees

The NSFAS Act requires the Board to establish a minimum of two Board Committees: the Executive Committee and the Finance Committee.

In order to attend to its duties effectively, the Board has established

three other committees: the Audit and Risk Committee, Human Resources and Remuneration Committee and the Information and Communications Technology Committee.

The Board has been graded, for remuneration purposes, as Sub-

category B1 of the service benefit packages for office bearers of certain statutory and other institutions by the National Treasury Central Evaluation Committee.

7

Board Meetings Attendance

NO	NAME	31 MAY '16	29 JUL '16	BOARD STRAT. SESSION 27 SEP '16	28 NOV '16	SPECIAL BOARD MEETING 13 FEB '17	16 MAR '17	TOTAL
1	Sizwe Nxasana, Mr (Chairperson)	✓	✓	✓	✓	✓	✓	6
2	Andre Zeeman, Mr	n/a	✓	✓	✓	✓	✓	5
3	Jaco Van Schoor, Mr	Apology	✓	✓	Apology	✓	✓	4
4	Julia De Bruyn, Ms	✓	✓	✓	✓	✓	✓	6
5	Lumko Mtimde, Mr	Apology	Apology	✓	✓	✓	✓	4
6	Mary Bomela, Ms	n/a	n/a	✓	Apology	✓	✓	3
7	Nafisa Mayat, Ms	✓	✓	✓	✓	✓	✓	6
8	Nathan Johnstone, Mr	✓	✓	✓	✓	✓	✓	6
9	Neil Garrod, Prof	✓	✓	✓	✓	Apology	✓	5
10	Pearl Whittle, Ms	✓	✓	✓	✓	✓	✓	6
11	Rose Keanley, Ms	n/a	n/a	✓	Apology	✓	✓	3
12	Sibongile Masinga, Ms	✓	✓	✓	Apology	✓	✓	5
13	Thabo Moloja, Mr	✓	✓	✓	✓	✓	✓	6
14	Themba Mosia, Prof	✓	✓	✓	✓	✓	Apology	5
15	Yershen Pillay, Mr	✓	✓	✓	✓	✓	✓	6
16	Msulwa Daka, Mr (EO) [resigned 31 Jan 2017]	✓	✓	✓	✓	n/a	n/a	4
17	Lerato Nage, Mr [EO, Acting, appointed 16 Feb 2017]					n/a	✓	1

n/a - Not Applicable

8

Executive Committee Meetings Attendance

NO	NAME	25 APR '16	22 JUL '16	26 OCT '16	SPECIAL MEETING 04 JAN '17	SPECIAL MEETING 12 JAN '17	SPECIAL MEETING 19 JAN '17	26 JAN '17	TOTAL
1	Sizwe Nxasana, Mr (Chairperson)	✓	✓	✓	✓	✓	✓	✓	7
2	Jaco van Schoor, Mr	✓	✓	✓	✓	✓	✓	✓	7
3	Nathan Johnstone, Mr	✓	✓	✓	✓	✓	✓	✓	7
4	Pearl Whittle, Ms	✓	✓	✓	✓	✓	✓	✓	7
5	Sibongile Masinga, Ms	✓	✓	Apology	✓	Apology	✓	✓	5

9

Finance Committee Meetings Attendance

NO	NAME	25 APR '16	22 JUL '16	26 OCT '16	26 JAN '17	TOTAL
1	Jaco Van Schoor, Mr (Chairperson)	✓	✓	✓	✓	4
2	Julia De Bruyn, Ms	✓	✓	Apology	✓	3
3	Nathan Johnstone, Mr (by invitation)	✓	✓	✓	✓	4
4	Neil Garrod, Prof.	Apology	✓	✓	✓	3
5	Pearl Whittle, Ms	✓	✓	✓	✓	4
6	Sibongile Masinga, Ms (by invitation)	✓	✓	Apology	✓	3
7	Sizwe Nxasana, Mr	✓	✓	✓	✓	4
8	Thabo Moloja, Mr	✓	✓	✓	✓	4

10

Audit and Risk Committee Meetings Attendance

NO	NAME	26 APR '16	24 MAY '16	08 JUL '16	27 OCT '16	27 JAN '17	TOTAL
1	Nathan Johnstone, Mr (Chairperson)	✓	✓	✓	✓	✓	5
2	Andre Zeeman, Mr	n/a	n/a	Apology	✓	✓	2
3	Pearl Whittle, Ms (by invitation)	✓	n/a	n/a	n/a	n/a	1
4	Rob Dorrington, Prof	n/a	n/a	✓	Apology	✓	2
5	Shai Makgoba, Mr	✓	✓	✓	✓	✓	5
6	Sizwe Nxasana, Mr (by invitation)	✓	✓	✓	✓	✓	5
7	Theuns Tredoux, Mr	Apology	✓	Apology	✓	✓	3

n/a - Not Applicable

11

Joint Meetings of the Audit and Risk and Finance Committees Meetings Attendance

NO	NAME	24 MAY '16	21 JUL '16	31 AUG '16	TOTAL
1	Nathan Johnstone, Mr (Chairperson ARC)	✓	✓	✓	3
2	Andre Zeeman, Mr (ARC)	n/a	✓	✓	2
3	Jaco Van Schoor, Mr (Chairperson Fincom)	✓	Apology	Apology	1
4	Julia De Bruyn, Ms (Fincom)	✓	✓	Apology	2
5	Neil Garrod, Mr (Fincom)	✓	Apology	✓	2
6	Pearl Whittle, Ms (Fincom)	✓	✓	✓	3
7	Rob Dorrington, Prof (ARC)	✓	✓	✓	3
8	Shai Makgoba, Mr (ARC)	✓	✓	✓	3
9	Sizwe Nxasana, Mr (Fincom)	✓	✓	Apology	2
10	Thabo Moloja, Mr (Fincom)	✓	✓	✓	3
11	Theuns Tredoux, Mr (ARC)	✓	Apology	Apology	1
12	Lessing Labuschagne, Prof (by Invitation)	n/a	n/a	✓	1
13	Sibongile Masinga, Ms (by invitation)	n/a	n/a	✓	1

12

Human Resources and Remuneration Committee Meetings Attendance

NO	NAME	20 MAY '16	23 AUG '16	04 NOV '16	20 JAN '17	13 FEB '17	TOTAL
1	Sibongile Masinga, Ms (Chairperson)	✓	✓	✓	✓	✓	5
2	Amanda Glaeser, Ms	✓	✓	✓	✓	✓	5
3	Lumko Mtimde, Mr	✓	Apology	✓	Apology	✓	3
4	Nafisa Mayat, Ms	✓	✓	✓	✓	Apology	4
5	Thabo Moloja, Mr	✓	✓	✓	✓	✓	5
6	Yershen Pillay, Mr	✓	✓	✓	✓	✓	5
7	Sizwe Nxasana, Mr (by invitation)	n/a	n/a	n/a	n/a	✓	1

n/a - Not Applicable

13

Information and Communications Technology Committee Meetings Attendance

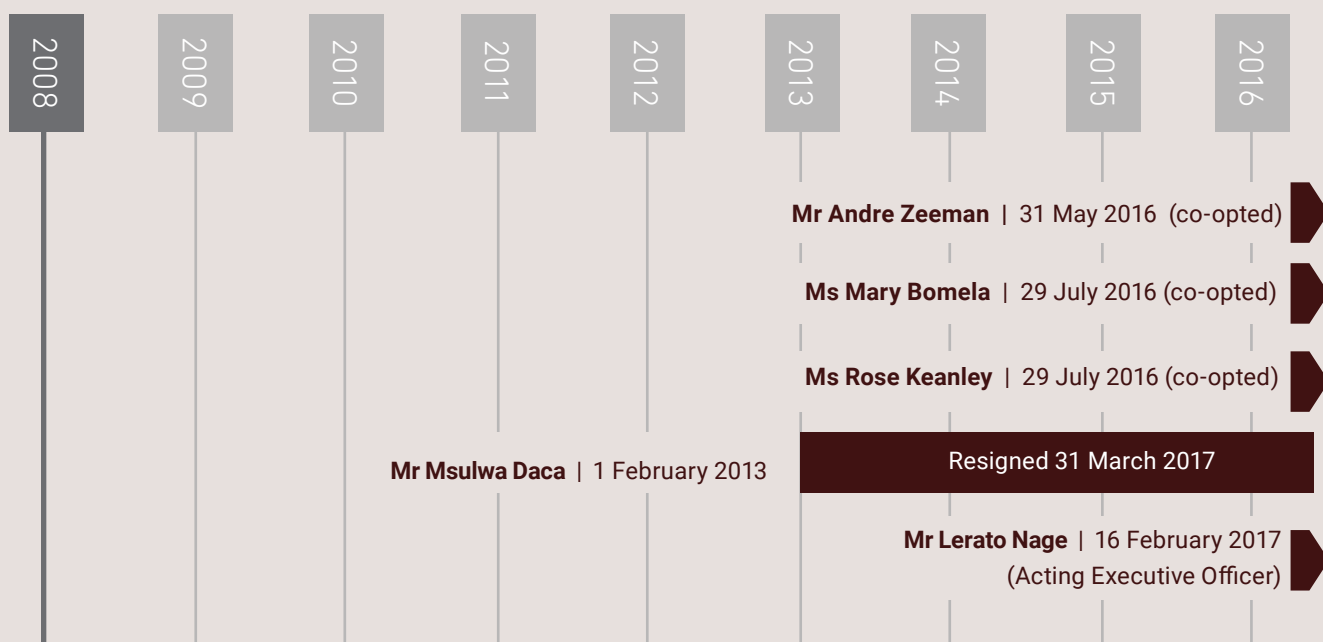
NO	NAME	04 APR '16	20 JUN '16	23 AUG '16	04 NOV '16	13 FEB '17	TOTAL
1	Lessing Labuschagne, Prof (Acting Chairperson)	✓	✓	✓	✓	✓	5
2	Mary Bomela, Ms	n/a	n/a	Apology	✓	✓	2
3	Nathan Johnstone, Mr	✓	✓	Apology	✓	✓	4
4	Quenten Friday, Mr	Apology	✓	✓	✓	✓	4
5	Sibongile Masinga, Ms	Apology	✓	✓	✓	✓	4
6	Themba Mosia, Prof	Apology	✓	✓	✓	✓	4
7	Sizwe Nxasana, Mr (by invitation)	n/a	n/a	n/a	n/a	✓	1

n/a - Not Applicable

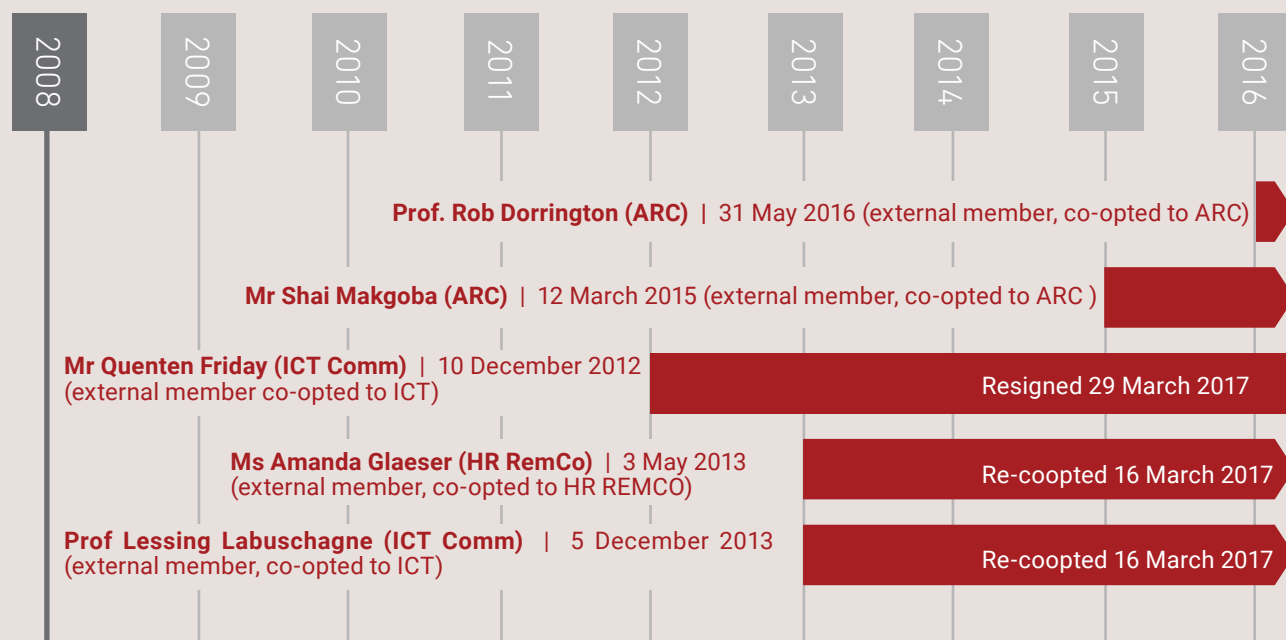
14

Board Appointments

(NSFAS Board members appointed during the year up to 31 March 2017)



SUB-COMMITTEE MEMBERS



15

Board Expenses

	SALARY/FEE AMOUNTS IN (R 000)	RETIREMENT FUND CONTRIBUTIONS	MEDICAL AID	OTHER	TOTAL PACKAGE 2017	TOTAL PACKAGE 2017
Meeting fees	889	-	-		889	847
Travel & Accommodation	1 298	-	-		1298	1 434
	2 187	-	-		2187	2 281

Report of Audit and Risk Committee

(for the year ended 31 March 2017)

CHARTER

The Audit and Risk Committee is an independent committee appointed by the Board of NSFAS and has adopted a formal charter that has been approved by the NSFAS Board.

The overall purpose and objective of the Audit and Risk Committee is to assist and support the Board in fulfilling its oversight responsibilities as they relate to:

- (i) Financial and management reporting;
- (ii) Risk management;
- (iii) Management of performance information;
- (iv) Systems of accounting and internal controls;
- (v) Compliance with laws, regulations, ethics and good governance;
- (vi) Internal audit oversight;
- (vii) The external audit; and
- (viii) Information technology governance as it relates to integrated reporting.

The Charter was revised, during the year under review, to include monitoring of the process implemented by management in respect of fraud prevention and ensuring that all fraud related incidents have been followed up appropriately.

The Committee has conducted its affairs in accordance with its Charter and has discharged to a substantial extent its responsibilities outlined therein.

MEMBERSHIP, MEETING ATTENDANCE AND ASSESSMENT

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

- (i) one must be from outside the public service;
- (ii) the majority may not be persons in the employ of the Department of Higher Education and Training, except with the approval of the relevant treasury; and
- (iii) the Chairperson may not be in

the employ of the Department of Higher Education and Training.

The membership of the Committee comprises of five members which include three external members, one member of the NSFAS Board and the Chief Financial Officer of the Department of Higher Education and Training.

In addition to the Chairperson of the Board, the Executive Officer and all members of executive management, and the internal auditors are permanent attendees at meetings of the Committee. The external auditors and other assurance providers attend meetings of the Committee by invitation.

In terms of its Charter, the Audit and Risk Committee must hold at least four meetings per year, excluding joint meetings with the Finance Committee. The Committee held the required four scheduled meetings, and one special meeting, during the year under review. In addition, two joint-meetings were held in May and July 2016 with the Finance and Audit committees to deal with matters related to the annual financial statements.

MEMBER	CATEGORY	26 APRIL 2016	24 MAY 2016 ^a	24 MAY 2016 ^b	8 JULY 2016	21 JULY 2016 ^a	27 OCTOBER 2016	27 JANUARY 2017	31 AUG 2016B
Mr Nathan Johnstone ¹	External	✓	✓	✓	✓	✓	✓	✓	✓
Prof Rob Dorrington ²	External	n/a	n/a	n/a	✓	✓	Apology	✓	✓
Mr Shai Makgoba	External	✓	✓	✓	✓	✓	✓	✓	✓
Mr Theuns Tredoux	DHET	By proxy ³	✓	✓	✓	Apology	✓	✓	Apology
Mr Andre Zeeman ⁴	NSFAS Board	n/a	n/a	n/a	Apology	✓	✓	✓	✓

a. Special meeting

b. Joint-meeting with Finance Committee

1. Chairman

2. External member, appointed 31 May 2016

3. Represented by Ms Pearl Whittle, the DHET member on the NSFAS Board

4. Appointed 31 May 2016

Professor Rob Dorrington (external member) and Mr Andre Zeeman were appointed by the NSFAS Board as members of the Committee on 31 May 2016.

GOVERNANCE

The Audit and Risk Committee continually assesses the governance of the entity in terms of the applicable legislation and the applicable King Code of Governance Principles and is of the view that the entity was in substantive compliance for the year under review. The Committee has taken note of the implementation of the King IV Code on Corporate Governance and will assess the requirements and implications thereof insofar as they relate to its responsibility and functions.

MANAGEMENT

The Committee is satisfied that the Chief Financial Officer of the entity has appropriate expertise and experience. The Chief Financial Officer was appointed on a three-year fixed term contract with effect from 1 December 2016. The Committee is furthermore satisfied with the overall appropriateness of the expertise and adequacy of resources of the entity's finance function, and the experience of senior members of management responsible for the finance function.

The Risk Management Office was established following the appointment of a Chief Risk Officer on a two-year secondment from 1 March 2016 and the appropriate functions such as risk management, fraud prevention and internal audit

were transferred to the office. The Committee is, however, concerned that a number of key funded positions in the Risk Management Office have not been filled. This has resulted in the Office being inadequately resourced in terms of the demands of day-to-day operations of the entity as well as the full roll out of the student-centred operating model during the year under review.

PERFORMANCE INFORMATION

The Audit and Risk Committee has strengthened its oversight over the management and reporting of performance information and has obtained assurance from the internal audit function on the quarterly performance reports. The Committee has noted the decline in

the entity's performance against a number of key indicators during the year under review, and will continue to assess and monitor the measures put in place by management to ensure that the agreed performance targets are met.

The Committee has also reviewed the entity's audited annual performance information, and is satisfied that it fairly represents the performance of the entity for the year under review.

INTERNAL CONTROLS (INCLUDING FINANCIAL CONTROLS)

Section 51 (a)(i) of the Public Finance Management Act (PFMA), No 1 of 1999, requires Accounting Authorities to establish and maintain effective, efficient and transparent systems of financial, risk management and internal controls to enable amongst other matters, the production of annual financial statements per Section 55 of the PFMA. To this end, section 55(1)(a) requires the keeping of "full and proper records".

The external service provider appointed to undertake the annual actuarial valuation of the loan book has continued in office after having been appointed on a three-year contract in the 2014/15 financial year. The assumption set utilised for the valuation of the loan book in the 2016 and prior years was reviewed to ensure that refined data

and assumptions for recognising, measuring, presenting and disclosing loan instruments are maintained and improved. The review resulted in refinement of the assumption relating to interest on loan capital which has reduced the complexity of the valuation model. The Audit and Risk Committee is satisfied that there has been a thorough independent process to ensure that the results of the loan book valuation provide NSFAS stakeholders with an objective and verifiable outcome.

NSFAS' internal control system is designed to ensure the integrity and reliability of financial information, compliance with applicable laws and regulations, the accomplishment of objectives, economy and efficiency of operations, and the safeguarding of assets. While the transition to the new operating environment and policies is ongoing and key areas of concern have had to be addressed during the year under review, the Audit and Risk Committee is satisfied that the NSFAS' system of internal financial controls is adequately designed and applied to form a sound basis for the preparation of reliable financial reports.

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

INFORMATION TECHNOLOGY

The Audit and Risk Committee is assisted by the Information and Communications Technology (ICT) Committee of the Board in relation to the ICT processes and controls necessary to mitigate risk and ensure reliable financial and other reporting. Furthermore, the Audit and Risk Committee has been assisted by the ICT Committee in terms of the oversight of information technology risk.

Assurance in this regard is provided by the internal audit function which presents review reports on key aspects of the control environment to both the ICT and Audit and Risk Committees on a regular basis.

During the year under review, significant attention was given to the ICT system architecture and processes during the full roll out of the student-centred operating model, which has included integration with the IT systems of universities and colleges. Notwithstanding areas of significant concern identified during internal audit as well as additional reviews requested by the Board, the Committee is satisfied that NSFAS information technology controls are appropriate to support the integrity of the financial reports for the year under review. This is based on the continuous interaction with the ICT Committee, management, independent assurance providers and external audit. The Audit and

Risk Committee will continue to monitor the implementation of plans and projects to ensure the integrity and reliability of the entity's information technology controls.

RISK MANAGEMENT

During the year under review, management continued to implement measures and processes to strengthen enterprise risk management. While progress has been made, risk management at both the strategic and operational levels remain relatively immature and significant effort will be required to provide the level of assurance required.

The fraud reporting hotline was implemented from 1 March 2016 following the appointment of an independent service provider. The Risk Management Office has provided the Committee with regular reports on fraud reporting trends as well as follow-up investigations on reported cases.

INTERNAL AUDIT

In line with the requirements of the PFMA, the Audit and Risk Committee is responsible for ensuring that the entity's internal audit function is independent and has the necessary resources, standing and authority within the entity to enable it to discharge its duties. Furthermore, the Committee oversees co-operation between the internal and external auditors, and serves as a

link between the Board and these functions.

The risk-based internal audit plan and budget for the period 1 April 2016 to 31 March 2017 were approved by the Audit and Risk Committee with input from the ICT Committee on the ICT related aspects.

The internal audit service contract expired on 31 March 2017 with a three-month extension to 30 June 2017 approved by the Board following the entity's procurement processes having been followed. The contract was further extended, on a no-cost basis, to 31 July 2017 while the required procurement processes were being followed for the awarding of a new three-year contract. The appointment of a new internal audit service provider was approved by the Board on 31 July 2017.

EXTERNAL AUDIT

The Audit and Risk Committee, supported by management has considered and approved the audit strategy, plan and budget for the financial year ended 31 March 2017, as presented by the Auditor-General of South Africa.

The Committee has reviewed the Auditor-General's management report and management's response thereto. The Committee is of the opinion that the issues raised are correctly identified. The Committee

has also met with the Auditor-General to ensure that there are no unresolved issues from the audit.

SUSTAINABILITY

The entity's funding is principally dependent on medium-term expenditure grants from the Department of Higher Education and Training, and there is no reason to believe that the Department will discontinue or significantly curtail the funding provided in the foreseeable future. This is a significant consideration in terms of the entity's commitment to funding qualifying students for the duration of their studies, provided they meet the academic and financial eligibility conditions for continued funding.

The strategy implemented by Management to improve debtor collections during the year under review has resulted in significant improvement in collections with both the performance target and the loan book valuation cash flow forecast being exceeded. The Audit and Risk Committee will continue to monitor the debtor management process to ensure compliance with laws and regulations as well as the achievement of the collections targets.

17

Internal Audit and Audit Committees

The Audit and Risk Committee is assisted by the Information and Communications Technology (ICT) Committee of the Board in relation to the ICT processes and controls necessary to mitigate risk and ensure reliable financial and other reporting. Assurance in this regard is provided by the internal audit function which presents review reports on key aspects of the control environment to both the ICT and Audit and Risk Committees on a regular basis. The committee is satisfied that NSFAS information technology controls are appropriate to support the integrity of the financial reports. This is based on the continuous interaction with the ICT Committee, management, independent assurance providers and external audit.

18

Compliance with Laws and Regulation

NSFAS is required to comply with the following laws and regulation:

- 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.

19

Fraud and Corruption

The appointment of the Chief Risk Officer from 01 March 2016 will make a significant contribution to the maturity of risk management across the entity. The Audit and Risk Committee is overseeing this portfolio and will be assisted by the ICT Committee in terms of the oversight of information technology risk. The fraud reporting hotline was implemented from 01 March 2016 following the appointment of an independent service provider. (refer to the Report of the Audit and Risk Committee.)

20

Minimising Conflict of Interest

No cases of conflict of interest were identified.

21

Code of Conduct

NSFAS developed a Code of Conduct and enforced it in the year under review. The Code provides details of the processes to be followed after a breach of the Code.

HEALTH AND SAFETY COMMITTEE

The Health and Safety Committee was established in the 2015/2016 financial year, appointed as per the Occupational Health and Safety Act, Section 17. The committee has been trained on Health and Safety Representative Training, Incident Investigation and Emergency Planning Training. Their role is as follows:

- To conduct inspections of the workplace on specific intervals using check-list provided to report any health or safety hazards identified.
- To investigate and record accidents and incidents that occurs in the workplace.

OFFICE SPACE

NSFAS currently operates from two buildings (Vincent House and Court Road House) in Wynberg, accommodating an increased number in staff headcount during the financial year. Minor office space refurbishments were conducted to provide a quality and practical workspace for all staff members.

FIRST AIDERS AND FIRE MARSHALLS

There are currently nine (9) First Aiders as per the Environmental Regulations for work-places 9(1) and General Safety Regulation 2. They received the Refresher First Aid Training and are equipped with first aid kits enabling them to provide first level medical assistance and support in emergency situations.

FIRE SAFETY

Additional Fire equipment was installed in the both buildings (the Vincent House and the Court Road) and a fire drill was conducted in an effort to continuously improve fire safety in the workplace. The organisation also installed a power backup generator to service the organisation during of power interruptions.

INCIDENTS AND ACCIDENTS

There were no major incidents or injuries on duty reported for the financial year.

HEALTH AND SAFETY FILE

The health and safety file continues to be kept up to date

HEALTH AND SAFETY AUDITS

A Health and Safety Audit was conducted at end of financial year 2016/2017 (March 2017) as planned, to determine the status of the organisation's legal compliance in terms of the Occupational Health & Safety Act of 1993 and its regulations. Subsequently, NSFAS is now implementing the recommended remedial actions from the audit findings.

HEALTH AND SAFETY MEETINGS

Formal health and safety committee meetings are held once per quarter or as and when the need arises to address health and safety issues in the workplace.





E

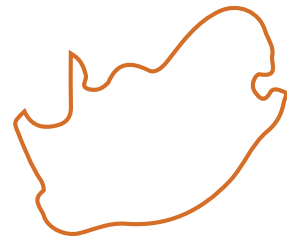
Financial Information



General Information

Registered Name and Country of Incorporation and Domicile:

National Student Financial Aid Scheme, South Africa

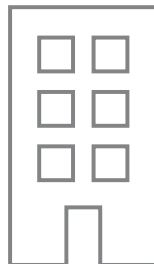


Nature of Business and Principal Activities

The business of the entity is to provide financial assistance in the form of loans or bursaries to eligible students at public higher education institutions and Technical and Vocational Education and Training (TVET) colleges, to administer such loans and bursaries, and to recover the loans from students once they are employed.

Registered Office & Business Address

2nd Floor, House Vincent
10 Brodie Road, Wynberg Mews
Cape Town
7800



Postal Address

Private Bag X1
Plumstead, Cape Town
7800

Contact Details

+27 21 763 3200
0860 067 327
info@nsfas.org.za

Bankers

FNB Corporate Bank (Cape Town) a division of First Rand Bank Limited

Website Address

www.nsfas.org.za



Table of Contents

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

1. NSFAS Board's Statement of Responsibility and Approval	58
2. Report of the AGSA to Parliament on the NSFAS	60
3. Report of the Board members	68
4. Statement of Financial Position	76
5. Statement of Financial Performance	77
6. Statement of Changes in Net Assets	78
7. Statement of Cash Flows	79
8. Statements of Comparison of Budget and Actual Amounts	80
9. Accounting Policies	83
10. Notes to the Annual Financial Statements	96
11. Supplementary Information	134

Board Statement of Responsibility and Approval

The NSFAS Board is required by the Public Finance Management Act (Act 1 of 1999) (PFMA), as amended, to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Board to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The Auditor-General of South Africa was engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

The Board has reviewed the entity's cash flow forecast for the year to 31 March 2018 and, in the light of this review and the current financial position, it is satisfied that the entity has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

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

Board Statement of Responsibility and Approval

Although the Board is primarily responsible for the financial affairs of the entity, it is supported by the entity's internal audit function in assessing the adequacy of controls.

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 68 to 136, which have been prepared on the going concern basis, were approved by the Board on 28 July 2017 for submission to the Auditor-General of South Africa and were signed on its behalf by:



Mr Sizwe Nxasana

Chairperson



Mr Lerato Nage

Executive Officer (Acting)

Report of the Auditor-General to Parliament on the NSFAS

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

1. I have audited the financial statements of the National Student Financial Aid Scheme (NSFAS) set out on pages 68 to 133, which comprise the statement of financial position as at 31 March 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of NSFAS as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

BASIS FOR OPINION

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the AGSA's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the 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.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

EMPHASIS OF MATTERS

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

SIGNIFICANT UNCERTAINTIES

7. With reference to note 26 to the financial statements, the public entity has entered into contractual commitments to fund students for the duration of their qualification, as part of the student centered-model. These commitments resulted in a contingent liability of R25,10 billion (2016: R 4,97 billion) being disclosed in the financial statements as the entity would need to fund the students for the duration of their studies, subject to them meeting the promotion requirements.

MATERIAL FAIR VALUE AND IMPAIRMENT ADJUSTMENTS

8. As disclosed in note 6 to the financial statements, the public entity had student loan receivables with a nominal value of R29,81 billion as at 31 March 2017 (2016: R24,17 billion), which are reflected in the financial statements as R9,36 billion (2016: R7,18 billion), after cumulative fair value and impairment adjustments of R20,45 billion (2016: R16,99 billion).

Report of the Auditor-General to Parliament on the NSFAS

MATERIAL UNDERSPENDING OF THE GRANTS FOR STUDENT AWARDS

9. As disclosed in the Statements of Comparison of Budget and Actual Amounts- Cash Flow Statement (note 35.23), the entity has materially underspent the budget on grants for student awards to the amount of R2,57 billion.

OTHER MATTER

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

UNAUDITED SUPPLEMENTARY SCHEDULES

11. The supplementary information set out on pages 134 to 136 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

12. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA 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.
13. In preparing the financial statements, the accounting authority is responsible for assessing National Student Financial Aid Scheme'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 there is an intention either to liquidate the public entity or to cease operations, or there is no realistic alternative but to do so.

AGSA'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

Report of the Auditor-General to Parliament on the NSFAS

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

INTRODUCTION AND SCOPE

16. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004)(PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
17. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
18. I evaluated 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 programmes presented in the annual performance report of the public entity for the year ended 31 March 2017:

Programmes	Pages in the annual performance report
Programme 1- administration	19-27
Programme 2 - student centred financial aid	19-27

19. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
20. The material findings in respect of the usefulness of the selected programmes are as follows:

PROGRAMME 2 - STUDENT CENTRED FINANCIAL AID

Percentage of institutions in the student-centred model paid tuition and residence fees within 30 days (KPI 4.1)

21. The method of calculation for the achievement of the planned indicator was not clearly defined, as required by the Framework for Managing Programme Performance Information (FMPPi).

Report of the Auditor-General to Parliament on the NSFAS

Percentage of students in the student-centred model paid allowances within 7 days (KPI 4.2)

22. The method of calculation for the achievement of the planned indicator was not clearly defined, as required by the FMPPI.

23. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following programme:

- **Programme 1 - administration**

OTHER MATTERS

24. I draw attention to the matters below.

Achievement of planned targets

25. Refer to the annual performance report on pages 19 to 27 for information on the achievement of planned targets for the year and explanations provided for the underachievement of a significant number of targets for the year. This information should be considered in the context of the material findings raised on the usefulness of the reported performance information in paragraphs 21 and 22 of this report.

Adjustment of material misstatements

26. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programme 1 – administration. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness of the reported performance information.

REPORT ON AUDIT OF COMPLIANCE WITH LEGISLATION

INTRODUCTION AND SCOPE

27. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

28. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

FINANCIAL STATEMENTS

29. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the PFMA. Material misstatements identified in the financial statements submitted for auditing were subsequently corrected.

Report of the Auditor-General to Parliament on the NSFAS

OTHER INFORMATION

30. NSFAS' accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the executive officer's report and the audit committee's 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 the auditor's report.
31. 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 thereon.
32. 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. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.

INTERNAL CONTROL DEFICIENCIES

33. 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 thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

FINANCIAL AND PERFORMANCE MANAGEMENT

34. Management's processes implemented for the review of the financial statements were inadequate as material misstatements for certain account balances, classes of transactions and disclosures were not detected and corrected during the preparation and finalisation of the financial statements.

Report of the Auditor-General to Parliament on the NSFAS

35. Management did not prepare regular, accurate and complete performance reports thereby ensuring that key performance indicators are well defined.

Auditor-General



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Cape Town

31 July 2017

Report of the Auditor-General to Parliament on the NSFAS

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 public 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 the 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 public entity's internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
 - conclude on the appropriateness of the board of directors, which constitutes 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 related to events or conditions that may cast significant doubt on the National Student Financial Aid Scheme's ability 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 the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and 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.

Report of the Auditor-General to Parliament on the NSFAS

4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and where applicable, related safeguards.

Report of the Board members

The NSFAS Board submits its report for the year ended 31 March 2017.

1. GENERAL REVIEW

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

- 225,557 students assisted at 50 Technical and Vocational Education and Training (TVET) Colleges
- 225,950 students assisted at 26 public universities and one National Institute for Higher Education
- R12,411,023,914 disbursed in student financial aid as follows:
 - R2,106,267,265 to TVET colleges (100% bursaries)
 - R10,304,756,649 to universities as follows:
 - R2,298,876,780 100% bursaries
 - R8,005,879,869 in convertible loans (R2,920,136,220 converted to bursaries based on student performance)
- R3,534,597,000 recognised as the social benefit component after bursary conversion
- R72,208,511,707 disbursed since inception
- Nominal value of loan balances: R29,810,775,000
- Carrying value of loan balances: R9,362,023,000
- R392,400,990 in loan repayments collected

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

	2017	2016
	R'000	R'000
New grants for student loans and bursaries*	11,752,426,000	9,394,614,000
Student loan and interest recovered	848,302,446	517,444,715
Total loans and bursaries awarded	12,411,023,914	9,289,748,451
Operational expenses	(229,722,000)	(176,068,000)
Administration expenses to awards ratio (%)	1.85	1.90
University bursaries**	5,219,013,000	4,352,950,000
TVET Colleges 100% bursaries***	2,106,267,000	2,067,044,000
Percentage of courses passed****	81%	84%

* During the period under review grants were received from the South African government via the Department of Higher Education and Training, the Department of Basic Education, the Department of Agriculture Forestry and Fisheries, the Department of Defence and Military Veterans, the National Skills Fund, the Department of Justice, the Department of Social Development, the

Report of the Board members

Eastern Cape Provincial Government, the National Institute for Humanities and Social Sciences, Kwazulu-Natal Premiere office, Gauteng Gambling Board, Culture Art Tourism Hospitality Sport SETA, Fiber Processing and Manufacturing SETA, Financial and Accounting Services SETA, Food and Beverage SETA, Health and Welfare SETA, Manufacturing Engineering and Related services SETA, Transport Education Training Authority SETA, Wholesale and Retail SETA and various other donors.

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

*** Bursaries awarded to TVET College students less credit balances due to NSFAS.

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

2. GOING CONCERN

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

3. BOARD

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

Sizwe Nxasana (Chairperson)	Appointed 01 August 2015
Prof. Themba Mosia	Appointed 24 June 2011, Term ended on 24 June 2015 and renewed on 24 June 2015
Mary Bomela	Co-opted 29 July 2016
Msulwa Daka (Executive Officer)	Appointed 01 February 2013, Resigned 31 March 2017
Julia De Bruyn	Appointed 01 August 2013
Prof Neil Garrod	Appointed 24 June 2015
Nathan Johnstone	Re-appointed 16 April 2013, Term ended 16 April 2017
Rose Keanley	Co-opted 29 July 2016
Sibongile Masinga	Appointed 24 June 2011, Re-appointed 24 June 2015
Nafisa Mayat	Appointed 24 June 2015
Thabo Moloja	Appointed 16 April 2013, Term ended 16 April 2017
Lumko Mtimnde	Appointed 24 June 2015
Lerato Nage (Acting Executive Officer)	Appointed 16 February 2017
Yershen Pillay	Appointed 16 April 2013, Term ended 16 April 2017
Jaco van Schoor	Appointed 24 June 2015
Pearl Whittle	Appointed 01 November 2013
Andre Zeeman	Co-opted 31 May 2016

Report of the Board members

4. CORPORATE GOVERNANCE

The Board exercises effective control over the entity, its plans and 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.

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

5. BOARD EXPENSES, EXECUTIVE AND SENIOR MANAGERS' EMOLUMENTS

	SALARY OR FEE	RETIREMENT FUND CONTRIBUTIONS	MEDICAL CONTRIBUTIONS	OTHER	TOTAL PACKAGE 2017	TOTAL PACKAGE 2016
	R'000	R'000	R'000	R'000	R'000	R'000
BOARD EXPENSES						
Meeting fees	889	-	-	-	889	847
Travel and accommodation	1,298	-	-	-	1,298	1,434
	2,187	-	-	-	2,187	2,281
EXECUTIVE MANAGERS - a						
Executive Officer - b	1,868	-	33	21	1,922	1,874
Executive Officer (Acting) - c	141	-	2	2	145	-
Chief Financial Officer	1,490	-	15	17	1,522	1,597
Chief Information Officer - d	-	-	-	-	-	190
Chief Information Officer - e	1,654	189	-	19	1,862	1,608
Chief Operating Officer - f	-	-	-	-	-	421
	5,153	189	50	59	5,451	5,690
SENIOR MANAGERS - g						
Manager: Loans and Bursaries - h	-	-	-	-	-	1,104
Manager: Corporate Services	1,025	-	53	12	1,090	1,073
Manager: Performance - i	232	28	10	3	273	1,023
Manager: Communication - j	-	-	-	-	-	931
	1,257	28	63	15	1,363	4,131

Report of the Board members

- a Executive Managers include:
 - Chief Operational Officer - Milco Hertz Appointed: 23 February 2016, Resigned 30 January 2017 (seconded from the banking sector, NSFAS does not incur any costs)
 - Chief Risk Officer - Pavashini Naidoo Appointed: 01 March 2016 (seconded from the banking sector, NSFAS does not incur any costs)
- b Msulwa Daka resigned on 31 March 2017, on leave from 1 February 2017.
- c Lerato Nage - Acting from 16 February 2017.
- d Xolisa Peter - Acting until 31 May 2015
- e Richard Mackinnon-Little: Acting from 01 June 2015, Appointed as Chief Information Officer on 1 August 2016
- f Luxolo Rubushe - Acting until 31 May 2015
- g These are Senior Managers whom report directly to the Executive Officer.
- h Bonakele Jacobs: Acting from 01 December 2015 - 31 March 2016. Reported to Chief Operating Officer from 1 April 2016.
- i Joy Sixholo resigned on 30 June 2016.
- j Reported to General Manager corporate services from 1 April 2016.

6. EFFECTIVENESS OF INTERNAL CONTROLS

Based on the results of the formally documented reviews of the entity's system of internal financial controls conducted by the internal audit function during the 2016/2017 financial year-end, the Audit and Risk Committee's consideration of information and explanations provided by management, the Board is of the opinion that the entity's system of internal controls forms a sound basis for the preparation of reliable financial statements. The Board's opinion is supported by the Audit and Risk Committee.

7. NATURE OF ACTIVITIES

NSFAS is mandated to provide financial assistance in the form of loans and bursaries to eligible students at public higher education institutions. Eligible students are those who do not have the financial means to fund their studies and/or cannot access commercial bank funding, study loans or bursaries. NSFAS also disburses bursaries to students at 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. From the 2011 academic year, students who qualify for DHET Final Year Programme funding have 100% of their loan converted to a bursary where the requirements for graduation have been met.

In the prior year, eighteen (18) institutions were on the student-centred model pilot programme, with students applying directly to NSFAS for funding. In the year under review the remaining universities and TVET colleges were on-boarded to the student-centred model for the 2017 academic year funding.

The repayment of student loans is dependent upon the employment and income level of the debtor. For the year under review, the NSFAS interest rate on student loans was pegged at 80% of the South African Reserve Bank Repurchase Rate, as at 1 April 2016, and was fixed for the year at 5.6%. This is consistent with the way in which the interest rate was determined in the prior year. The rate at which interest is charged on student loans and non-market repayment terms contributes to the material impairment losses and social benefit component on the valuation of the loan book.

Report of the Board members

Full bursaries are earmarked for, amongst others, scarce skills and may carry 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.

8. 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 on an annual basis for financial reporting purposes. The assumptions used in the valuation model are based on an analysis of the NSFAS loan book history 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.

ASSUMPTION SETTING HISTORY:

31 March 2011: The original assumption setting exercise was undertaken for the valuation of the NSFAS loan book for the financial year ended 31 March 2011 using source data from 1991 up to and including 21 December 2010.

31 March 2012: The assumption set was updated in 2012, once again using source data from 1991 but with an additional year of data up to 31 December 2011. The new assumptions were informed by improvements in the quality of the NSFAS data, the passage of time and the announcement of a new interest policy by the Minister of Higher Education and Training in May 2011.

31 March 2013: The assumptions were kept the same as for the 2012 year.

31 March 2014: A new assumption setting exercise was undertaken to take account of more recent loan data history and the passage of time. The exercise was informed by the following Management considerations and decisions relating to differences to the prior valuation practice:

- The data set for the assumption setting exercise would be based on loan data as at 30 September 2013, this being the cut off date for the migration to the new loans and bursaries management system.
- All loans issued before 1999 were excluded from the analysis to maintain a balance between the relevance and quantity of data used in the assumption setting process. The date was selected, in part, due to the NSFAS Act having come into effect in 1999 with prior data thus reflecting the policies and practices of NSFAS's predecessor organisations.

31 March 2015: The 2014 assumptions were applied for the transition from student to exit (as these are relatively stable) and the profile of payments once payment has commenced (since experience showed a reasonable alignment with the 'payer model' projections). For the transition from exit to commencing payment, allowance was made for the fact that recent experience showed that collections had been poor. In assessing and revising the assumptions it was considered appropriate to place a greater degree of weight on the more recent experience rather than on the older

Report of the Board members

experience. This change caused a significant reduction in the assumed commencement of new repayments, being the transition from exiting studies to commencing payment, reflecting both the relatively low level of conversions to repaying status achieved by NSFAS.

Some technical adjustments were also made to the assumption calculations to reflect a more appropriate treatment of the exit dates and the exclusion of loans prior to 1999 in the calculations.

31 March 2016: A new assumption setting exercise was undertaken using the same methodologies as in prior years, with the addition of more recent loan data from 1 October 2013 to 31 December 2015 to allow for the passage of time and the impact of the improved collections strategy. The valuation also recognized that the improved collections strategy was still being implemented and therefore allowed for a transition from current actual collection levels to the model projected collections over the 24 months.

In order to achieve the required repayments cash flows, the Board appointed a Recoveries Task Team in 2015 to develop and implement a strategy to improve the recovery of debt. The Board set a target for the collection of loan repayments to match the valuation model projections within a period of four years. Additional resources were appointed both internally and externally to assist with recovery of outstanding debt. The strategy included the appointment of external debt collection agencies to initiate repayments from debtors employed in both the public and private sectors and has resulted in a significant increase in collections in the year under review.

The strategy to increase recoveries is an important component of the strategy to increase the funds available to assist the growing number of students who require and are eligible for NSFAS funding.

31 March 2017: The model assumptions were reassessed for the 2017 valuation exercise to take into account the experience from 1 January 2016 to 28 February 2017. As a result, the "Old" interest rule (where interest accrued from the date of issue of the loan) and "New" interest rule (where interest accrues from one year after the date of exit of the student) assumptions have been combined into a single assumption to improve computational efficiency and recognise the increasing volume of the "New" interest rule data taken into account in the assumption setting exercise.

9. CONTINGENT LIABILITY FOR STUDENT LOANS AND BURSARIES

As part of its programme of implementing the new student centred operating model, the entity has on-boarded remaining TVET Colleges and Universities. The new model allows students registered at these institutions to apply directly to NSFAS for loans and bursaries rather than through their respective institutions. Students who are eligible have loans and bursaries approved for the duration of their studies, subject to their meeting the promotion requirements, rather than being required to reapply for funding for each subsequent academic year. This contractual commitment by the entity to fund students for the duration of their studies has resulted in a contingent liability of R25,103,733,043 (2016: R4,970,067,263) being disclosed in note 26 as the future obligation in respect of these students.

Report of the Board members

10. STUDENT AWARDS AND REPAYMENTS

	ACADEMIC YEARS					
	2016		2015		TO DATE	
	Rand value	Number of students [^]	Rand value	Number of students [^]	Rand value	Number of students [^]
Student awards by institution category						
Universities	10,304,756,649	225,950	7,194,618,509	178,961	60,080,415,820	1,083,210
TVET colleges	2,106,267,265	225,557	2,095,129,942	235,988	11,986,484,573	853,712
Other institutions*	-	-	-	-	141,611,314	1,986
	12,411,023,914	451,306	9,289,748,451	414,949	72,208,511,707	1,938,908

[^] The difference between the number of students awards by institution category and by funder is due to the fact that students may be funded from more than one funder category.

	FINANCIAL YEARS		
	2017	2016	1992 - 2017
Repayments			
Loan recoveries**	544,825,839	379,933,847	6,465,543,609
Less Credit Balances***	(152,424,849)	(153,192,615)	(1,223,211,253)
	392,400,990	226,741,232	5,242,332,356

Since its inception in 1991, the entity has awarded approximately R72,208,511,707 to students (2016: R59,797,487,793) in loans and bursaries. For the year under review, NSFAS assisted 451,306 students with 592,749 awards. Loan repayments, excluding donor settlements and credit balances on fee accounts, were at a monthly average of R32.7 million (2016: R18.8 million).

* These are awards designated by certain funders for students/learners at specific agricultural colleges and/or schools, the National Institute for Higher Education, and other colleges.

** Recoveries from debtors have increased from R226,741,232 in 2015/2016 to R392,400,990 in the year under review. Actual recoveries were significantly higher than the budgeted R284,750,000 and are in line with the collections projected by the valuation model for the loan book.

Report of the Board members

The significant increase in recoveries can be attributable to the following:

- A focused Recoveries Task team which drove the implementation of the recoveries strategy
- Increased media attention for NSFAS recoveries encouraging debtors to pay back their outstanding loans
- Debtors statements were sent out quarterly, ensuring that debtors were informed of their updated outstanding balances
- The appointment of external collections agents, both in the public and private sector, to make payment arrangements on behalf of NSFAS

*** Credit balances on student fee accounts returned by institutions are applied to reduce the original loan capital.

	ACADEMIC YEARS			
	2016		2015	
	Rand Value	Number of students [^]	Rand value	Number of Students [^]
Department of Higher Education and Training:				
• General Allocation	6,526,663,994	160,309	3,186,173,960	92,757
• Final year programme	1,007,613,382	22,461	1,095,107,410	25,208
• Teacher allocation	118,180,871	3,097	114,533,379	3,823
• Students with disabilities	58,626,161	1,022	59,011,647	1,128
• National Skills Fund	769,109,612	15,748	718,763,799	17,833
• SAICA partnership - Thuthuka Fund	42,614,265	865	46,056,650	840
TVET Bursaries	2,105,354,495	225,536	2,090,203,862	235,854
Department of Basic Education:				
• Funza Lushaka teacher bursaries	1,012,506,525	14,136	965,591,611	14,026
Sector Education and Training Authorities	93,724,753	2,172	257,448,777	6,469
Other funding categories*	676,629,855	19,243	756,857,356	22,088
	12,411,023,913	464,589	9,289,748,451	420,026

[^] The difference between the number of students awards by institution category and by funder is due to the fact students may be funded from more than one funder category.

* Other funding categories include funds from Eastern Cape Provincial Government, KwaZulu-Natal Provincial Government, private donors and institution recovered monies.

Statement of Financial Position

For the year ended 31 March 2017

		2017	2016 restated
	Note(s)	R'000	R'000
ASSETS			
Current Assets			
Trade and other receivables (non-exchange)	4	12,214	6,217
Prepayments to institutions (exchange)	5	1,402,971	1,670,367
Student loans (exchange) short-term	6	686,751	370,060
Amounts owing by institutions (exchange) short-term	7	363,511	245,541
Amounts owing by other funders	32	21,476	53,890
Cash and cash equivalents	8	3,897,284	912,912
		6,384,207	3,258,987
Non-Current Assets			
Property, plant and equipment	2	15,827	13,762
Intangible assets	3	459	8,258
Student loans (exchange) - long-term	6	8,675,272	6,806,100
Amounts owing by institutions (exchange) - long-term	7	19,639	39,048
Amounts owing by other funders	32	27,038	21,426
		8,738,235	6,888,594
Total Assets		15,122,442	10,147,581
LIABILITIES			
Current Liabilities			
Trade and other payables (exchange transactions)	12	47,387	55,354
Provisions	9	31,919	59,883
Amounts due to institutions (non-exchange)	10	459,605	116,693
Deferred income	11	3,431,571	825,866
		3,970,482	1,057,796
Total Liabilities		3,970,482	1,057,796
NET ASSETS		11,151,960	9,089,785
NET ASSETS			
Capital fund		11,151,960	9,089,785
Total Net Assets		11,151,960	9,089,785

Statement of Financial Performance

For the year ended 31 March 2017

		2017	2016 restated
	Note(s)	R'000	R'000
REVENUE			
Administration fees (exchange)	13	20,408	22,344
Administration grants (non-exchange)	13	177,118	148,878
Grants received for student awards (non-exchange)	14	11,752,426	9,394,614
Interest revenue (exchange)	21	1,123,621	694,058
Commission Revenue - SBux (exchange)	22	2,798	1,565
Unallocated debtors receipts (non-exchange)	20	94	3
Other income (exchange)	40	27,569	2,300
Total revenue		13,104,034	10,263,762
EXPENDITURE			
Personnel costs	15	(123,332)	(95,939)
Depreciation and amortisation	2 & 3	(13,926)	(26,000)
Irrecoverable debts written-off	16	(72,813)	(55,832)
Bursaries - Other funding sources		(5,219,013)	(4,352,950)
Bursaries - TVET Colleges funding source		(2,106,267)	(2,067,044)
General Expenses		(58,241)	(37,787)
Consulting and professional fees	23	(24,403)	(10,072)
Broader communications strategy		-	(511)
Postage and courier services		(96)	(73)
Audit fees	17	(9,724)	(5,686)
Total Operational expenditure		(7,627,815)	(6,651,894)
OPERATING SURPLUS		5,476,219	3,611,868
Impairment loss - Amounts owing by other funders	38	(4,291)	-
Social benefit component on student loans issued	6	(3,534,597)	(1,623,854)
Impairment loss	29	-	(521,936)
Model adjustments	29	155,346	270,928
Impairment loss - Amounts owing by institutions (exchange) long-term	39	(30,502)	(22,450)
OTHER LOSSES		(3,414,044)	(1,897,312)
SURPLUS FOR THE YEAR	37	2,062,175	1,714,556

Statement of Changes in Net Assets

For the year ended 31 March 2017

	CAPITAL FUND	TOTAL RESERVES	ACCUMULATED SURPLUS/ (DEFICIT)	TOTAL NET ASSETS
	R'000	R'000	R'000	R'000
Balance at April 01, 2015	7,375,229	7,375,229	-	7,375,229
Surplus for the year - restated	-	-	1,714,556	1,714,556
Transfer to capital fund	1,714,556	1,714,556	(1,714,556)	-
Total changes	1,714,556	1,714,556	-	1,714,556
Balance at April 01, 2016 - restated	9,089,785	9,089,785	-	9,089,785
Surplus for the year	-	-	2,062,175	2,062,175
Transfer to capital fund	2,062,175	2,062,175	(2,062,175)	-
Total changes	2,062,175	2,062,175	-	2,062,175
Balance at 31 March 2017	11,151,960	11,151,960	-	11,151,960

Refer to note 33.

Statement of Cash Flows

For the year ended 31 March 2017

		2017	2016
	Note(s)	R'000	R'000
Cash flows from operating activities			
Receipts			
Grants for capital fund and administration costs		14,584,009	9,130,551
Student loan repayments - capital		392,401	276,732
Amounts owing by other funders received		22,511	-
		14,998,921	9,407,283
Payments			
For student awards		(12,042,037)	(9,216,315)
To employees and suppliers		(257,726)	(176,900)
Amounts due to institutions paid		(77,260)	(784,826)
		(12,377,023)	(10,178,041)
Net cash inflow/ (outflow) from operating activities	18	2,621,898	(770,758)
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(8,191)	(8,627)
Purchase of other intangible assets	3	-	(1,094)
Interest income		370,667	157,538
Net cash flows from investing activities		362,476	147,817
Net increase/ (decrease) in cash and cash equivalents		2,984,372	(622,941)
Cash and cash equivalents at the beginning of the year		912,912	1,535,853
Cash and cash equivalents at the end of the year	8	3,897,284	912,912

Statements of Comparison of Budget and Actual Amounts

For the year ended 31 March 2017

	APPROVED BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL AMOUNTS ON COMPARABLE BASIS	DIFFERENCE BETWEEN FINAL BUDGET AND ACTUAL	REFERENCE
	R'000	R'000	R'000	R'000	R'000	R'000
Statement of Financial Performance						
Revenue						
Administration fees (exchange)	17,587	2,166	19,753	20,408	655	
Administration grants (non-exchange)	177,118	1,248	178,366	177,118	(1,248)	
Commission Revenue - SBux (exchange)	-	-	-	2,798	2,798	35.1
Interest revenue (exchange)	895,781	(132,317)	763,464	1,123,621	360,157	35.2
Grants received for student awards (non-exchange)	14,133,858	-	14,133,858	11,752,426	(2,381,432)	35.3
Unallocated debtors	-	-	-	94	94	35.1
Other income (exchange)	-	-	-	27,569	27,569	35.1
Total revenue	15,224,344	(128,903)	15,095,441	13,104,034	(1,991,407)	
Expenditure						
Personnel costs	(107,224)	(27,350)	(134,574)	(123,332)	11,242	
Depreciation and amortisation	(29,329)	-	(29,329)	(13,926)	15,403	35.4
Irrecoverable debts written off	-	-	-	(72,813)	(72,813)	35.1
Bursaries - Other funding sources	(6,113,938)	(1,017,200)	(7,131,138)	(5,219,013)	1,912,125	35.5
Bursaries - DHET TVET Colleges funding source	(2,321,745)	-	(2,321,745)	(2,106,267)	215,478	
General Expenses	(65,987)	(14,103)	(80,090)	(58,241)	21,849	35.6
Consulting and professional fees	(31,706)	2,712	(28,994)	(24,403)	4,591	35.7
Postage	(76)	-	(76)	(96)	(20)	35.8
Audit fees	(9,876)	1,507	(8,369)	(9,724)	(1,355)	35.9
Total expenditure	(8,679,881)	(1,054,434)	(9,734,315)	(7,627,815)	2,106,500	
Surplus	6,544,463	(1,183,337)	5,361,126	5,476,219	115,093	
Impairment loss - Amounts owing by other funders non-current	-	-	-	(4,291)	(4,291)	35.1
Social benefit component on student loans issued	-	-	-	(3,534,597)	(3,534,597)	35.1
Model adjustments	-	-	-	155,346	155,346	35.1
Impairment loss - Amounts owing by institutions (exchange) long-term	-	-	-	(30,502)	(30,502)	35.1
Other losses	-	-	-	(3,414,044)	(3,414,044)	
Surplus for the year	6,544,463	(1,183,337)	5,361,126	2,062,175	(3,298,951)	

Statements of Comparison of Budget and Actual Amounts

For the year ended 31 March 2017

	APPROVED BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL AMOUNTS ON COMPARABLE BASIS	DIFFERENCE BETWEEN FINAL BUDGET AND ACTUAL	REFERENCE
	R'000	R'000	R'000	R'000	R'000	R'000
Statement of Financial Position						
Assets						
Current Assets						
Amounts owing by other funders	39,026	16,211	55,237	21,476	(33,761)	35.10
Trade and other receivables (non-exchange)	4,502	1,870	6,372	12,214	5,842	35.11
Prepayments to institutions (exchange)	1,209,647	502,479	1,712,126	1,402,971	(309,155)	35.12
Student loans (exchange) short-term	515,418	(126,855)	388,563	686,751	298,188	35.13
Amounts owing by institutions (exchange) short-term	137,071	56,938	194,009	363,511	169,502	35.14
Cash and cash equivalents	1,728,940	(724,737)	1,004,203	3,897,284	2,893,081	35.15
	3,634,604	(274,094)	3,360,510	6,384,207	3,023,697	
Non-Current Assets						
Property, plant and equipment	12,757	1,349	14,106	15,827	1,721	
Intangible assets	30,357	(21,686)	8,671	459	(8,212)	35.16
Student loans (exchange) long-term	10,129,381	(233,776)	9,895,605	8,675,272	(1,220,333)	
Amounts owing by institutions (exchange) - long term	44,077	(4,248)	39,829	19,639	20,190	35.17
Amounts owing by other funders	24,186	(2,331)	21,855	27,038	5,183	35.18
	10,240,758	(260,692)	9,980,066	8,738,235	(1,241,831)	
Total Assets	13,875,362	(534,786)	13,340,576	15,122,442	1,781,866	
Liabilities						
Current Liabilities						
Trade and other payables (exchange transactions)	99,497	(41,375)	58,122	47,386	(10,736)	35.19
Provisions	66,348	-	66,348	31,919	(34,429)	35.20
Amounts due to institutions (non-exchange)	209,750	(87,224)	122,526	459,605	337,079	35.21
Deferred income	1,410,645	(543,485)	867,160	3,431,571	2,564,411	35.22
	1,786,240	(672,084)	1,114,156	3,970,481	2,856,325	
Total Liabilities	1,786,240	(672,084)	1,114,156	3,970,481	2,856,325	
Net Assets	12,089,122	137,298	12,226,420	11,151,961	(1,074,059)	
Net Assets						
Reserves						
Capital fund	12,089,122	137,298	12,226,420	11,151,961	(1,074,459)	

Statements of Comparison of Budget and Actual Amounts

For the year ended 31 March 2017

	APPROVED BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL AMOUNTS ON COMPARABLE BASIS	DIFFERENCE BETWEEN FINAL BUDGET AND ACTUAL	REFERENCE
	R'000	R'000	R'000	R'000	R'000	R'000
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Grants for capital fund and administration costs	14,803,146	268,850	15,071,996	14,584,009	(487,987)	-
Student loan repayment - capital	410,300	(64,385)	345,915	392,401	46,486	-
Amounts owing by other funders received	171,435	(171,435)	-	22,511	22,511	35.1
	15,384,881	33,030	15,417,911	14,998,921	(418,990)	-
Payments						
For student awards	(15,717,969)	1,103,165	(14,614,804)	(12,042,037)	2,572,767	35.23
To employees and suppliers	(165,043)	(73,097)	(238,140)	(257,726)	(19,586)	-
Amounts due to institutions paid	-	-	-	(77,260)	(77,260)	35.1
	(15,883,012)	1,030,068	(14,852,944)	(12,377,023)	2,475,921	
Net cash flows from operating activities	(498,131)	1,063,098	564,967	2,621,898	2,056,931	-
Cash flows from investing activities						
Purchase of property, plant and equipment - Normal Operations	(6,825)	(405)	(7,230)	(8,191)	(961)	-
Purchase of other intangible assets - Normal Operations	(5,250)	(1,483)	(6,733)	-	6,733	35.24
Interest Income	236,829	62,493	299,322	370,667	71,345	35.2
Net cash flows from investing activities	224,754	60,605	285,359	362,476	77,117	-
Net increase/(decrease) in cash and cash equivalents	(273,377)	1,123,703	850,326	2,984,374	2,134,048	-
Cash and cash equivalents at the beginning of the year	912,912	-	912,912	912,912	-	-
Cash and cash equivalents at the end of the year	639,535	1,123,703	1,763,238	3,897,286	2,134,048	-

Accounting Policies

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The National Financial Student Aid Scheme is a statutory body established by the National Student Financial Aid Scheme Act (No. 56 of 1999) as amended, and a Schedule 3A public entity in terms of the Public Finance Management Act (No. 1 of 1999) as amended.

1.1 BASIS OF ACCOUNTING

BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention except for financial instruments measured at fair value unless specified otherwise. They are presented in South African Rand, which is the functional currency of the entity, and prepared on a going concern basis.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

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

COMPARATIVE INFORMATION

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 there 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.

GRAP STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

GRAP 32 SERVICE CONCESSION ARRANGEMENTS: GRANTOR

This Standard is to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

No significant impact is expected

as the entity does not participate in such business transactions.

GRAP 34 SEPARATE FINANCIAL STATEMENTS

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements. No significant impact is expected as the entity does not have controlled entities, joint ventures and/or associates.

GRAP 35 CONSOLIDATED FINANCIAL STATEMENTS

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. No significant impact is expected as the entity does not control any other entities.

GRAP 36 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. No significant impact is expected as the entity does not participate in such business transactions.

GRAP 37 JOINT ARRANGEMENTS

The objective of this Standard is to establish principles for financial reporting by entities that

Accounting Policies

have an interest in arrangements that are controlled jointly (i.e. joint arrangements). No significant impact is expected as the entity does not participate in such business transactions.

GRAP 38 DISCLOSURE OF INTERESTS IN OTHER ENTITIES

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows.

No significant impact is expected as the entity does not participate in such business transactions.

GRAP 108 STATUTORY RECEIVABLES

This Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. Preliminary investigations indicate that the impact on the financial statements will be minimal.

GRAP 109 ACCOUNTING BY PRINCIPALS AND AGENTS

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. No significant

impact is expected as the entity does not participate in such business transactions.

GRAP 110 LIVING AND NON-LIVING RESOURCES

The objective of this Standard is to prescribe the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources. No significant impact is expected as the entity does not participate in such business transactions.

STANDARD(S) EARLY ADOPTED

The entity has chosen to early adopt the following standard and interpretations:

GRAP 20 RELATED PARTY DISCLOSURE

The objective of this Standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. The impact of adopting this standard is disclosed in note 27.

ADOPTION OF NEW AND REVISED STANDARD(S)

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

1.2 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.

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

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

INITIAL RECOGNITION OF STUDENT LOANS AT FAIR VALUE

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

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

Subsequent to initial recognition, student loans are measured at amortised cost using the effective

Accounting Policies

interest method, less any impairment allowances.

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

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. Prescription on NSFAS loans is only deemed to start when these specific conditions have been met and the debtor has informed NSFAS of this fact.

The following parameters have been applied effective 1999:

- Transition from being a registered student to graduation or exit does not exceed 10 years
- Period to first repayment is based on a 15 year analysis of commencement of repayment by students.
- Graduates and students who exited for other reasons are assessed independently.
- The cash flow or repayment profile is calculated as a percentage of the outstanding balance at each month.
- The interest rate used to discount the projected cash flows is referenced to long-term government bond yields as a proxy for the risk-free rate.

- The mortality of borrowers has been included in forecasting the cash-flow profile of the loans.
- Assumptions regarding future mortality experience in South Africa are set, based on published South African actuarial information.
- Although the entity does write-off loans in the event of permanent disability 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 for a full qualification of study rather than on an academic year basis.

DEFERRED INCOME

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

CONTINGENT LIABILITIES

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

"The entity will retain all funds

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

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

The new student centred operating model makes it possible for students, who previously had to apply at institutions, to apply directly to NSFAS for loans and bursaries. Students who are eligible have loans and bursaries approved for the duration of their studies, subject to their meeting the promotion requirements (and continued funding from DHET), rather than being required to reapply for funding for each subsequent academic year.

The entity believes that the contractual commitment due to fund students for the duration of their studies should be treated as a contingent liability.

BUDGET INFORMATION

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.

STUDENT LOANS IMPAIRMENT

The student loans offered by the entity are impaired on the basis of mortality,

Accounting Policies

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 certain loans when they are deemed to be uncollectable. 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 Board.

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

DEPRECIATION

Property, plant and equipment, except for land, is depreciated on the straight

line basis over their expected useful lives to their estimated residual value.

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

AMORTISATION

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

BURSARIES AND CREDITS

Student loans offered by the entity are reduced by credit balances returned by institutions and a bursary conversion based on the rules applicable to that loan. 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. In instances where Institutions have not confirmed the subjects enrolled and subjects passed in order for a bursary conversion to be done, an estimate of the bursary amount has been calculated based on historical pass rates.

PROVISIONS

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 9 - Provisions.

1.3 PROPERTY, PLANT AND EQUIPMENT

INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, or for administrative purposes, and are expected to be used during more than one period.

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.

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

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.

INITIAL MEASUREMENT

Property, plant and equipment is initially measured at cost at the acquisition date.

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

Accounting Policies

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 de-recognised.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

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, except for land, is 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	AVERAGE USEFUL LIFE
Land	Indefinite
Buildings	50 years
Furniture and equipment	5 years
Motor vehicles	5 Years
IT equipment	3 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

All NSFAS' items of property, plant and equipment are considered to be non-cash generating assets as no commercial return is generated from these assets.

The carrying amounts of assets are reviewed at each reporting date to determine whether there is an indication of impairment. If there is an indication that an asset may be impaired, its recoverable service amount is estimated. The estimated

recoverable service amount is the higher of the asset's fair value less cost to sell and its value in use. When the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. The reduction is an impairment loss.

The value in use is determined through depreciated replacement cost, restoration cost approach or service units approach. The decision to the approach to use is dependent on the nature of the identified impairment.

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

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss and is recognised in the Statement of Financial Performance. The increased carrying amount attributable to a reversal of an impairment loss shall not exceed

Accounting Policies

the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in the prior periods.

DE-RECOGNITION

Items of property, plant and equipment are de-recognised 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 included in surplus or deficit when the item is de-recognised.

The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 INTANGIBLE ASSETS

INITIAL RECOGNITION

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights or other legal rights, regardless of whether those rights are

transferable or separate from the entity or from other rights and obligations.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

SUBSEQUENT MEASUREMENT

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

AMORTISATION

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

ITEM	USEFUL LIFE
Computer software, internally generated	3 years
Computer software, other	3 years

Intangible assets are considered to have finite useful lives. The

depreciable amount of an intangible asset with a finite useful life is allocated on a systematic basis over its useful life. Amortisation begins when the asset is available for use and ceases at the earlier of the date on which the asset is classified as held for sale, or included in a disposal group that is classified as held for sale, and the date on which the asset is de-recognised.

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

Accounting Policies

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.

IMPAIRMENT

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 these.

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset 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.

DE-RECOGNITION

Intangible assets are de-recognised 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 on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.5 FINANCIAL INSTRUMENTS

CLASSIFICATION

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

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

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

(i) Non-derivative financial assets

The entity initially recognises financial assets on the trade date, which is the date on which the entity becomes a party to the contractual provisions of the instrument.

The entity de-recognises financial assets using trade date accounting. The entity de-recognises 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 de-recognition.

On de-recognition 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.

FINANCIAL ASSETS MEASURED AT AMORTISED COST

Financial assets comprise cash and cash equivalents, trade and other receivables, amounts owing by institutions and student loans.

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

Financial assets are non-derivative financial assets with fixed or determinable payments, excluding those that the entity designates

Accounting Policies

at fair value on initial recognition, or are held for trading that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition financial assets are measured at amortised cost using the effective interest rate method, less any impairment.

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

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

(ii) Non-derivative financial liabilities

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

The entity de-recognises 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.

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.

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

TRADE AND OTHER PAYABLES

Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

IMPAIRMENT OF FINANCIAL ASSETS

At each reporting date the entity assesses whether there is objective evidence that financial assets not carried at fair value are impaired. A financial asset or a group of financial assets is/are impaired when objective evidence demonstrates that a loss event has occurred after the initial

recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

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

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

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

The entity writes off a student loan and any related allowances for impairment losses, when the entity determines that the loan is uncollectable. This determination is made after notification of the death or permanent disability of the borrower. A list of identity numbers is sent to the Department of Home Affairs on an annual basis for verification of

Accounting Policies

borrowers that are deceased. For disability, medical certification is required. The individual loans are then written off on approval by the Board. The entity considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that may have been incurred but not yet identified. Loans and receivables, such as the student loans offered by the entity that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. 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.

STUDENT LOANS

The student loans offered by the entity are unique within the market. The primary focus of these loans is not profit generation, but rather to provide affordable financing for university students from low income households. The loans have no fixed repayment terms and the debt is only due and payable one year after exit and if 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, students who qualify for funding will have funding approved for the entire qualification. Funding for subsequent years is dependent on students meeting promotional 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.

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

SOCIAL BENEFIT COMPONENT OF STUDENT LOANS

A concessionary loan is a loan granted to or received by an entity on terms that are not market related. The primary focus of student loans is not profit generation, but rather to provide affordable financing for students from low income households studying in institutions of higher learning. As a result, these loans are granted on terms that are not market related. On initial recognition, the entity analyses these loans into their component parts and accounts for each component separately. The entity accounts for the component that is

Accounting Policies

a social benefit in surplus or deficit. The component of the loan that is a social benefit is determined as the difference between the fair value of the loan and the expected loan proceeds to be paid. Subsequent to initial recognition, the entity measures the loan component at amortised cost using the effective interest rate method less impairment losses.

1.6 LEASES

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

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.

1.7 EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

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

An accrual is recognised for the amount expected to be paid under short-term cash benefits if the entity

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

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

DEFINED CONTRIBUTION PLANS

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

1.8 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

1.9 REVENUE

Revenue consists of conditional grants received for student loans and bursaries, administration grants and fees, Sbus commission, interest on student loans, irrecoverable debts recovered and interest on investments.

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

Accounting Policies

to repay the amount. Revenue from administration grants and grants received for student loans and bursaries are considered to be revenue from non-exchange transactions.

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

DEFERRED INCOME

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

GRANTS, TRANSFERS AND DONATIONS RECEIVED

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

IRRECOVERABLE DEBTS RECOVERED

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

INTEREST REVENUE

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

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

SERVICES IN KIND

The public entity recognizes services in kind received that are significant to its operations and/or service delivery objectives as and when revenue the value of the service received can be measured reliably.

The entity recognises assets that are significant to operations/ service delivery objectives, when it is probable that future economic benefits or service potential will flow to the entity and the fair value of the asset can be measured reliably.

1.10 TRANSLATION OF FOREIGN CURRENCIES

FOREIGN CURRENCY TRANSACTIONS

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount to the spot

exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

- foreign currency monetary items are translated using the closing rate; and
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

1.11 PREPAYMENTS

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

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

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

Accounting Policies

1.12 BUDGET INFORMATION

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

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

1.13 RELATED PARTIES

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

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.

1.14 RESERVES

CAPITAL FUND RESERVE

The reserve comprises accumulated surpluses

1.15 IMPAIRMENT OF CASH AND NON-CASH GENERATING ASSETS

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

A cash-generating unit is the smallest identifiable group of assets held with the primary 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.

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.

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).

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

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

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

Accounting Policies

transaction between knowledgeable, willing parties, less the costs of disposal.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount or recoverable service amount, but so that the increased carrying amount does not exceed the carrying amount that would have

been determined had no impairment loss been recognised for the asset in prior years.

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

1.16 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Public Finance Management Act (Act No. 1 of 1999 as amended) or is in contravention of the Entity's supply chain management policy. 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.

Notes to the Annual Financial Statements

For the year ended 31 March 2017

2. PROPERTY, PLANT AND EQUIPMENT

	2017			2016		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Land*	770	-	770	770	-	770
Buildings	4,047	(1,063)	2,984	4,047	(982)	3,065
Furniture and fixtures	5,638	(4,343)	1,295	4,901	(3,927)	974
Motor vehicles	294	(153)	141	119	(119)	-
IT equipment	34,684	(24,047)	10,637	27,185	(18,232)	8,953
Total	45,433	(29,606)	15,827	37,022	(23,260)	13,762

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2017

	Opening balance	Additions	Depreciation	Total
	R'000	R'000	R'000	R'000
Land*	770	-	-	770
Buildings	3,065	-	(81)	2,984
Furniture and fixtures	974	737	(416)	1,295
Motor vehicles	-	175	(34)	141
IT equipment	8,953	7,279	(5,595)	10,637
	13,762	8,191	(6,126)	15,827

Notes to the Annual Financial Statements

For the year ended 31 March 2017

2. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2016

	Opening balance	Additions	Depreciation	Total
	R'000	R'000	R'000	R'000
Land*	770	-	-	770
Buildings	3,146	-	(81)	3,065
Furniture and fixtures	1,134	317	(477)	974
IT equipment	6,282	8,310	(5,639)	8,953
	11,332	8,627	(6,197)	13,762

* Depreciation is calculated on buildings only. 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

	2017	2016
	R'000	R'000
Property, plant and equipment fully depreciated and still in use (Cost)		
Furniture and equipment	3,242	2,578
IT hardware	18,692	7,328
Motor Vehicles	119	119
	22,053	10,025

Notes to the Annual Financial Statements

For the year ended 31 March 2017

3. INTANGIBLE ASSETS

	2017			2016		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Computer software	81,695	(81,236)	459	81,914	(73,656)	8,258

RECONCILIATION OF INTANGIBLE ASSETS - 2017

	Opening balance	Additions	Amortisation	Total
	R'000	R'000	R'000	R'000
Computer software	8,258	-	(7,799)	459

RECONCILIATION OF INTANGIBLE ASSETS - 2016

	Opening balance	Additions	Amortisation	Total
	R'000	R'000	R'000	R'000
Computer software	26,967	1,094	(19,803)	8,258

INTANGIBLE ASSETS FULLY AMORTISED AND STILL IN USE (COST)

	2017	2016
	R'000	R'000
Computer software	78,634	21,616

Notes to the Annual Financial Statements

For the year ended 31 March 2017

4. TRADE AND OTHER RECEIVABLES (NON-EXCHANGE)

	2017	2016
	R'000	R'000
sBux - Commission receivable*	9,301	4,960
Prepayments	2,913	1,257
	12,214	6,217

* sBux - Commission receivable relates to commission earned on transactions for the sBux voucher system used to disburse allowances to students funded by NSFAS through the implementation of the new student centred model.

Amounts outstanding for less than 12 months, due not impaired.

5. PREPAYMENTS TO INSTITUTIONS (EXCHANGE)

Prepayments to institutions for initial student registration fees	1,402,971	1,670,367
---	-----------	-----------

6. STUDENT LOANS (EXCHANGE) - LONG TERM

STUDENT LOAN NOMINAL VALUE

The nominal balance is the total obligations that borrowers have including loan principal and interest. The change in nominal value from year to year reflects the net growth of the portfolio through new lending less repayments, bursary conversions and other adjustments such as irrecoverable debt 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.

Student loans are initially recognised at fair value, and subsequently measured at amortised cost using the effective interest

Notes to the Annual Financial Statements

For the year ended 31 March 2017

rate method less any impairment loss.

6. STUDENT LOANS (EXCHANGE) - LONG TERM (CONTINUED)

	2017	2016
	R'000	R'000
Carrying value reconciliation:		
Opening balance	7,178,249	6,203,312
New loans	5,402,968	2,737,273
Interest	752,955	536,520
Repayments	(392,401)	(226,741)
Social benefit component	(3,534,597)	(1,623,854)
Valuation Adjustments	(38,676)	(448,261)
	9,368,498	7,178,249
Unallocated debtor receipts	(6,475)	(2,089)
Carrying value	9,362,023	7,176,160
Current portion	686,751	370,060
Non-current portion	8,675,272	6,606,100
	9,362,023	7,176,160

	2017	2016
	R'000	R'000
The relationship between the Nominal Value and the Carrying Value is as follows:		
Opening carrying value	7,178,249	6,203,312
Plus new loans (recognised into the loan book)	5,402,968	2,737,273
Less payments	(392,401)	(226,741)
Plus interest	752,955	536,520
Irrecoverable debtor write-off	(72,786)	(55,832)
Plus prior year valuation adjustments	16,941,790	14,973,926
Nominal value	29,810,775	24,168,458

The balance on student loans includes a current portion of R686,750,787 (2016: R370,060,100). The current portion of the student loan is measured as the expected cash flows for the next twelve months based on the amortised cost calculation.

Notes to the Annual Financial Statements

For the year ended 31 March 2017

7. AMOUNTS OWING BY INSTITUTIONS (EXCHANGE)

Credit balances on student fee accounts due by institutions.

	2017	2016
	R'000	R'000
Amounts owing by institutions - Current portion*	363,511	245,541
Amounts owing by institutions - Non-current portion**	19,639	39,048
	383,150	284,589

* Amounts outstanding for less than 12 months, due and not impaired.

** Amounts outstanding for more than 12 months, overdue but not impaired.

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2017	2016
	R'000	R'000
Bank balances	2,552	2,028
Call- and Money Market Accounts	3,894,732	910,884
	3,897,284	912,912

The significant increase in bank balances is due to the under utilization of historic debt funding and other funding allocated to institutions for the 2016 academic year.

Refer to note 36 for further details on cash and cash equivalents.

Notes to the Annual Financial Statements

For the year ended 31 March 2017

9. PROVISIONS

	2017	2016
	R'000	R'000
Provision for credit balances to be refunded*	31,919	59,883
Opening balance	59,883	65,041
Amount paid as refunds**	(512)	(2,920)
Deceased refund debtors***	-	(2,238)
Reversal of provisions ****	(27,452)	-
Closing balance	31,919	59,883
Provision for credit balances to be refunded comprises:		
Credit balances still owing from original 2011 credit provision*	11,212	27,239
Credit balances from normal operations	20,707	32,644
Total	31,919	59,883

* 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 repayments 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.

** In the prior year NSFAS embarked on a refunds campaign by sending SMSes to all debtors who were on the original 2011 refunds list. Due to operational capacity constraints, a similar SMS campaign could not be undertaken in the current year.

*** In the previous financial year a list of refund debtors was compared to the Home Affairs database and showed a match of 1,313 deceased debtors. This amount has been recognized as income.

**** NSFAS obtained permission from National Treasury to process refunds through a third party service provider, Qlink. Approximately 50% of the debtors could be matched and will be refunded through this process. Provisions in respect of debtors that could not be matched were reversed to income. Refer to note 40.

Notes to the Annual Financial Statements

For the year ended 31 March 2017

10. AMOUNTS DUE TO INSTITUTIONS (NON-EXCHANGE)

Payments due to institutions for student loans and bursaries awarded.

	2017	2016
	R'000	R'000
Amounts due to institutions	459,605	116,693

11. DEFERRED INCOME

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

These amounts are held in segregated investment accounts until utilised.

	2017	2016
	R'000	R'000
Grants received in advance	586,221	45,825
Deferred income*	2,845,350	780,041
	3,431,571	825,866

* The significant increase in deferred income is due to the under utilization of historic debt funding and other funding allocated to institutions for the 2016 academic year.

Notes to the Annual Financial Statements

For the year ended 31 March 2017

12. TRADE AND OTHER PAYABLES (EXCHANGE TRANSACTIONS)

	2017	2016
	R'000	R'000
Trade payables	21,739	13,830
Accruals	10,089	10,725
Accrued leave pay due to employees	5,473	1,716
Accrued bonuses due to employees	6,034	5,161
Other payables	3,598	23,338
Operating lease liability	63	106
sBux - Commission payable*	391	478
	47,387	55,354

* sBux - Commission payable is a result of an agreement between NSFAS and the service provider for a percentage of revenue share per transaction in respect of disbursement of student allowances.

13. ADMINISTRATION FEES AND GRANTS

	2017	2016
	R'000	R'000
Administration fees (exchange)		
Administration Fees - Sector Education and Training Authorities	2,697	10,276
Administration Fees - Department of Agriculture Forestry and Fisheries	725	811
Administration Fees - National Skills Fund	16,986	11,257
	20,408	22,344
Administration grants (non-exchange)		
Administration Grant: Department of Higher Education and Training	177,118	148,878

Notes to the Annual Financial Statements

For the year ended 31 March 2017

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

	2017	2016
	R'000	R'000
Department of Higher Education and Training*	11,237,599	6,303,980
National Skills Fund	885,816	785,544
Department of Basic Education	1,050,886	995,803
Other South African government departments	310,170	483,919
Universities	239,987	311,384
SETA funding	93,276	259,786
Deferred income movement	(2,065,308)	254,198
	11,752,426	9,394,614

* 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 and certain public entities.

15. PERSONNEL COSTS

	2017	2016
	R'000	R'000
Salaries	75,471	62,495
Movement in leave provision*	3,757	(1,138)
Employee Benefits - other**	44,104	34,582
	123,332	95,939

* The increase in the leave accrual is due to staff members not taking leave as a result of the implementation of the NSFAS online process.

** Other employee benefits include Medical and Pension Fund contributions, Disability and all other costs.

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

Notes to the Annual Financial Statements

For the year ended 31 March 2017

16. IRRECOVERABLE DEBTS WRITTEN-OFF

	2017	2016
	R'000	R'000
Debt write-off - Student Loan	72,813	55,832
Reconciliation of debtors write-off balances		
Less than R50 debtor balance write-off	27	12
Deceased debtors write-off*	72,786	55,752
Disabled debtors**	-	68
Total	72,813	55,832

* 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 2,439 (2016: 1,955) debtors were confirmed as deceased and outstanding balances to the value of R72,785,579 (2016: R55,751,404) were written off.

** Disabled debtors are written off once NSFAS receives proof from a medical practitioner that the debtor has a permanent disability.

17. AUDIT FEES

	2017	2016
	R'000	R'000
External audit fees*	4,440	4,139
Internal audit fees and other services**	5,284	1,547
	9,724	5,686
*External audit fees:		
Fees for 2014/2015 audit	-	2,621
Fees for 2015/2016 audit	3,262	1,518
Fees for 2016/2017 audit	1,178	-
Total	4,440	4,139
**Internal audit fees and other services		
Fees for 2016/2017 internal audit	3,869	-
Fees for 2016/2017 Approved variations	500	-
Fees for 2015/2016 internal audit	915	1,547
	5,284	1,547

Notes to the Annual Financial Statements

For the year ended 31 March 2017

18. CASH GENERATED (UTILISED) FROM OPERATIONS

	2017	2016
	R'000	R'000
Surplus for the year	2,062,175	1,714,556
Adjustments for:		
Depreciation and amortisation	13,926	26,000
Model adjustments	(155,346)	(270,928)
Impairment loss	107,606	78,282
Social benefit component on student loans*	3,534,597	1,623,854
Impairment loss*	-	521,907
Net interest income	(1,131,864)	(694,058)
Movements in provisions	(27,964)	(5,158)
Changes in working capital:		
Trade and other receivables (non-exchange)	(5,997)	32,624
Prepayments to institutions (exchange)	267,396	(617,812)
Student loans (exchange) short-term	(5,234,241)	(2,652,116)
Amounts owing by institutions (exchange) short-term	(168,147)	(101,139)
Student loans receipts	392,401	226,770
Trade and other payables (exchange transactions)	(7,969)	(3,624)
Unallocated debtor receipts written back	(94)	(91,001)
Amounts due to institutions (non-exchange)	342,912	(65,875)
Deferred income	2,605,705	(439,150)
Amounts owing by other funders	26,802	(53,890)
	2,621,898	(770,758)

* Refer to note 6.

Notes to the Annual Financial Statements

For the year ended 31 March 2017

19. OPERATING LEASE (ASSET)/LIABILITY

Operating lease payments represent rental payable for the leasing of office space in Wynberg Mews. Below are the terms of the new lease agreement:

- A new lease agreement for the 1st and 2nd Floor, Wynberg Mews was entered into for the period 1st March 2017 until 28 February 2022.
- No contingent rent is payable on both rental agreements

20. UNALLOCATED DEBTORS RECEIPTS (NON-EXCHANGE)

	2017	2016
	R'000	R'000
Unallocated debtor receipts (Historical)	94	3

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 account as a payment and reflected as an expense in the financial statements. The amount written back to income is R93,989 (2016: R3,204).

21. INTEREST REVENUE (EXCHANGE)

	2017	2016
	R'000	R'000
Interest on student loans	752,954	536,520
Interest on funds invested*	370,667	157,538
	1,123,621	694,058

* Interest on funds invested relates to the following categories:

Notes to the Annual Financial Statements

For the year ended 31 March 2017

21. INTEREST REVENUE (EXCHANGE) (CONTINUED)

	2017	2016
	R'000	R'000
Administration grants and fees	7,443	4,191
Donor funds	303,477	137,510
Recovered funds	59,747	15,837
	370,667	157,538

22. COMMISSION REVENUE - SBUX (EXCHANGE)

	2017	2016
	R'000	R'000
Commission Revenue - sBux*	2,798	1,565

- * The entity implemented a mobile payment solution (sBux) for the disbursement of allowances to students registered at institutions included in the first phase of the new 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 Celbux, the provider of the mobile payments platform. The commission disclosed is the amount payable to NSFAS.

23. CONSULTING AND PROFESSIONAL FEES

	2017	2016
	R'000	R'000
Consultancy Fees - ICT	15,960	7,923
Consultancy Fees: Management Finance	1,645	157
Transformation : Consultants Fees	-	17
Other professional fees	4,904	810
Legal expenses	1,894	1,165
	24,403	10,072

Notes to the Annual Financial Statements

For the year ended 31 March 2017

24. TAXATION

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

25. COMMITMENTS

AUTHORISED EXPENDITURE

The entity had commitments for the following items as at 31 March 2017:

	2017	2016
	R'000	R'000
IT equipment	10,041	8,965
Consulting and other services	30,747	26,050
	40,788	35,015

OPERATING LEASES - AS LESSEE (EXPENSE)

	2017	2016
	R'000	R'000
Minimum lease payments due*		
- within one year	5,328	3,446
- in second to fifth year inclusive	16,371	412
	21,699	3,858

Refer to note 19.

* The minimum lease payments is a result of two lease agreements of the office space and the printers.

Notes to the Annual Financial Statements

For the year ended 31 March 2017

26. CONTINGENCIES

CONTINGENT ASSETS: INVESTMENTS

There is a contingent asset of market value R1,123,591 (2016: R6,209,089) in the form of the NSFAS contribution to the Fundisa Fund. The Fundisa Fund is a dedicated educational savings scheme with a unique co-contribution feature of an additional 25% of an investor's savings added annually to a maximum of R600 per annum. This feature was made possible through a joint venture between government, through NSFAS, and the Association for Savings and Investment South Africa (ASISA) and is intended to help South Africans afford a high quality, accredited qualification for their children or a learner of their choice at a public college or university. NSFAS transferred R20 million to the Fundisa Fund on 19 April 2012 as its total commitment to the co-contribution feature. Vesting of the NSFAS co-contribution amount occurs on successful registration by nominated beneficiaries who are eligible in terms of the NSFAS criteria for financial assistance.

CONTINGENT LIABILITIES: 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 R8,000,000 (2016: R1,200,000). A 10% notional risk is effected on the debtors facility in the event of unpaid collections. A settlement facility of R0 (2016: R8,500,000) is required for payroll.

NSFAS has entered into agreements with various donors and educational institutions to fund students. The arrangement with the educational institutions is that NSFAS will take up loan agreements forms from the institutions and include these 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 is available to fund future students as at the reporting date is R69,261,978 (2016: R52,305,958). As a result there is a possibility that in future more universities might request to be paid back money from the recoveries.

STUDENT FUNDING

As part of its programme of implementing the new student centred operating model, the entity has on-boarded all TVET Colleges and Universities in the 2017 academic year. The new model makes it possible for students registered at these institutions to apply directly to NSFAS for loans and bursaries rather than through their respective institutions. Students who are eligible have loans and bursaries approved for the duration of their studies, subject to their meeting the promotion requirements, rather than being required to reapply for funding for each subsequent academic year. This possible contractual commitment by the entity to fund students for the duration of their studies, if they meet the promotion requirements, has resulted in an estimated contingent liability of R25,103,733,043 (2016: R4,970,067,263).

Notes to the Annual Financial Statements

For the year ended 31 March 2017

27. RELATED PARTIES

RELATIONSHIPS	
Board Members	Refer to the Report of the Board members
Executive Authority Controlling Entity	Dr. Bonginkosi Emmanuel Nzimande, MP Department of Higher Education and Training
Other Government Departments (National)	Department of Agriculture, Forestry and Fisheries Department of Labour Department of Social Development 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 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 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

For the year ended 31 March 2017

27. RELATED PARTIES (CONTINUED)

RELATIONSHIPS	
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 Ehlazeni 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 TVET College Ingwe TVET College King HINTSA TVET College King Sabata Dalindyebo TVET College Lephalale TVET College Letaba TVET College Lovedale 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

Notes to the Annual Financial Statements

For the year ended 31 March 2017

27. RELATED PARTIES (CONTINUED)

Transactions between NSFAS and the listed entities are consistent with a normal operating relationship and arm's length transaction have been omitted from presentation. This is a result of early adoption of GRAP 20 Related party disclosure as noted in the accounting policy.

28. BOARD MEMBERS' AND KEY MANAGEMENT EMOLUMENTS

KEY MANAGEMENT

2017				
	Basic salary	Bonuses	Employer contributions	Total
	R'000	R'000	R'000	R'000
Executive Officer - a	1,868	-	54	1,922
Chief Financial Officer	1,490	-	32	1,522
Executive Officer (Acting) - b	141	-	4	145
Chief Information Officer - d	1,654	-	208	1,862
Senior Managers - f	1,257	-	106	1,363
	6,410	-	404	6,814

2016				
	Basic salary	Bonuses	Employer contributions	Total
	R'000	R'000	R'000	R'000
Executive Officer	1,824	-	50	1,874
Chief Financial Officer	1,565	-	32	1,597
Chief Information Officer - c	162	-	28	190
Chief Information Officer - d	1,432	-	176	1,608
Chief Operating Officer - e	327	-	94	421
Senior Managers - f	3,692	-	439	4,131
	9,002	-	819	9,821

a Msulwa Daca resigned on 31 March 2017, on leave from 1 February 2017

b Lerato Nage - Acting from 16 February 2017

Notes to the Annual Financial Statements

For the year ended 31 March 2017

28. BOARD MEMBERS' AND KEY MANAGEMENT EMOLUMENTS (CONTINUED)

- c Xolisa Peter - Acting until 31 May 2015
- d Richard Mackinnon-Little: Acting from 01 June 2015, Appointed as Chief Information Officer on 1 August 2016
- e Luxolo Rubushe - Acting until 31 May 2015
- f These are Senior Managers whom report directly to the Executive Officer
- g Bonakele Jacobs: Acting from 01 December 2015 - 31 March 2016. Reported to Chief Operating Officer from 1 April 2016.
- h Joy Sixholo resigned on 30 June 2016.
- i Reported to General Manager corporate services from 1 April 2016.

Executive Managers include:

Chief Operational Officer - Milco Hertz Appointed: 23 February 2016, Resigned 30 January 2017 (seconded from the banking sector, NSFAS does not incur any costs)

Chief Risk Officer - Pavashini Naidoo Appointed: 01 March 2016 (seconded from the banking sector, NSFAS does not incur any costs)

BOARD MEMBERS EMOLUMENTS

2017			
	Emoluments	Pension paid or receivable	Total
	R '000	R '000	R '000
Travel costs	1,298	-	1,298
Board meeting fees	889	-	889
	2,187	-	2,187

2016			
	Emoluments	Pension paid or receivable	Total
	R '000	R '000	R '000
Travel costs - Restated*	1,434	-	1,434
Board meeting fees	847	-	847
	2,281	-	2,281

*Refer to prior period error note 33.

Notes to the Annual Financial Statements

For the year ended 31 March 2017

29. DEBTORS LOAN BOOK MOVEMENTS (NON-EXCHANGE)

ASSUMPTION SET USED IN THE LOAN VALUATION MODEL:

For the 31 March 2017 valuation it was considered appropriate to update the valuation assumptions with data up to the 31 December 2016 in order to recognize the development of the book and the impact of management actions over time.

MODEL ADJUSTMENTS

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

- reassessment of the assumptions based on data up to 28 February 2017
- truncation of payments after 300 months

As a result of the changes in assumptions and model adjustment, a net difference in value of the student portfolio of R155,346,367 (2016: R270,927,528) was recorded.

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

	2017	2016
	R'000	R'000
YEAR OF ISSUE OF STUDENT LOAN		
1991 - 2001	17,741	(11,320)
2002 - 2007	135,299	38,934
2008	40,530	24,251
2009	45,970	18,828
2010	34,393	19,474
2011	32,375	24,316
2012	34,401	34,019
2013	15,473	33,357
2014	(18,175)	35,138
2015	(68,015)	53,931
2016	(116,854)	-
2017	2,208	-
	155,346	270,928

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:

Notes to the Annual Financial Statements

For the year ended 31 March 2017

29. DEBTORS LOAN BOOK MOVEMENTS (NON-EXCHANGE) (CONTINUED)

SENSITIVITY TO CHANGE IN TRANSITION FROM EXIT TO PAYER

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.

2017					
	Carrying value	-10% change	Impact	+10% change	Impact
	R'000	R'000		R'000	
Student	4,620,660	4,158,593	-10.0%	5,082,725	10.0%
Non-payer	4,084,781	3,552,406	-13.03%	4,667,113	14.26%
Payer	663,057	663,057	0.0%	663,057	0.0%
	9,368,498	8,374,056	-10.61%	10,412,895	11.14%

2016					
	Carrying value	-10% change	Impact	+10% change	Impact
	R'000	R'000		R'000	
Student	3,861,645	3,475,480	-10.0%	4,247,809	10.0%
Non-payer	2,900,232	2,517,168	-13.2%	3,323,744	14.6%
Payer	416,372	416,732	0.0%	416,372	0.0%
	7,178,249	6,409,020	-10.8%	7,987,925	11.3%

SENSITIVITY TO CHANGE IN THE PAYMENT PROFILE

The payment profile reflects an average expected level of recovery at each month since payment commenced. Since there is no clear contractual relationship between the loan value and the payment amount, the history of aggregate experience of payments as a percentage of outstanding value has been used to set these assumptions.

The table below shows the impact of a 10% reduction in the payment profiles.

Notes to the Annual Financial Statements

For the year ended 31 March 2017

29. DEBTORS LOAN BOOK MOVEMENTS (NON-EXCHANGE) (CONTINUED)

2017			
	Carrying value	-10% change	Impact
	R'000	R'000	
Student	4,620,660	4,508,662	-2.42%
Non-payers	4,084,781	3,996,204	-2.17%
Payers	663,057	630,563	-4.9%
	9,368,498	9,135,429	-2.49%

2016			
	Carrying value	-10% change	Impact
	R'000	R'000	
Student	3,861,645	3,763,107	-2.6%
Non-payers	2,900,232	2,840,892	-2.0%
Payers	416,372	393,538	-5.5%
	7,178,249	6,997,537	-2.5%

SENSITIVITY TO THE DELAY IN ACHIEVING THE MODELLED CASH FLOW PROJECTIONS

The valuation models assume that the assumptions used apply consistently from the valuation date forward. It would therefore be instructive to users of the financial statements to have a sense of the potential impact of a delay in attaining the full level of cash flow indicated by the models for the student and non-payer models when the full reported assumptions are used. The payer model cash flows are unaffected by such a delay. The table below shows the impact of this portion changing from 0% to 100% collections over 12, 24 and 36 months.

In 2017, the actual recoveries were in line with the model expected cash flow projections and it was therefore not necessary to determine the potential impact of a delay in attaining the full value of the cash flow indicated by the model.

2016					
	12 months	Impact	Carrying value (24 months)	36 months	Impact
Student	3,887,544	0.7%	3,861,645	3,816,611	-1.2%
Non payers	2,992,661	3.2%	2,900,232	2,793,535	-3.7%
Payers	416,372	0.0%	416,372	416,372	0.0%
	7,296,577	1.6%	7,178,249	7,026,518	-2.1%

Notes to the Annual Financial Statements

For the year ended 31 March 2017

29. DEBTORS LOAN BOOK MOVEMENTS (NON-EXCHANGE) (CONTINUED)

IMPAIRMENT LOSS

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

There was no impairment loss recorded during the period due to an increase in collections from debtors. In the prior year an impairment loss of R521,935,728 was recorded.

30. RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT

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

The entity has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk.

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

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

The entity's risk management policies are established to identify and analyse the risks faced by the entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the entity's activities. The entity, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The entity's Audit and Risk Committee oversees how management monitors compliance with the entity's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the entity. The entity's Audit and Risk Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

There are no externally imposed capital requirements.

Notes to the Annual Financial Statements

For the year ended 31 March 2017

30. RISK MANAGEMENT (CONTINUED)

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 surplus funds with the Corporation For Public Deposits of the South African Reserve Bank.

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.

Maturity analysis of financial liabilities

AT MARCH 2017				
	Less than 1 month	1 - 3 months	3 months to 1 year	Total
	R'000	R'000	R'000	R'000
Accounts payable and provisions	47,387	-	31,919	79,306
Amounts due to institutions	459,605	-	-	459,605
	506,992	-	31,919	538,911
AT MARCH 2016				
	Less than 1 month	1 - 3 months	3 months to 1 year	Total
	R'000	R'000	R'000	R'000
Accounts payable and provisions	55,354	-	59,883	115,237
Amounts due to institutions	116,693	-	-	116,693
	172,047	-	59,883	231,930

Notes to the Annual Financial Statements

For the year ended 31 March 2017

30. RISK MANAGEMENT (CONTINUED)

MARKET RISK

Market risk is the risk that changes in market prices, such as interest rates, that 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.

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

	2017	2016
	R'000	R'000
Variable rate instruments		
Student loans	9,362,023	7,176,160
Other variable rate instruments	3,897,284	912,912
	13,259,307	8,089,072

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 deficit or surplus by R38,972,836 (2016: R9,129,122). This analysis assumes that all other variables remain constant.

VALUATION SENSITIVITY ANALYSIS FOR STUDENT LOANS

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

Notes to the Annual Financial Statements

For the year ended 31 March 2017

30. RISK MANAGEMENT (CONTINUED)

2017		
R'000		
Student loans		
100 basis points increase	19,008,645	0.20%
100 basis points decrease	(27,125,423)	-0.29%
2016		
R'000		
Student loans		
100 basis points increase	26,599,601	0.37%
100 basis points decrease	(27,919,429)	-0.39%

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: R13,703,185,000 (2016: R8,455,194,000), which is the total of all assets excluding prepayments, property, plant and equipment and intangible assets.

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

ALLOWANCES FOR IMPAIRMENT

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

Notes to the Annual Financial Statements

For the year ended 31 March 2017

30. RISK MANAGEMENT (CONTINUED)

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.

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 Board.

During the financial year under review the entity wrote off debts amounting to R72,812,664 (2016: R55,831,505) 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

LOANS AND OTHER RECEIVABLES AND CASH AND CASH EQUIVALENTS

The entity only deposits cash with major banks with high quality credit standing (P-2 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.

PORTFOLIO STATUS

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

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

Notes to the Annual Financial Statements

For the year ended 31 March 2017

30. RISK MANAGEMENT (CONTINUED)

LOAN NUMBER	NUMBER OF LOANS	TRANSACTION VALUE	PERCENTAGE OF TOTAL VALUE
1	735,188	11,135,025,737	37%
2	506,531	8,818,609,331	30%
3	320,402	5,755,500,779	19%
4	160,023	2,751,696,828	9%
5+	84,132	1,349,941,826	5%
	1,806,276	29,810,774,501	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.

	LOANS IN FORCE	CURRENTLY PAYING	NOT CURRENTLY PAYING
	R'000	R'000	R'000
Student	720,899	-	720,899
Drop-out	440,899	41,547	399,352
Graduate	644,478	88,354	556,124
	1,806,276	129,901	1,676,375

PRICE RISK

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

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

Notes to the Annual Financial Statements

For the year ended 31 March 2017

31. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

2017		
	Loans and receivables	Total
	R'000	R'000
Trade and other receivables	12,214	12,214
Cash and cash equivalents	3,897,284	3,897,284
Student loans (exchange)	9,362,023	9,362,023
Amounts owing by other institutions (exchange)	383,150	383,150
Amounts owing by other funders	48,514	48,514
	13,703,185	13,703,185

2016		
	Loans and receivables	Total
	R'000	R'000
Trade and other receivables	6,217	6,217
Cash and cash equivalents	912,912	912,912
Student loans (exchange)	7,176,160	7,176,160
Amounts owing by other institutions (exchange)	284,589	284,589
Amounts owing by other funders	75,316	75,316
	8,455,194	8,455,194

Notes to the Annual Financial Statements

For the year ended 31 March 2017

32. AMOUNTS OWING BY OTHER FUNDERS

	2017	2016
	R'000	R'000
Amounts owing by other funders - Non-current*	27,038	21,426
Amounts owing by other funders - Current**	21,476	53,890
	48,514	75,316

Amounts owing by other funders relates to various funders who owe NSFAS for payments made on their behalf. Every effort is being made to recover these monies owed to NSFAS.

* Amounts outstanding for more than 12 months, overdue but not impaired.

** Amounts outstanding for less than 12 months, due and not impaired.

33. PRIOR PERIOD ERROR

AMOUNTS OWING BY INSTITUTIONS:

Amounts owing by institutions (exchange), refer note 7, was understated in the prior year. This was as a result of an incorrect reversal that was recorded in that period. The prior year error has been corrected as follows:

	AS PREVIOUSLY REPORTED	CORRECTIONS OF ERRORS	RESTATED
	R'000	R'000	R'000
Reclassification of balances			
Statement of Financial Position			
Amounts owing by Institutions (exchange)	189,277	56,264	245,541
Statement of Financial Performance			
Surplus of the year	1,658,292	56,264	1,714,556
Social benefit component on student loans issued	1,680,118	(56,264)	1,623,854

BOARD MEMEBRS EMOLUMENTS:

Board members travel costs disclosed in the financial statements of the prior year were understated. The comparative figures have been restated to correct the misstatement as follows:

	AS PREVIOUSLY REPORTED	CORRECTIONS OF ERRORS	RESTATED
	R'000	R'000	R'000
Disclosure			
Board members - travel costs	173	1,261	1,434

Notes to the Annual Financial Statements

For the year ended 31 March 2017

34. IRREGULAR EXPENDITURE

	2017	2016
	R'000	R'000
Opening balance	74,396	70,805
Add: Irregular Expenditure - current year	74	3,591
Sub Total:	74	3,591
Other areas of non-compliance	-	-
Supply Chain procedures not followed**	-	191
Deviation was not approved by the appropriate delegated authority***	-	3,400
Three quotations not obtained	74	-
Subtotal other areas non-compliance	74	3,591
Less: Amounts condoned	-	-
Closing balance	74,470	74,396

35. BUDGET INFORMATION

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

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.

NOTE 35.1:

The following are not budgeted for:

- Commission Revenue - sBux
- Unallocated Debtors Receipts
- Donations
- Other income
- Irrecoverable debts written-off
- Social benefit component on student loans issued
- Model adjustments
- Impairment loss - Amounts owing by other funder - non-current
- Amounts owing by institutions received
- Amounts due to institutions paid
- Impairment loss - Amounts owing by institutions (exchange) long-term
- Amounts owing by other funders received

Notes to the Annual Financial Statements

For the year ended 31 March 2017

35. BUDGET INFORMATION (CONTINUED)

STATEMENT OF FINANCIAL PERFORMANCE

NOTE 35.2: INTEREST REVENUE (EXCHANGE)

Interest revenue relates to interest earned on funds invested and interest on outstanding student loans. Interest on funds invested was higher than budget due to the increase in recovered funds and interest on donor funds was higher than budget due to an increase in the donor funds received and under utilisation of allocations by institutions.

NOTE 35.3: GRANTS RECEIVED FOR STUDENT AWARDS (NON-EXCHANGE)

Grants received for student awards revenue was less than budget as a portion of the grants received was deferred to future periods in terms of GRAP 23.

NOTE 35.4: DEPRECIATION AND AMORTISATION:

The underspending on this line item is due to underspending on Computer Software as a result of delays in the Microsoft licensing tender. NSFAS was awaiting an answer from the National Treasury as to whether the transversal contract on Microsoft software included the Academic licensing agreement for which NSFAS qualifies for. It was determined in November 2016 that the Academic agreement does not form part of the transversal contract and NSFAS needed to submit an RFP for the requirement. This RFP process is currently underway.

NOTE 35.5: BURSARIES - OTHER FUNDING SOURCES:

The expense is less than budget due to the under utilisation of 2016 allocations by institutions.

NOTE 35.6: GENERAL EXPENSES:

The underspending on general expenses is mainly attributable to the following components: Communication- The underspending on communication and venue and facilities was due to the benefits derived from cost saving initiatives implemented. Agency and support

- The entity appointed External Debt Collectors to assist with debt collection, however the procurement took longer than anticipated, resulting in underspending.

NOTE 35.7: CONSULTING AND PROFESSIONAL FEES

The underspending on this line item is due to delays in securing services from an ICT sole supplier as well as suitable service providers not being secured for employment equity barrier analysis and job evaluation.

NOTE 35.8: POSTAGE AND COURIER SERVICES

Increased use of Courier Services within the organisation, is due to unanticipated high volumes of manual application forms which needed to be couriered to the NSFAS premises with the 100% roll-out of the student centred model.

NOTE 35.9: AUDIT FEES:

The over expenditure on this line item is as a result of PwC completing the outstanding internal audit work from 2015/16 during the current year under review as per arrangement.

Notes to the Annual Financial Statements

For the year ended 31 March 2017

35. BUDGET INFORMATION (CONTINUED)

STATEMENT OF FINANCIAL POSITION

NOTE 35.10: AMOUNTS OWING BY OTHER FUNDERS

Amounts owing by other funders is less than budget due to outstanding amounts being recovered earlier than expected.

NOTE 35.11: TRADE AND OTHER RECEIVABLES (NON-EXCHANGE)

Trade and other receivables was higher than budget due to an increase in prepaid computer services and the increase in sBux commission receivable.

NOTE 35.12: PREPAYMENTS TO INSTITUTIONS (EXCHANGE)

Due to the 100% roll-out of the new operating model, disbursements to institutions commenced earlier than expected. The disbursements amounts were off-set against the prepayments.

NOTE 35.13: STUDENT LOANS (EXCHANGE) SHORT-TERM

The entity met its cashflow targets for the year. The increase in collections resulted in an increase in the short term portion of student loans.

NOTE 35.14: AMOUNTS OWING BY INSTITUTIONS (EXCHANGE) SHORT-TERM

Credits due from institutions were higher than expected due to an increase in disbursements to institutions.

NOTE 35.15: CASH AND CASH EQUIVALENTS

Cash and cash equivalents were higher than budget due to the 2017 allocations received earlier than expected as well as under utilisation of 2016 allocations by institutions.

NOTE 35.16: INTANGIBLE ASSETS

Intangible assets was lower than budget due to planned acquisitions not being on schedule.

NOTE 35.17: AMOUNTS OWING BY INSTITUTIONS (EXCHANGE) - LONG TERM

Amounts due from institutions were higher than budget due to institutions not settling amounts due during the period as expected.

NOTE 35.18: AMOUNTS OWING BY OTHER FUNDERS

The long-term amounts owing by other funders is more than budget due to the funders not settling amounts during the period as expected.

NOTE 35.19: TRADE AND OTHER PAYABLES (EXCHANGE TRANSACTIONS)

Trade and other payables are lower than budget due to expenditure being more than budget.

Notes to the Annual Financial Statements

For the year ended 31 March 2017

35. BUDGET INFORMATION (CONTINUED)

NOTE 35.20: PROVISIONS

The provision for credit balances is lower than budget due to the write back of provisions to income after various attempts made to contact the debtors proved unsuccessful.

NOTE 35.21: AMOUNTS DUE TO INSTITUTIONS (NON-EXCHANGE)

Payments due to institutions were higher than expected due to the 100% roll-out of the student centred model. The new model allows for loans and bursaries to be awarded earlier in the academic year than on the old model.

NOTE 35.22: DEFERRED INCOME

Deferred income is higher than budget due to grants received in advance being higher than expected and the underutilisation of the additional Historic Debt funding.

STATEMENT OF CASH FLOWS

NOTE 35.23: FOR STUDENT AWARDS

The higher budget amount is due to the underutilisation of the additional Historic Debt funding. Underutilisation of available funding, mainly in the Historic Debt category, resulted in further funding being made available in the final quarter of the academic year for first time university entrants in the 2016 academic year. Due to the timing of the academic calendar, universities were only able to submit claims towards the end of the entity's financial year which had a significant impact on the entity's ability to make payments in respect of approved loans and bursaries.

NOTE 35.24: PURCHASE OF OTHER INTANGIBLE ASSETS - NORMAL OPERATIONS

The purchase of intangible assets was lower than expected due to planned acquisitions not being on schedule.

36. UTILISATION OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents totaling R3,897,283,599 (2016: R912,912,252) include R389,583,975 (2016: R36,222,898) recovered funds that NSFAS holds for re-injection into student loans. A further R3,431,570,502 is held by NSFAS on behalf of funders for allocation by the entity on instruction by the funder. These funds represent unspent grants and interest thereon. A further amount of R106,831 is committed to issued sBux vouchers. The balance remaining of R76,020,726, inclusive of interest, comprises operational funds attributed to administration grants and fees.

The entity expects to provide loans and bursaries to students amounting to approximately R16,573,270,088* for the 2017 academic year. This will be funded from expected new grants and the recovered funds money referred to above. The projected cash flow for these expected funds and NSFAS recovered money is as follows:

Notes to the Annual Financial Statements

For the year ended 31 March 2017

36. UTILISATION OF CASH AND CASH EQUIVALENTS (CONTINUED)

QUARTER ENDING	EXPECTED NEW GRANTS	NSFAS RE-INJECTION	CUMULATIVE
	R'000	R'000	R'000
June 2017	9,102,778	7,271	9,110,049
September 2017	6,641,687	37,178	6,678,865
December 2017	443,505	340,851	784,356
	16,187,970	385,300	16,573,270

* Prepayments to the value of R1.4 billion (2016: R1.67 billion) were made using recovered funds as at 31 March 2017.

37. ANALYSIS OF SURPLUS

	2017	2016
	R'000	R'000
Operational		
Administration grants	177,118	148,878
Administration fees	20,408	22,344
Interest received	1,123,621	694,058
Other income	27,569	2,300
sBux -Commission revenue	2,798	1,565
Unallocated debtors receipts	94	3
Less: Administration and investment costs	(229,722)	(176,068)
Sub-Total	1,121,886	693,080

Notes to the Annual Financial Statements

For the year ended 31 March 2017

37. ANALYSIS OF SURPLUS (CONTINUED)

Capital		
Grants received for student awards*	11,752,426	9,394,614
Bursaries	(7,325,280)	(6,419,994)
Irrecoverable debts	(72,813)	(55,832)
Impairment loss	-	(521,936)
Social benefit component on student loans	(3,534,597)	(1,623,854)
Model Adjustments	155,346	270,928
Impairment - Amounts owing by other funders	(4,291)	-
Impairment loss - Amounts owing by institutions (exchange) - long term	(30,502)	(22,450)
Sub-Total	940,289	1,021,476
Total	2,062,175	1,714,556

* Grants received for student awards are reflected after the deferred income movement amount of R 2,065,308,089 (2016: R254,197,828) has been netted off.

The difference of R4,427,146,000 (2016: R2,974,620,209) between

"Grants received for student awards" and "Bursaries" is attributable to:

- Eligible students registered at public Technical and Vocational Education and Training Colleges receiving 100% bursaries
- University students eligible for Final Year Programme funding benefiting from a 100% bursary conversion on meeting the requirements for graduation
- University students eligible for all other categories of loan funding qualifying for a bursary conversion of up to 40% based on academic criteria
- University and other students eligible for National Skills Fund, Funza Lushaka and other categories of Bursary funding receiving 100% bursary funding.

38. IMPAIRMENT LOSS - AMOUNTS OWING BY OTHER FUNDER - NON-CURRENT

	2017	2016
	R'000	R'000
Impairment loss - Amounts owing by other funder - non-current	(4,291)	-

During the period amounts owing by other funders were impaired with an amount of R4,290,678 due to these amounts being long outstanding with no expected recovery from the funders.

Notes to the Annual Financial Statements

For the year ended 31 March 2017

39. IMPAIRMENT LOSS - AMOUNTS OWING BY INSTITUTIONS (EXCHANGE) - LONG TERM

During the period amounts due by institutions were impaired with an amount of R30,502,190 (2016: R22,450,366) due to amount being outstanding for more than a three year period.

40. OTHER INCOME (EXCHANGE)

	2017	2016
	R'000	R'000
Reversal of provision*	27,452	-
Insurance receipts	97	2,300
Donations	20	-
	27,569	2,300

* Refer to note 9.

41. SERVICE-IN-KIND REVENUE (NON-EXCHANGE)

ADVERTISING:

NSFAS received free SABC radio and TV airtime over the period April 2016 to March 2017 for a fundraising campaign, which has not been recognised in the financial statements as it is not significant to NSFAS operations.

EMPLOYEE RELATED COSTS:

NSFAS received seconded employees from various banks at no cost to NSFAS during the year. The positions that were filled with seconded resources were as follows: Chief Risk Officer, Chief Operations Officer, Recoveries specialist, Head of Business enablement, two business analysts and a Programme Manager.

Supplementary Information

	2017	2016
	R'000	R'000
1. Grants received for student awards		
Grants received for student awards		
Department of Agriculture, Forestry and Fisheries	14,495	16,227
Department of Basic Education - Funza Lushaka Teacher Bursaries**	1,050,886	995,803
Department of Defence and Military Veterans	-	175,550
Department of Higher Education and Training	8,916,056	4,099,285
Department of Higher Education and Training - TVET Colleges*	2,321,543	2,204,695
Department of Social Development	290,780	276,144
Eastern Cape Provincial Government	2,983	15,998
Gauteng Gambling Board	1,912	-
National Skills Fund	885,816	785,544
Culture, Arts, Tourism, Hospitality, Sports SETA	15,665	7,194
Fibre Processing and Manufacturing SETA	-	12,571
Financial and Accounting Services SETA	9,500	56,050
Food and Beverage SETA	-	9,414
Health and Welfare SETA	28,305	19,684
Manufacturing, Engineering and Related Services SETA	-	65,550
Transport Education Training Authority SETA	1,841	3,545
Wholesale and Retail SETA	37,964	85,777
	13,577,746	8,829,031

* Bursaries for training at Technical and Vocational Educational and Training Colleges.

** Bursaries for teacher training at Universities.

Supplementary Information

	2017	2016
	R'000	R'000
Capital grants from universities		
University of Cape Town	29,926	47,517
University of the Free State	5,378	11,935
University of Johannesburg	23,783	46,413
Nelson Mandela Metropolitan University	43,299	5,000
University of Kwa-Zulu Natal	-	2,330
University of Pretoria	45,000	17,485
Rhodes University	34,155	34,065
Tshwane University of Technology	-	34,394
University of South Africa	58,446	112,246
	239,987	311,385

	2017	2016
	R'000	R'000
2. Operational expenses (expressed in Rand thousand)		
Accommodation	-	36
Advertising	1,578	1,064
Assessment rates & municipal charges	470	461
Audit fees - external	4,440	4,139
Audit fees - internal & other	5,284	1,547
Media costs	228	232
Bank charges	419	326
Broader communications strategy	-	511
Business development services	4,904	868
Cleaning	17	-
Collection costs	6,387	3,107
Commission paid	3,685	-

Supplementary Information

	2017	2016
	R'000	R'000
2.Operational expenses (expressed in Rand thousand) (continued)		
Compliance - National Credit Regulator	275	301
Computer expenses	1,284	2,320
Computer services	13,073	8,071
Consulting and professional fees	1,645	157
Consulting fees	-	11
Electricity	847	711
Insurance	377	372
Lease rentals on operating lease	4,117	3,777
Legal expenses	1,894	1,165
Management Consultants	15,960	7,923
Motor vehicle expenses	11	10
Office expenses	515	-
Placement fees	1,258	893
Postage	96	73
Printing and stationery	359	83
Promotions	371	887
Renovation costs	518	147
Repairs and maintenance	606	433
Security services	604	466
Storage and scanning (outsourced)	2,772	1,801
Subscriptions and membership fees	248	198
Telephone and fax	3,397	1,775
Training	706	1,343
Transformation: Consultant Fee	-	17
Travel and subsistence	13,223	7,785
Water	42	32
Workshops	855	1,088
	92,465	54,130



Years of Funding
Post-School Education
1991 - 2016

GENERAL INFORMATION

Registered Name:

National Student Financial Aid Scheme (NSFAS)

Registered Address:

18 Court Road, Wynberg,
Cape Town, 7800

Business Address:

2nd Floor, House Vincent, Wynberg Mews, 10 Brodie Road,
Wynberg, Cape Town, 7800

Postal Address:

Private Bag X1, Plumstead
Cape Town, 7800

Telephone Number:

+27 (0)21 763 3200

Email Address:

info@nsfas.org.za

Website Address:

www.nsfas.org

External Auditors

Auditor-General of South Africa