NSFAS

ANNUAL REPORT 2011

NATIONAL STUDENT FINANCIAL AID SCHEME

Established by NSFAS Act (Act 56 of 1999)

ANNUAL REPORT

For the year ended 31 March 2011

Contents

Education is the most powerful weapon which you can use to change the world.

Nelson Mandela, Former President of South Africa

HARD WORK PAYS OFF

I come from a very poor background, where I was one of ten siblings and grew up in the rural areas in Mpumalanga. My father worked as a driver and had to support the entire family.

My dream was always to become a teacher and make a difference in the lives of other learners. When I thought about furthering my studies, I panicked because I knew that my parents could not afford to pay my tuition fees.

When I went to the University of Pretoria, I heard about NSFAS and then I decided to send in my application for assistance with my tuition fees. I received a response from NSFAS that my fees would be paid. I was overwhelmed with joy that my dreams would soon become a reality.

I then completed my Bachelor of Education degree. I am currently doing my Honours in Education Management and Law Policies at the University of Pretoria.

Once I am done with my studies, I hope to become a school manager. My aim is to improve the quality standards of education in South Africa, help learners achieve their goals and receive a better education.

Our youth needs to work hard while at school, in order for them to achieve good results because hard work pays off.

ZANELE DIBANE, 22
HONOURS STUDENT: EDUCATION MANAGEMENT AND LAW POLICIES
University of Pretoria

1 FOREWORD BY THE MINISTER OF HIGHER EDUCATION AND TRAINING

In March 2010, I published the report from the Committee that I appointed in July 2009 to investigate the efficacy of the NSFAS operations, strategies and policies in order to align this special purpose entity to the developmental trajectory of government.

Findings in the report pointed to deep organisational, policy and structural deficiencies within NSFAS. After the resignation of a number of Board members, the remaining Board co-opted new members to the NSFAS Board as allowed for under the NSFAS Act. As the chairperson had also resigned, a new chairperson was appointed. I will appoint the full Board in the first quarter of the 2011/12 financial year. The new Board has been mandated to develop and implement a turnaround strategy in consultation with my department which takes into account the recommendations of the Ministerial Review Committee.

For the year under review, I requested the Board to discontinue the blacklisting of NSFAS student debtors; to revalue the NSFAS loan book; and to implement the recommendations originating from the Auditor-General's Report for the 2009/10 audit which resulted in a disclaimer.

I am pleased to report that the Auditor-General's Report for the 2010/11 financial year shows that NSFAS has not only moved out of the audit disclaimer, but has received an unqualified audit opinion.

An area that has compromised the operations of NSFAS has been unspent funds and I am pleased to note the improved utilisation of funds allocated for the 2010/11 year. I am also pleased that additional funds for NSFAS for 2011/12 have been secured in order to realise this government's commitment to gradually introduce free undergraduate education for the poor.

NSFAS has been put on a path to be fully aligned to and integrated with the developmental imperatives of government. Access to and success in higher education cannot be separated from affordability and a quality student experience.

Dr B E Nzimande, MP
Minister of Higher Education and Training

HAVING THE TIME OF MY LIFE

My name is Lesego Shoroma and I am 23 years of age. I have completed my Bachelor of Social Sciences Degree, Honours Degree in Management and Development and a Post-Graduate Diploma in Management thus far and have achieved a few distinctions, with the assistance of NSFAS. I am currently studying at the Potchefstroom campus of North West University. As a student from a disadvantaged family from Orkney in North West province, NSFAS has been such a great blessing to me and my family for supporting me financially during my university life.

NSFAS provided me with funding for tuition fees, accommodation and text books that I would not have acquired on my own due to my family's financial situation.

I didn't know about NSFAS during my first year at university. At that stage things were very difficult as my mother, a single parent, had to pay for everything and couldn't cope with the situation. During my second year I applied for NSFAS funding and my application was approved. From then on I became very dedicated and determined with my studies without any external financial stresses. To be honest, I really don't know how I would have achieved this much without NSFAS.

Thanks to the amazing NSFAS team, I am now enrolled in my second semester to qualify with my Masters Degree and I plan to continue my studies. I am studying full-time and I am having the time of my life.

I am eternally grateful for the financial assistance and support from NSFAS.

LESEGO SHOROMA, 23
MASTERS STUDENT: DISASTER MANAGEMENT
North West University

2 CHAIRPERSON'S REPORT

It is my privilege to present this report as Chairperson of the Board of the National Student Financial Aid Scheme (NSFAS). I was appointed on 15 December 2010, following the resignations of the previous chairperson and other members of the Board.

The Board's mandate from the Minister of Higher Education and Training, Dr Blade Nzimande, was to develop and implement a turnaround strategy to address the challenges experienced by NSFAS in terms of its governance, management, operations and financial management. In particular, the Board was required to take urgent steps to address the findings that resulted in the Disclaimer of Opinion by the Auditor-General in 2010.

I am pleased to report that the Auditor-General's report for the 2011 financial year shows that NSFAS has not only moved out of the audit disclaimer, but it has received an unqualified audit opinion. This achievement has been made possible by the collective efforts of the Board and its committees working with the staff and service providers of NSFAS, supported by the Minister and the Department of Higher Education and Training.

In addition to addressing the audit disclaimer, the Board accepted the responsibility of stabilising the current NSFAS operations while implementing the steps necessary to ensure sustainability and compliance with the NSFAS Act, the Public Finance Management Act and other relevant legislation. The restructured Board started work on 7 January 2011, established its Executive Committee and determined its functions to include implementing the turnaround mandate and absorbing the functions previously carried out by the Human Resources and Remuneration and other Committees. The Finance and Audit and Risk Committees continued their work throughout the year.

The Board has made significant progress in achieving its turnaround objectives while stabilising and maintaining current operations. It has put in place measures to ensure effective management of the additional funding for both university loans and college bursaries, which was announced by the President in January 2011. The Board expects to be able to report improved performance in all areas of operation in the next year. It is committed to putting in place the policies, strategies, operational plans and leadership that will transform NSFAS into a model public entity, capable of delivering financial aid to students who will not only succeed in attaining their own educational goals, but who will also be able to contribute to the development of South Africa.

Zamayedwa Sogayise
Chairperson

FROM THE EASTERN CAPE
TO THE CONSTITUTIONAL COURT

I grew up in the dusty rural town of Libode in the Eastern Cape and beat hundreds of applicants for a sought-after job as a law clerk at the Constitutional Court. I was personally interviewed by Justice Albie Sachs for the position of law clerk in the Constitutional Court. That opportunity has opened so many doors for me.

After this great start to my career in law, I have now been selected as a candidate attorney at one of South Africa's most prestigious law firms, Bowman Gilfillan.

As a 13-year-old, I dreamed of wearing a black gown and being an attorney defending people – even though at that age I didn't really know what a lawyer does!

I began my studies at Walter Sisulu University in 2005, qualifying for NSFAS financial aid to pay for my studies.

I was privileged to be taught by Dr Nkosemntu Makiwane, who was the head of the Department of Public Law at the university. He is also from a rural area and worked hard to get a doctorate. I look up to him and realise that anything is possible.

GCOBISA SIBANGO, 25
GRADUATE: LAW
Walter Sisulu University

3 BOARD REPORT

3.1 Terms of Reference

The role of the Board of NSFAS is to govern the organisation in terms of the NSFAS Act (Act 56 of 1999) and to ensure that it provides financial aid to eligible students at South African public universities and further education and training colleges. It is the responsibility of the Board to ensure that the entity complies with the Public Finance Management Act (Act 1 of 1999), in terms of which NSFAS is a public entity listed in Schedule 3a.

In November 2010, the Minister of Higher Education and Training evaluated the governance performance of the Board of NSFAS. A number of Board members resigned in December 2010. In addition to the functions set out in Section 4 of the NSFAS Act, the Board must perform other functions assigned to it by the Minister. It was in this context that the Minister mandated the restructured Board to devise and implement a turnaround strategy for NSFAS. This included assessing the performance of NSFAS against its mandate and obligations, and addressing the financial management deficiencies that resulted in the 2010 audit disclaimer. During the fourth quarter of the financial year, the Board conducted a due diligence of NSFAS, its risks, commitments and resourcing needs.

Three new Board members were co-opted, including the chairperson, Mr Zamayedwa Sogayise. The remaining vacancies are in the process of being filled through the public nomination process prescribed in the NSFAS Act.

The committees of the Board stipulated in the NSFAS Act, namely the Finance and Audit and Risk Committees, continued to operate throughout the year. The Human Resources and Remuneration Committee functioned between April and December 2010, after which time its functions were absorbed into the Board Executive Committee. It is anticipated that the Remuneration Committee will be re-established in 2011 following the appointment of the full complement of Board members. Other committees of the Board, including the Research and Communications Committees, were disestablished by the Board in April 2010.

3.2 Board members and attendance

The changes to the composition of the Board are shown in the tables below.

Between 1 April and December 2010, the following members attended board meetings.

Name	Meetings Attended
Ngozi Awa	3**
Patrick FitzGerald – Chairperson	5***
Brian Gallant	1***
Mbali Hlophe	1
Zeona Jacobs	0***
Spencer Janari	5
Nathan Johnstone	5
Duma Malaza	2***
Lynne Matthews	4***
Kirti Menon	3
Thamsanqa Ncokwane	5
Vuyokazi Memani-Sedile	2*
Floyd Shivambu	3

*Resigned 31 July 2010   **Resigned 22 October 2010   ***Resigned 13 December 2010*

Between 1 January and 31 March 2011, two Board meetings were held, with attendance shown in the table below:

Name	Meetings Attended
Collette Caine	2*
Mbali Hlophe	0**
Spencer Janari	2
Nathan Johnstone	2
Kirti Menon	2
Thamsanqa Ncokwane	1
Zamayedwa Sogayise – Chairperson	2*
Floyd Shivambu	1
Stephen Smith	2*

*Appointed 15 December 2010   ** Co-option terminated 25 February 2011*

3.3 Management

One of the Board's tasks has been to assess the performance of the management of NSFAS and to ensure that the executive management of NSFAS is able to lead the organisation and provide the vital link between its governance and management structures.

The Board reached a unanimous decision that the Chief Executive Officer's work performance and conduct demonstrated that he was not able to provide strategic and operational leadership in accordance with the decisions and vision of the Board. In addition, the Board concluded that the relationship of trust between it and the CEO had broken down irretrievably. Following the suspension of the CEO on 28 February 2011, the Board terminated his employment with effect from 7 April 2011.

Education must be elevated from

being a departmental issue,

or even government issue, to a societal issue

– one that occupies the attention and energy

of all our people.

Jacob Zuma, President of South Africa

MY DREAM IS TO BE THE BEST EDUCATOR SOUTH AFRICA HAS EVER HAD AND AN ACTIVE CITIZEN

I would like to thank NSFAS for giving prospective students an opportunity to further their studies and to fulfill their dreams by assisting them financially.

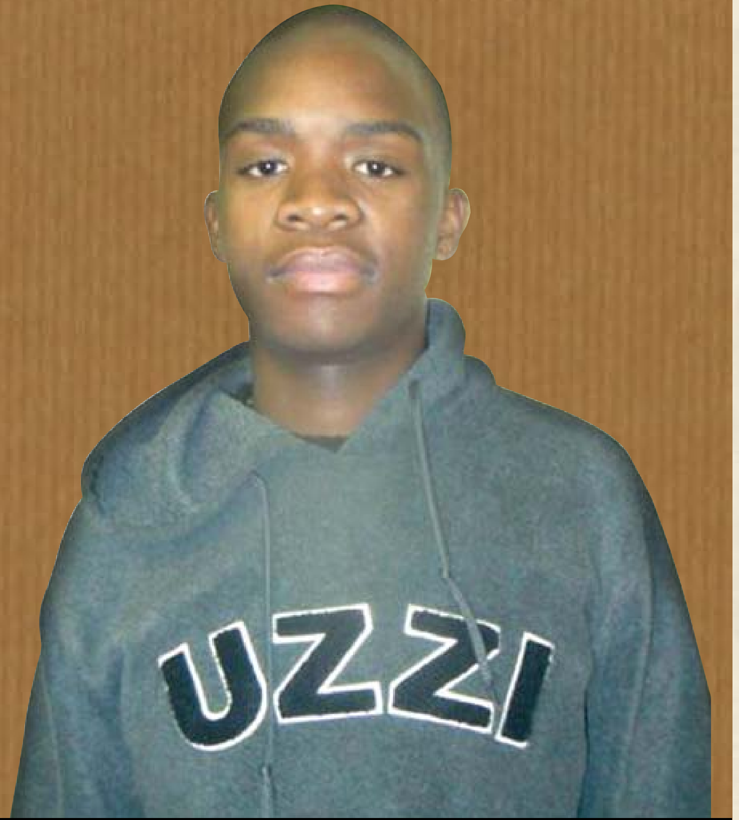
I am from Kimberley in the Northern Cape and live with my parents. I am an only child. Both my parents are currently unemployed. My father was retrenched in 2009 and my mother was a domestic worker but due to illness she had to stop working in 2010.

I am also from a struggling community but my ultimate dream is to become the best educator South Africa has ever had and to be an active citizen who contributes to the functioning of our country.

The University of the Free State is the nearest tertiary institution to my home and because it produces the best graduates, I decided to enrol in a Bachelor of Education degree. I could only further my studies through the assistance of NSFAS.

NSFAS has lightened the heavy financial burden that had been on my parents, which gave them sleepless nights. We are honoured and privileged to have such an organisation help us achieve our dreams and be a great asset to the functioning of our community and government.

NSFAS made me realise that nothing is impossible and that the sky is the limit. It is through NSFAS that I can, I must and I will achieve my dreams.



JAYSON ORAPELENG, 19
STUDENT: BACHELOR OF EDUCATION
University of the Free State

4 EXECUTIVE COMMITTEE

4.1 Terms of reference

The Executive Committee of the Board must be established in terms of s10 of the NSFAS Act and its functions must be determined by the Board. The role of the Committee is to make decisions on behalf of the Board in between board meetings. The Committee must consist of five members, one of whom must be the Board chairperson; another must be the board member who represents the Department of Higher Education and Training.

4.2 Committee meetings and attendance

Between 1 April and 31 December 2010, the Executive Committee held three meetings, attended as reflected in the table below:

Name	Meetings Attended
Patrick FitzGerald, Chairperson	3*
Spencer Janari (NT)	2
Nathan Johnstone	2
Lynne Matthews	2*
Kirti Menon (DHET)	2

*Note: *resigned 13 December 2010*

HELPING OTHERS BY WORKING AT THE FINANCIAL AID OFFICE

I am the younger of two children and was raised in Esikhawini Township, in northern KwaZulu Natal. Although I grew up in a rural environment, this did not stop my determination to study further and achieve my goals.

I am enrolled in a National Diploma in Office Management and Technology at MUT in KwaZulu Natal. Thanks to the help I received from NSFAS, I am able to cover my tuition fees.

I am now doing my last year, and I did not have to worry how I would pay the university. Through NSFAS's assistance, I have been able to focus solely on my studies.

I was encouraged by NSFAS to work hard and achieve excellent results because if I excel academically, there is a chance that a portion of my NSFAS loan amount may be converted into a bursary each year.

I want to help others achieve their goals and I'm doing this by assisting at the Financial Aid Office at MUT.

NOMPUMELELO NDLOVU, 31

STUDENT: NATIONAL DIPLOMA IN OFFICE MANAGEMENT AND TECHNOLOGY

Mangosuthu University of Technology

As shown in the table above, two Executive Committee members resigned in December 2010. The Board restructured the Executive Committee in January 2011 and held 10 meetings between 1 January and 31 March 2011, as reflected in the table below:

Name	Meetings Attended
Collette Caine	10*
Nathan Johnstone	10
Kirti Menon	6
Stephen Smith	10*
Zamayedwa Sogayise, Chairperson	10*

*Note: *Appointed 15 December 2010*

4.3 Turnaround mandate and plan

In order to carry out the Minister's mandate to devise and implement a turnaround strategy for NSFAS, the functions of the Executive Committee established in January 2011 were determined to include conducting a thorough due diligence of the entity, its risks, commitments and resourcing needs. The mandate was for three members of the Executive Committee, including the Board chairperson, to be directly involved in the formulation and co-direction of the turnaround strategy for limited periods from January 2011.

The Board ratified all of the turnaround decisions taken by the Executive Committee during the period under review, including the appointment of a number of specialists. These include legal, financial, human resources management and information technology experts, whose inputs and expertise were obtained on a short-term contractual basis to assist the Board in delivery on its turnaround mandate. Working with the existing and new staff to be appointed at NSFAS and supported by these resources, the Board is confident that the turnaround can be achieved in the coming year.

In addition to carrying out the turnaround mandate, the Board Executive Committee also absorbed the functions previously carried out by the Human Resources and Remuneration Committee, which will be re-established in 2011 following the appointment of the full complement of Board members.

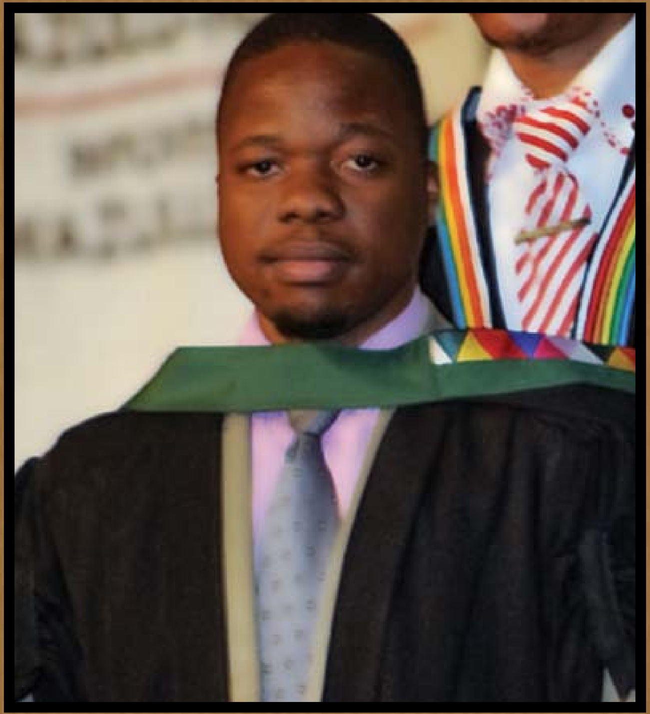
I HAD NEVER SEEN A LABORATORY BEFORE I GOT TO UNIVERSITY

Being named the top third year Biology student at the University of KwaZulu Natal in 2010 is something I feel very proud about. I also won awards for Grassland Science, Plant Ecology, Plant Systematics, Behavioural Ecology and Zoology.

My achievement at university is particularly important because I went to a rural school with limited resources near Wartburg in KwaZulu Natal and had never even seen a laboratory before I got to university. In fact, I was one of the first pupils from my school to pass with a university exemption and be accepted to study at university.

I fell in love with ecology at a young age, and now I see my future in this field. In fact, I didn't ever imagine myself doing something else.

In 2011, I registered for an Honours degree in Ecological Sciences. Ecology is such an important discipline because of the biodiversity crisis that we face in our world today.



MANQOBA ZUNGU, 22
HONOURS STUDENT: ECOLOGICAL SCIENCES
University of KwaZulu Natal

5 AUDIT AND RISK COMMITTEE REPORT

5.1 Terms of reference

The Audit and Risk Committee is an independent committee appointed by the Board of NSFAS. The Committee has adopted formal terms of reference that have been approved by the board of directors. The terms of reference are available on request.

5.2 Committee members and attendance

In terms of the Public Finance Management Act (PFMA) (Act 1 of 1999), 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, except with the approval of the relevant treasury; and
(iii) the chairperson may not be in the employ of the department; and

must meet at least twice a year.

The chairperson of the board, Chief Executive Officer, Chief Financial Officer, internal audit manager, external auditor and other assurance providers (actuarial, legal, compliance, risk) attend meetings by invitation only.

During the year under review, the Committee held ten meetings as reflected in the table below:

Name	Meetings Attended
Nathan Johnstone	9
Kirti Menon	8 (2 represented by DHET proxy)
Vuyokazi Memani-Sedile*	2
Paul Slack	4
Stephen Smith, chairperson	10
Theuns Tredoux	10
Gavin Woods	7

*Notes: *Resigned 14 Oct 2010*

The effectiveness of the Audit and Risk Committee and its individual members is assessed on an annual basis. Deloitte conducted an independent review of the Committee for 2011.

5.3 Financial statements and accounting practices

The Committee 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.

The Auditor-General disclaimed an opinion in 2010 citing the following main reasons in the Annual Report:

- 5.3.1 **Student loans:** Initial measurement at fair value not performed in accordance with International Accounting Standards No. 39 (IAS 39);
- 5.3.2 **Revenue from exchange transactions:** Interest income on student loans not calculated applying the effective interest method over the term of the loan in accordance with Generally Recognised Accounting Practice No. 9 (GRAP 9);
- 5.3.3 **Impairment** of student loans and provision for doubtful debts not substantiated by management;
- 5.3.4 **Misstatements** in the calculation of interest income and debtor balances.

Following the audit disclaimer of 2010, significant resources have been applied to ensure that the correct amortisation of the loan book is computed. Deloitte have independently verified the parameters and results of the revised loan book amortisation. This has corrected a financial error in the configuration of the NSFAS loan management system, which has been in existence since inception.

KPMG were appointed to develop an actuarial valuation model to determine ‘fair value’ for loans in accordance with IAS 39 (GRAP 104). The finalisation of the methodology and assumptions were agreed with the external auditors before being applied. This addresses the matters contained in points 5.3.1 to 5.3.3 above. Misstatements in the calculation of interest income and debtor balances resulted from a manual intervention by management in an attempt to recalculate the loan book value in 2010. This has subsequently been corrected. Independent professional assistance and independence of the verification function was employed to ensure an avoidance of the problem outlined in 5.3.4 above.

5.4 Internal financial controls

The Committee has overseen a process by which internal audit performed various assessments of the effectiveness of the entity’s system of internal control, including internal financial controls. The factors that caused the audit disclaimer in 2010 have been thoroughly reviewed and a plan of improvement presented to the Standing Committee on Public Accounts. Factors that led to misstatements in the financial accounts have been identified and independent professional services secured, as mentioned above, to ensure a sound, defensible revaluation of the debtors’ book. A new loan system must be acquired by the entity, as the methods used to compile the debtors’ figures for 2011 are of an interim nature.

Weaknesses were identified in the governance of procurement practices. While no fraud was identified by the independent forensic investigators appointed by the Committee, management failed to comply with Supply Chain Management procedures, leading to irregular expenditure. A formal disciplinary process is underway. Details have been included in the annual financial statements, and reported in accordance with the requirements of the PFMA.

Additional accounting resources were seconded by Deloitte to assist the Finance Department with a complex year-end and to compensate for several resignations, including the Chief Financial Officer. The Audit Committee is of the opinion that management has taken the necessary steps to ensure reliable reporting for 2011. However, improvements must still be made in the system of financial controls.

5.5 Governance

As reported elsewhere, in November 2010 the Minister of Higher Education and Training evaluated the governance performance of the Board of NSFAS. In December 2010 the Acting Director General, Mr Gwebinkundla Qonde, requested members of the NSFAS Board who were not adequately performing their duties to resign from the Board. Following the resignation of some of the Board members, new members were appointed and an Executive Committee was commissioned to devise a turnaround strategy for presentation to the Department of Higher Education and Training (DHET).

The Chairperson of the Audit and Risk Committee has for a limited period (7 January – 31 July 2011) been assigned by DHET to be directly involved in the formulation and co-direction of the turnaround exercise as a member of the Board Executive Committee. This has included a thorough due diligence of the entity, its risks, commitments and resourcing needs.

5.6 Sustainability

The dismissal by the Board of the Chief Executive Officer (CEO), and the subsequent resignations of recent appointments made by the CEO, has necessitated contractual appointments and secondments to fill key areas of expertise. The Board is in the process of filling these leadership positions, which include a Chief Information Officer, Chief Audit Executive and a Credit Specialist to manage the debtors’ book.

The information technology environment has received significant attention in the past nine months, but a COBIT (Control Objectives for Information and related Technology) review and independent assessment of the future architectural design confirms that significant work lies ahead as a key dependency to the sustainability of NSFAS.

5.7 Internal audit

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 of directors and these functions. Recommendations have been made as to the improvement of this function as part of the re-engineering of NSFAS, to provide improved focus, expertise and resourcing within NSFAS. Deloitte, who were appointed in 2010 as co-sourced internal audit partners, have performed extensive work in the year under review, guided by a risk-based auditing approach. Where Deloitte has been considered for non-audit services, a formal process has been followed with the Executive Committee and the Board.

DISABILITY MUST NOT BE A BARRIER TO EDUCATION

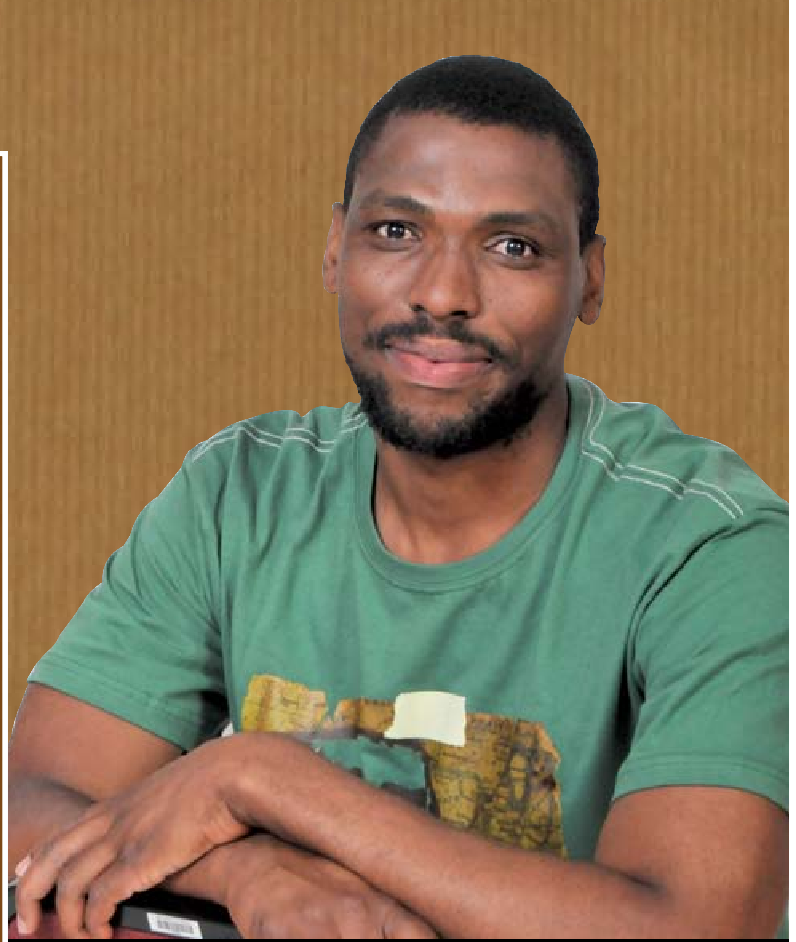
When I was five years old, I was diagnosed with a condition called Polio-myeletis. It affected my ability to walk and I had to crawl until the age of seven. I then learned a method that will assist me in walking, I adjusted my left leg using my hand for assistance and I still use this method even today.

My parents worked on a farm, my older siblings had to quit school and go to look for jobs. In 1990, my father lost his job, leaving us dependent on the income my grandmother earned from selling tomatoes, onions and mageu. In 1992, I went to school, which I actually enjoyed, and my teachers were good towards me. I struggled when it rained because I battled to walk in rainy weather conditions, so I could not go to class until the rain had stopped. I was not coping, so I decided to enrol at a school called Tshilidzini Special School where things were far better for me and I could interact with people with different disabilities.

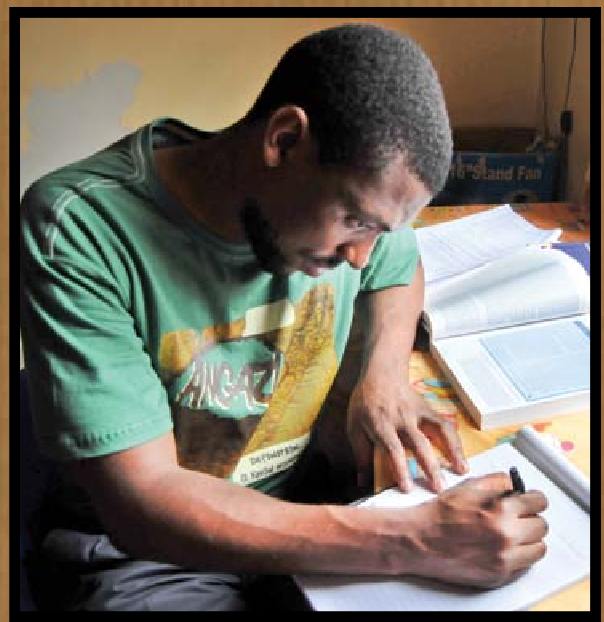
I left Tshilidzini with an understanding that, although I was physically disabled, it did not imply that I was mentally disabled. From then, I told myself that my disability should not become a barrier. My motto became 'My disability is not an excuse, but an opportunity', and that is what keeps me going and motivates me.

I was at a career exhibition when NSFAS was first introduced to me and I sought clarity for my future. I then realised that NSFAS could help me and I could apply for a special bursary because of my disability. It was so exciting and this came as a relief to my family since they could not afford to take me to university.

Currently I am completing my final year in a Bachelor of Arts degree in Media Studies at the University of Venda. I hope that one day I will find a job that will let me work with the community, in assisting those in need and those that need to be educated on how to cope with certain disabilities or conditions.



SHUMANI MOSES NEMADZIVHANANI, 27
STUDENT: BACHELOR OF ARTS | MEDIA STUDIES
University of Venda



6 FINANCE COMMITTEE REPORT

6.1 Terms of reference

The Finance Committee advises the Board on the financial management of NSFAS, which includes, but is not limited to, raising funds, loan recovery and investment of repayments. The Committee also performs such functions as the Board may delegate or assign to it. The terms of reference for the Committee were approved in 2009 and are available on request.

6.2 Committee members and attendance

The Finance Committee must hold at least two meetings a year. During the 2010/11 year, the Committee held six meetings, with attendance reflected in the table below:

Name	Meetings Attended
Ngozi Awa	2*
Patrick FitzGerald	3*
Spencer Janari	4
Nathan Johnstone	6**
Vuyokazi Memani-Sedile	2***
Kirti Menon	4
Zamayedwa Sogayise	1****

* *Resigned 13 December 2010*
** *Appointed Committee chairperson 9 September 2010*
*** *Former chairperson, resigned 31 July 2010*
**** *Chairperson of the Board, appointed to the Finance Committee 7 January 2011*

The Chairperson of the Audit and Risk Committee, Stephen Smith, attended the Finance Committee meeting of 24 May 2010. The purpose of his attendance was to provide Audit and Risk Committee feedback to the Finance Committee on the annual financial statements.

6.3 Financial Highlights

In the year under review NSFAS managed and administered R3.7 billion in loans and bursaries to students, of which R704 million came from the funds recovered by NSFAS from former students. Included in the total funds available was R318 million for bursaries to students at FET colleges.

The Finance Committee noted the improved draw down of funds by universities due to more stringent control measures by management and the earlier closing date of 15 December 2010 for the submission of final claims.

Interest on outstanding debt accrued at 80% of the repo rate as at 1 April 2010 as determined by the South African Reserve Bank. Repayment on student loans averaged R53 million per month for the year under review. Total recoveries for the year amounted to R638 million compared to R636 million in the prior year.

During the year, NSFAS conducted a comprehensive review of the student loan book since inception, in

SOME DAY I WILL RISE TO TOUCH THE STARS

I am 24 years old and I am the third child of five siblings. We were raised by our mother who worked as a domestic worker. With minimal income, my mother struggled to put food on the table, let alone having to worry about her children's future educational expenses.

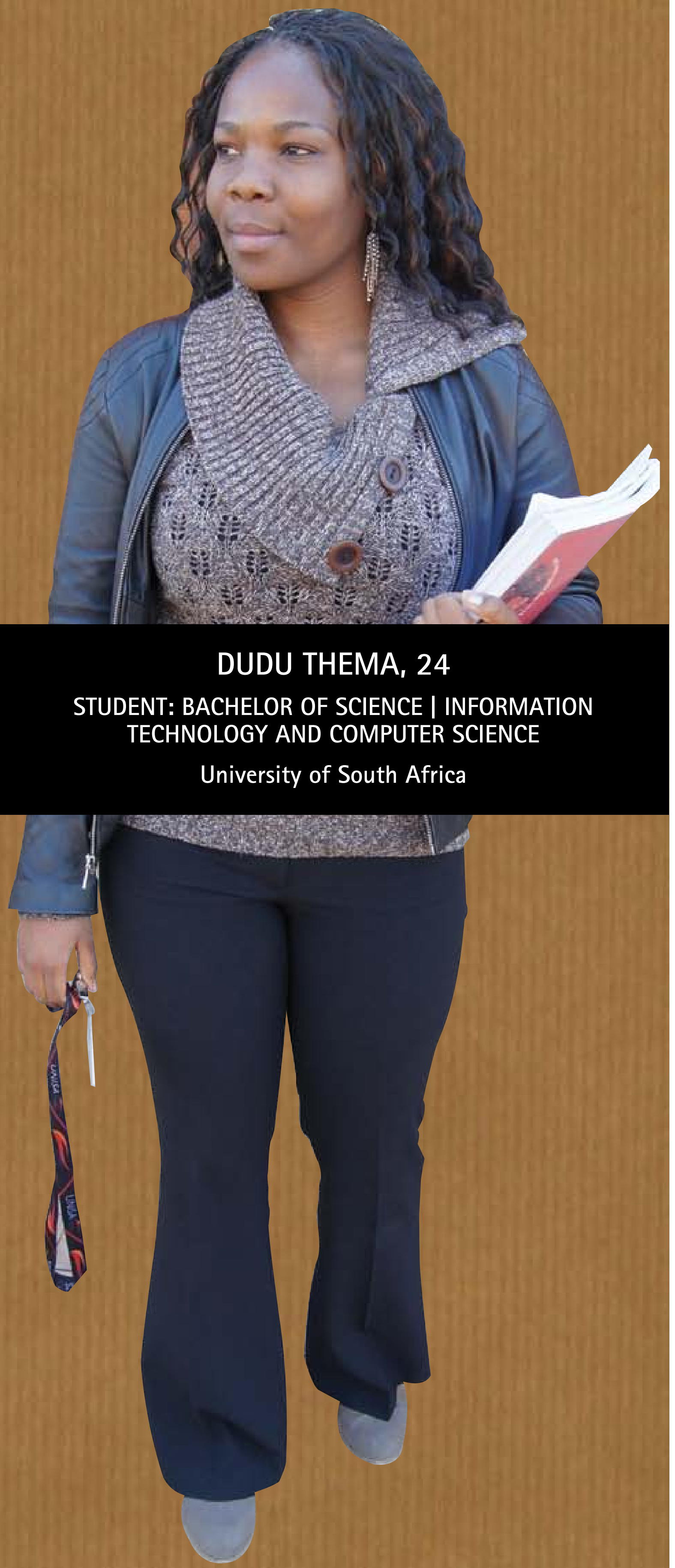
After I matriculated in 2005 from a Gauteng high school, I stayed at home for a year as there was no money to pay for further education. At that time my dreams and hopes were shattered.

In 2006 I heard about NSFAS and the possible funding that would help me get an education. I approached Unisa and applied for an Access Programme in 2007, and that helped me start with my BSc Degree in Information Technology and Computer Science (Software Engineering) in 2008.

Receiving NSFAS funding has been a dream come true – a dream that has made even greater dreams possible for me.

I work hard to ensure that I am successful in my studies and have devised my own study timetable for each module to help me manage my workload. So far, it has worked wonders for me.

The hope that NSFAS has given me has made it possible for me to believe that some day I will rise to touch the stars.



DUDU THEMA, 24

STUDENT: BACHELOR OF SCIENCE | INFORMATION TECHNOLOGY AND COMPUTER SCIENCE

University of South Africa

terms of the requirements of IAS 39 and GRAP 104 Financial Instruments Recognition and Measurement. Based on the results of the review, NSFAS changed its accounting policy, which resulted in fair value adjustments on initial recognition of student loans.

NSFAS also changed its accounting policy relating to the recognition of interest on student loans to be compliant with the provisions of GRAP 9 – Revenue from exchange transactions. Previously, NSFAS had not accrued for interest revenue on student loans in accordance with GRAP 9, but only for interest on student loans where the debtor had initiated repayment.

The reporting of student loans in prior years was based on certain management assumptions in respect of the collectability and, therefore, the impairment of the loan book. The assumptions were not substantiated with reliable supporting documentation. Based on the actuarial calculation of fair value on initial recognition, utilising historical actual data spanning a 20 year period and recognised actuarial standards, a verifiable impairment of the loan book at each balance sheet date was calculated.

The assumptions will be reassessed on an annual basis to determine their continued appropriateness as new data is collected. The valuation model will be updated as required, to reflect the most recent payment experience of the entity and the current status of the loans in force at the Statement of Financial Performance date.

During the year under review, NSFAS transferred funds to fund managers for the purposes of management of NSFAS investments. The first annual performance reports were presented by the fund managers in April 2011. In the coming financial year, the performance of these fund managers will be closely monitored to ensure optimal investment returns.

The Minister of Higher Education and Training requested further investigation into NSFAS's participation in the Fundisa Fund. NSFAS will transfer the R20 million commitment to the Fundisa Fund after the final report on the review of the pilot phase of the Fundisa Fund project is provided to the Minister.

In terms of Section 53(3) (1) of the Public Finance Management Act, NSFAS has applied to National Treasury for approval to retain its cash surplus of R98.5 million which comprises uncommitted student loans recoveries and interest. This surplus will be re-injected into student loans in the future.

NSFAS is putting in place measures to improve its systems and operations to ensure good corporate governance and compliance with the Public Finance Management Act, National Treasury regulations and relevant accounting reporting standards. Quarterly reports, including budget adjustments, compliance certificates and other required documentation were submitted to the executive authority, the Minister of Higher Education and Training, and to National Treasury as required.

Administration expenses for 2010/11 totalled R57.1 million compared to R51.3 million in 2009/10. The administration expenditure to awards ratio for the year under review was 1.55% compared to 1.63% in the previous financial year.

The entity's commitment to student loans and bursaries for 2011/12 is R5.5 billion, of which R793.5 million will be funded from student loan repayments. The administrative budget for 2011/12 is R78 million and will see the entity focusing on a turnaround strategy to ensure that it is able to meet the demands of increased funding.

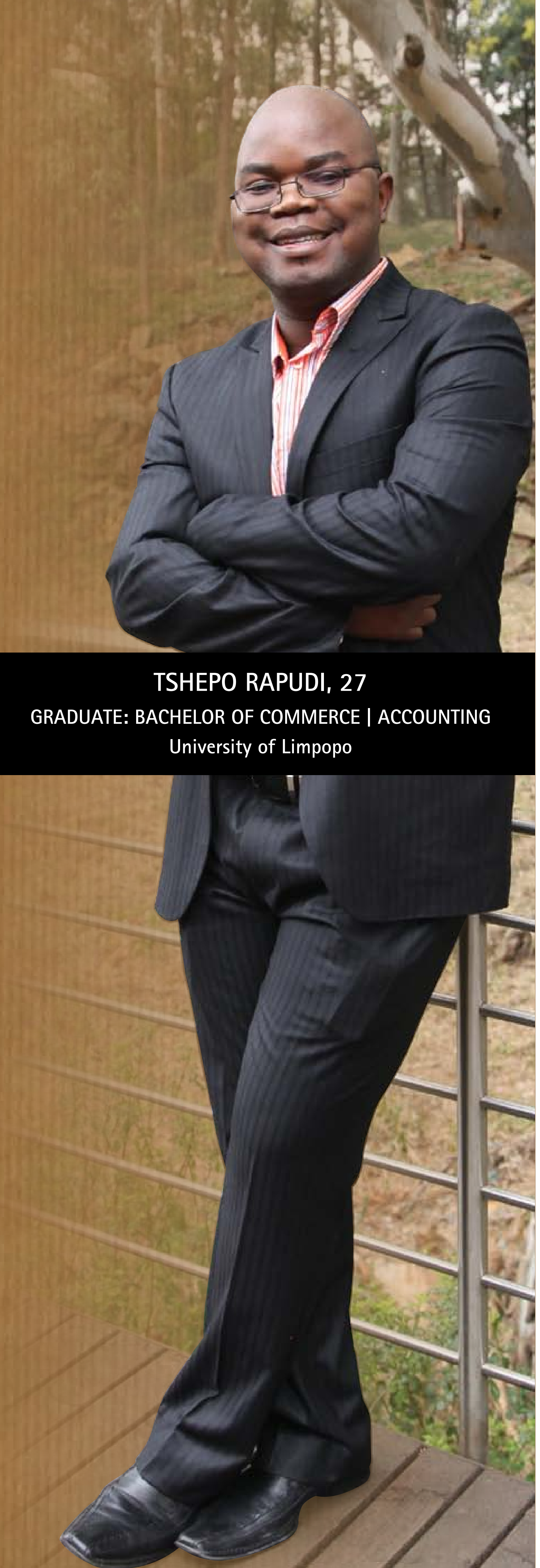
OVERCOMING POVERTY IS NOT A TASK OF CHARITY, IT IS AN ACT OF JUSTICE

I was born and raised in a rural village called Sephokhubje within Greater Letaba Municipality in Limpopo Province. I'm the third born in a family of four siblings. We were raised by loving parents until 15 years ago when things turned sour and they decided to separate. When I passed Grade 12 in 2001, there was no hope for me to further my studies as both my brother and sister were still studying at university and we were dependent on a single parent who survived by selling fruits and vegetables in the street.

For me, not going to school was not an option if I planned to end the poverty we faced at home. I decided to join my brother at university and fortunately I received a merit award to study a Bachelor of Commerce Degree in Accounting. However, this award only covered my upfront fees and not my full tuition. I then applied for NSFAS which funded my studies until completion in 2004.

It was easy for me to pay back the NSFAS loan because most of my funding had been converted into a bursary as a result of my hard work as a student. I am now a Project Manager with the Isibaya Fund at the Public Investment Corporation - living proof that enabling students to study through NSFAS really works in helping to build the skills we need for our development as a nation.

To those who are still studying and are faced with similar challenges, always remember these words from tata Nelson Mandela: "Overcoming poverty is not a task of charity, it is an act of justice. Like slavery and apartheid, poverty is not natural. It is man-made and can be overcome and eradicated by the actions of human beings. Sometimes it falls on a generation to be great. You can be that great generation. Let your greatness blossom."



TSHEPO RAPUDI, 27
GRADUATE: BACHELOR OF COMMERCE | ACCOUNTING
University of Limpopo

7 HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

7.1 Terms of reference

The terms of reference of the Human Resources and Remuneration Committee were determined by the NSFAS Board in line with the requirements of Chapter 2, Section 13 of the NSFAS Act. Following the resignation of some members of the Board in December 2010 and the subsequent co-option of three new members, the functions of the Committee were absorbed into the Board Executive Committee until a new Committee can be established following the filling of Board vacancies.

7.2 Committee meetings and attendance

The Committee held three meetings between 1 April 2010 and 31 March 2011. Attendance is shown in the table below:

Name	Meetings Attended
Amanda Glaeser	2
Spencer Janari (National Treasury)	3
Nathan Johnstone, chairperson	3
Brenda Swart* (DHET)	3

Appointed 16 April 2010

7.3 Functions

The Committee's main task was to review the NSFAS remuneration framework. The Committee received a comprehensive report on the first phase of the review process in February 2010 and recommended guiding principles for the remuneration framework to the NSFAS Board.

The Committee monitored progress in concluding performance agreements for all staff members in order to ensure the successful implementation of integrated performance management assessments during 2011 and beyond. The Committee also completed a number of other tasks, including reviewing quarterly and annual performance reports for the human resources objectives in the organisational strategic plan.

LIFE IS NOT ABOUT WHAT YOU HAVE BUT ABOUT WHAT YOU WANT TO ACHIEVE

I grew up in a rural area of Bakenberg in a village called Leyden in Limpopo Province with my mother who at the time was unemployed. Eventually she got a job but then I had to move in with my aunt in Mahwelereng in Mokopane, where I had completed my matric and I started thinking about the future.

Every day I would dream of furthering my education but then again I thought my parents would not be able to afford to pay my fees and I will just be adding more stress onto them.

In 2008, I decided to go to Tshwane South College because I thought that maybe they can assist me, and that is where I first heard about NSFAS. I then applied for a bursary so that I could complete a qualification in Civil Engineering and when NSFAS replied that they would help in paying for my fees, I was excited and felt that I was so fortunate.

All I have to do now is to put all I have learned into practice and get myself employed, but I would like to encourage others that life is not about what you have but about what you want to achieve. If I can do it, anybody can.

ELVIS MABOTE, 21
STUDENT: CIVIL ENGINEERING
Tshwane South FET College

8 PERFORMANCE INDICATORS

NATIONAL STUDENT FINANCIAL AID SCHEME

STRATEGIC GOALS, OBJECTIVES & BUDGET
ANNUAL REPORT ON PERFORMANCE INDICATORS

1 APRIL 2010 – 31 MARCH 2011

SUBMITTED TO THE OFFICE OF THE AUDITOR-GENERAL
31 MAY 2011

STRATEGIC GOAL 1	Expanding the pool of funds available for disbursement as student loans and bursaries
STRATEGIC GOAL 2	Effectively managing the institutional utilisation of funds administered
STRATEGIC GOAL 3	Strengthening internal efficiencies in the processing of student awards/claims to ensure that funding reaches target population
STRATEGIC GOAL 4	Strengthening the quality of internal management and operations in line with changing funding patterns
STRATEGIC GOAL 5	Effectively communicating and managing the relationship with all NSFAS stakeholder groups and targeted audiences
STRATEGIC GOAL 6	Undertaking research that informs the effective utilisation of available funds and serves to advise the Minister on matters related to student financial aid

PERFORMANCE INDICATORS
STRATEGIC GOAL 1

Expanding the pool of funds available for disbursement as student loans and bursaries

	STRATEGIC OBJECTIVE	OUTPUT PERFORMANCE MEASURE	ANNUAL PERFORMANCE TARGET	BUDGET LINE	ANNUAL PERFORMANCE RESULTS	REASON FOR VARIANCE
1	Maximise recovery of outstanding loans from all eligible debtors employed in both the formal and informal sectors of the economy	1.1 Total Rand value recovered annually preserved	R560 million	B. Administration Expenditure: 5.5, 6.3, 9.1, 9.2 and 9.3	Target not met. Year-to-date collections R543 508 312 against target of R560m.	There is a variance of R16.5 m on the projected recovery for the year. Over the year, the July quarterly and June and Feb monthly statement runs were cancelled due to persistent difficulties with the processing of the statement data. This may have contributed to the lower than projected recovery. However, the projected recovery for the first quarter may also have been set too high, not taking into account historical seasonal variations.
		1.2 Increase in % of recovered funds from informal sector	10% increase in recoveries from informal sector from a zero base		Target not met.	This performance measure has been deferred subject to review in terms of the Ministerial Review Committee recommendations.
2	Promote the undergraduate funding service that NSFAS can provide to current and prospective donors	2.1 No. of communication products or initiatives developed for/with corporate, professional or trade organisations	10 products/initiatives	B. Administration Expenditure: 1.2 and 1.3	Target not met.	On hold pending a decision regarding whether NSFAS should be offering a service to manage funds for the private sector. The NSFAS Board did not consider this as a priority intervention in the 2010/11 financial year.
3	Raise new funding for undergraduate study from both public and private sector for targeted students and targeted programmes	3.1 Continued and increased funding from private sector donors	One MoU with private sector donor; R20m in private sector donations (Nedbank and/or one new funder)		Target not met.	On hold pending a decision regarding whether NSFAS should be offering a service to manage funds for the private sector. The NSFAS Ministerial Review report made some recommendations related to private sector funding, which may impact on this performance objective.
		3.2 Targeted campaign to senior executives and managers to pledge donation to NSFAS (no. of donors and Rand value of pledge)	100 donors signed at a minimum value of R50/ month		Target not met.	On hold pending a decision regarding whether NSFAS should be offering a service to manage funds for the private sector. The NSFAS Board did not consider this as a priority intervention in the 2010/11 financial year.
		3.3 Increased funding for targeted students through NGOs and CBOs	NGO and CBO funding increased, including increasing number of effective partnerships: R9,6 million and 2 additional first tier partners	B. Administration Expenditure: 1.4	Target met. Total value of funding administered through NGO-partners increased to R10,1m. Increase in the NGO-funding for 2011 approved by Board to the value of R12,5m. Two new partners for 2011: Umthombo - allocation of R600 000. NIHE - allocation R3,6m.	
4	Promote partnerships with donors on specialised projects to build a resource of funds for students	4.1 Fundisa Fund	No further NSFAS contribution is expected.		Target met. R20m approved and allocated.	NSFAS contribution of R20m was committed in 2009/10, to be paid in 2011/12 on acceptance of Fundisa audit review.
		4.2 SAICA	R15m		Target met. Annual allocation increased to R25,7m; 93% utilised as at 31 March 2011.	Increase in allocation agreed to by NSFAS and Thuthuka.

	STRATEGIC OBJECTIVE	OUTPUT PERFORMANCE MEASURE	ANNUAL PERFORMANCE TARGET	BUDGET LINE	ANNUAL PERFORMANCE RESULTS	REASON FOR VARIANCE
5	Maximise the utilisation of allocated donor funds per HEI	5.1% of allocation claimed by September of each year	85% of all funding categories for each HEI by September 2010. 100% by 15 December 2010.		Target met. Overall, 103% of DHET claims received by 15 December 2010. Agriculture, DSD and Nedbank slightly below target.	The full allocation for DSD Social Work bursaries was not claimed at the end of the fourth quarter, as a result of a number of internal controls introduced in collaboration with the DSD. Approval from DSD to roll-over this balance into 2011 has been requested. For DSD, Agriculture and Nedbank the value of the funding claimed by universities is determined/ monitored by the funder.
		5.2% of unallocated funds by HEIs redistributed within same academic year	100%		Target met. Six redistribution rounds were undertaken in the last three quarters of the year, redistributing a total of R91m across DHET/General, DHET/Teacher, DHET/Disability, NSF and the NGO-allocation.	
		5.3% variance between allocated funds per HEI and utilised funds	2%		Target met. 0% variance in DHET/ General, DHET/Disability and DHET/ Teacher. Only Funza Lushaka shows variance of 2%. National Skills Fund shows variance of 4%.	The unutilised funds of R2,9m in NSF earmarked for UL historic debt project.
6	Improve the competency and efficiency of HEI staff in Financial Aid Offices	6.1 No. of on-site training sessions or workshops delivered either at national or regional level	i) One workshop hosted in each region. ii) FAPSA/ NSFAS annual conference. iii) FAPSA/NSFAS summer school. iii) 2 days per identified institution.	B. Administration Expenditure: 1.1 and 10.1, 10.2 and 10.3	Target met. i) Regional university workshops were held in the first and second quarters, and regional FETC workshops held in September & October 2010. Two national workshops were held with all 23 universities on 21 January and 10 March 2011. A national workshop with all FETCs was held on 11 February 2011. ii) FAPSA Conference and NSFAS Awards Dinner hosted in September 2010. iii) Site visits to UL, WSU, UniZulu and UWC were conducted in the third quarter.	The planned summer school was a FAPSA initiative in which NSFAS was to participate. However, this did not materialise in the year.
		6.2 FAO Handbook	Handbook drafted and approved		Target met. Distributed to all financial aid offices at universities and FETCs. Four circular notices were distributed to supplement the Handbook.	

PERFORMANCE INDICATORS STRATEGIC GOAL 2

Effectively managing the institutional utilisation of funds administered

	STRATEGIC OBJECTIVE	OUTPUT PERFORMANCE MEASURE	ANNUAL PERFORMANCE TARGET	BUDGET LINE	ANNUAL PERFORMANCE RESULTS	REASON FOR VARIANCE
7	Improve processing efficiency for loan and bursary agreements	7.1 Average number of days to process manually-submitted loan agreements from date of receipt to payment to institution, including submission of report on loan agreements signed to the NCR	30 days; Report on loan agreements submitted to NCR within 30 days after loan has been processed.	B. Administration Expenditure: 7.1 and 7.2	Target met. Annual average number of days to process university claims at 25 days.	A revised workflow and operational redesign facilitated improved processing efficiencies.
		7.2 Average number of days to process FET schedule of particulars from date of receipt to payment to institution	30 days	B. Administration Expenditure: 7.1 and 7.2	Target not met. Annual average number of days to process FETC claims at 32 days.	In the first quarter, although claims were processed within target, the payments to some institutions could not be made within 30 days as many FETCs had not completed their final reports and returned credit balances. All FETC claims were processed by the end of the third quarter.
		7.3 Average number of loan and bursary agreements/claims processed per week per agent (based on 9 agents currently employed)	11 250 per week (30/70 split in administration of bursaries to loans)	B. Administration Expenditure: 7.1 and 7.2	Target not met. Average number of agreements processed per week per agent ranged from 5 392 in third quarter to 8 880 in second quarter.	Volume dropped off in third quarter, with statistics reflecting this drop. Despite not meeting this target, no backlogs in processing were carried into the fourth quarter.
		7.4 Ratio of agreements/ claims processed to the agreements received per month	25% decrease in unprocessed forms per week.	B. Administration Expenditure: 7.1 and 7.2	Target met. The ratio of claims processed to those received within the month improved from 5% in July 2010 to 78% in December 2010, averaging at 41% for the year.	
		7.5 Number of HEIs using ELAFs	4 HEIs using ELAF for DE donor categories and own institution category only; Evaluate pilot and consult with HEIs on the institutional implications.	B. Administration Expenditure: 5.4	Target not met. Only TUT and UCT using ELAF system to submit the data to NSFAS. UKZN using system to generate pre-populated forms for printing. Incorporated into business process re-engineering projects. In the final stages of redesign, approximately 50% complete.	The approval for the validity of the advanced electronic signature is outstanding. Therefore, while universities can submit loan award data electronically, hardcopy loan agreements and bursary schedules must be sent to NSFAS.
		7.6 Develop and implement a workflow system to assist in improving the efficiency of the award administration department	Implement workflow system. Develop reporting tools to report on processing progress. Investigate impact.	B. Administration Expenditure: 5.8	Target met. Introduced new workflow in second quarter which resulted in processing efficiencies, and reduced backlog. A reporting tool for weekly reporting was designed and introduced as the basis for weekly progress meetings from the third quarter.	

PERFORMANCE INDICATORS
STRATEGIC GOAL 3

Strengthening internal efficiencies in the processing of student awards/ claims to ensure that funding reaches target population

PERFORMANCE INDICATORS
STRATEGIC GOAL 3

Continued

Strengthening internal efficiencies in the processing of student awards/claims to ensure that funding reaches target population

	STRATEGIC OBJECTIVE	OUTPUT PERFORMANCE MEASURE	ANNUAL PERFORMANCE TARGET	BUDGET LINE	ANNUAL PERFORMANCE RESULTS	REASON FOR VARIANCE
8	Reduce the administrative demand on FAOs and NSFAS data capturing units by enhancing electronic systems (HEIs only)	8.1 Implement electronic solutions to assist FAOs with the reporting of final reports and graduate/drop-out statistics	Develop and implement system for ITS institutions to process their 2010 reports. Investigate the direct link with non-ITS institutions to exchange final report, graduate and dropout statistics data.		Target not met. Concept design for this is part of the business process re-engineering projects identified.	This requirement is no longer required as a stand-alone development.
9	Provide a high level of information technology infrastructure and services to all institutions	9.1 Application and loan agreement technologies developed for use at all institutions	ELAF implementation plan developed. ELAF certified using AeS within NCR regulations.	B. Administration Expenditure: 5.5	Target partly met. Charter for the web-based LAF/SOP interface signed. Five test sites have been identified, and include UKZN, UCT, CPUT, UNISA and VUT. Two FET colleges to be identified in 2011/12.	The ELAF project as it was originally intended has been incorporated into the business process redesign project (see 7.5).
		9.2 Electronic statement notification technologies to communicate with NSFAS debtors	Statements sent by SMS to view via WAP/mobile internet	B. Administration Expenditure: 3.1 and 3.2	Target partly met. SMS Gateway implemented in first quarter. Traction gained in second quarter through existing IT business partner. Mobi-website was deployed on the 21st January 2011. However, the electronic statement notification is still under development.	The project specifications are still being developed.

PERFORMANCE INDICATORS STRATEGIC GOAL 4

Strengthening the quality of internal management and operations in line with changing funding patterns

	STRATEGIC OBJECTIVE	OUTPUT PERFORMANCE MEASURE	ANNUAL PERFORMANCE TARGET	BUDGET LINE	ANNUAL PERFORMANCE RESULTS	REASON FOR VARIANCE
10	Provide a high level of information technology both internally and with all donors	10. 1 Use of mobile and web/interactive technologies explored	Current web-services maintained and expanded where necessary. Development of portal services for institutions and donors.	B. Administration Expenditure: 5.8	Target partly met. Current webservices to institutions maintained but not expanded.	The expansion of web-services and the development of portal services was due to be developed as part of the business process re-engineering but has been put on hold in interim, pending review of IT strategy and business process renewal projects by the Board.
		10.2 IT solutions for business processes implemented as part of the Systems and Business Renewal project	Investigate feasibility of using one additional advanced module - Accounts receivable. Implementation of bursary administration system. Decommission LMS client application.	B. Administration Expenditure: 5.8	Target partly met. There are 14 projects related to this performance measure. 6 projects are on hold (2 of which were >80% complete), 1 has been incorporated into another project, 4 have been completed, and 3 are yet to be completed.	The development of a stand-alone bursary administration system has been incorporated into the design of a full application technology for the decommissioning of LMS.
11	Ensure that the organisational risk, governance and regulatory requirements environment is assessed and minimised across the NSFAS value chain	11.1 Fraud prevention plan implemented.	Annual review of fraud prevention plan implementation.	B. Administration Expenditure: 5.2	Target met. Although the Fraud Prevention Strategy and Plan has been approved by the Board, it has not been fully implemented. Workshop with Senior Management Team (SMT) on fraud prevention held to identify areas for priority focus. ethics@nsfas.org.za has been introduced as a hotline but not communicated to external stakeholders yet.	Final Fraud Prevention Strategy and Plan submitted for approval to the Board in third quarter. The organisational risk management committee was established in October 2010, and the monitoring of the implementation of this plan was included as part of the mandate of this committee.
		11.2 NSFAS business continuity plan implemented.	Annual review of business continuity plan implementation.	B. Administration Expenditure: 5.2	Target not met. The Business Continuity Plan has been reviewed to accommodate the changes within the organisation. However, the NSFAS Disaster Recovery Plan (DRP) - a component of business continuity - has not been finalised.	Implementation of new IT infrastructure impacted on the cancellation of SITA - DRP arrangement, necessitating a revision to BCP.
		11.3 Annual audits of HEIs and FETCs	All 23 HEIs audited annually. Selected FETCs audited.	B. Administration Expenditure: 5.2	Target partly met. All 23 universities audited, however no FETC were audited.	The planning for the audit of FETCs depended on the provision of information and data on the selected FETCs by the DHET. This information was only received from the DHET on 18 April 2011.
		11.4 Annual organisational audit of operations	Audit of operations, including risk, control, processes, governance and IT systems.	B. Administration Expenditure: 5.2	Target met. Audit plan executed as approved. Further ad hoc reviews conducted during the year, as determined by the Audit Committee.	
		11.5 Risk management strategy implemented.	Monthly meetings of Risk Committee. Adaptation of enterprise Risk management frameworks.		Target not met. The Risk Committee established and initial meetings held in third quarter. However, only one meeting of the committee was held in last quarter. NSFAS Risk Repository developed as a risk management tool.	Monthly meetings were scheduled although these did not take place as agreed.
		11.6 Compliance with governance and regulatory frameworks	100% compliance	B. Administration Expenditure: 2.1	Target not met.	Auditing of compliance with regulatory and governance frameworks included in the three year Annual Internal Audit Plan approved by the Audit and Risk Committee in October 2011. Compliance to be prioritised in NSFAS 2011 turnaround strategy.

PERFORMANCE INDICATORS
STRATEGIC GOAL 4
Continued

Strengthening the quality of internal management and operations in line with changing funding patterns

	STRATEGIC OBJECTIVE	OUTPUT PERFORMANCE MEASURE	ANNUAL PERFORMANCE TARGET	BUDGET LINE	ANNUAL PERFORMANCE RESULTS	REASON FOR VARIANCE
12	Ensure the NSFAS human resource management and administration practices are in accordance with best practices.	12.1 Policies reflect and are in line with the relevant HR legislation (BCEA, LRA, DPSA)	Annual review and alignment of policies in line with legislative changes		Target partly met. No policies submitted to the Board. However, reviews of existing policies have been ongoing throughout the year, and some consultative workshops with staff were conducted in the third quarter.	Review of legislative changes not done by management.
		12.2 Core training addresses skills gaps at all levels	Annual workplace skills plan developed and staff training facilitated.	B. Administration Expenditure: 8.1, 8.2 and 8.3	Target met. Workplace Skills Plan submitted. 2010 and 2011 training plans completed in September. 31 staff members attended off-site training programmes, and a further 39 staff attended in-house operational training programmes.	
		12.3 Performance appraisal and management system implemented	Annual performance reviews of senior managers. Development of performance agreements for other staff.		Target partly met. Annual performance reviews for all senior managers conducted in December 2010. Performance agreements and workplans for Communications, HR & Admin, Loans and Bursaries completed. Some performance appraisals completed.	Review of the performance agreements and workplans for IT and Finance have not been completed. Process of completing reviews took longer than anticipated, due to lack of capacity and training.
		12.4 Timely filling of vacant posts	Vacant posts filled within a 3-month period.	B. Administration Expenditure: 7.1, 7.2 and 6.17	Target partly met. Of the 22 vacant posts, 11 were filled within a three month period and 11 were not filled within the three month period.	Positions were not filled within three months for the following reasons: i) Candidates did not accept the offers made, ii) Negotiation of terms and conditions extended beyond the three months period and iii) Non-approval of selected candidates by the CEO necessitated the restarting of the process.

There is no passion to be found playing small -

in settling for a life that is less

than the one you are capable of living.

Nelson Mandela,
Former President of South Africa

	STRATEGIC OBJECTIVE	OUTPUT PERFORMANCE MEASURE	ANNUAL PERFORMANCE TARGET	BUDGET LINE	ANNUAL PERFORMANCE RESULTS	REASON FOR VARIANCE
13	Improve awareness of undergraduate funding opportunities available through NSFAS amongst prospective and current students in rural and urban South Africa, using and testing alternative channels of communication	13.1 Range of initiatives for communicating with prospective and current students selected, tested and assessed for future use.	a) Communication plan reviewed and implemented. Research youth market to assess knowledge of NSFAS and attitudes towards loans and bursaries.		Target partly met. Two elements of the communication plan were reviewed, the use of various publications and the inclusion of FET-Report 191 programmes. New elements of communications plan focussed on outreach via roadshows, the use of African languages, use of social media. Research into youth market not undertaken.	Budget allocated for research project was reprioritised.
			b) One non-traditional and traditional media type/activity per quarter. Implement SMS facility for enquiries about NSFAS funding.	B. Administration Expenditure: 1.2 and 1.3	Target met. In each quarter, a minimum of one non-traditional and one traditional media type/activity used. Examples include SABC radio campaign in African languages, electronic advertising, campus radio and poster campaign. SMS facility implemented, and 55 733 SMSs received in the year.	
			c) Research possibilities concerning implementing a share-call or toll-free line to replace current call centre number		Target not met. No decision taken by financial year end regarding implementation of toll-free or share-call line.	Decision taken in May 2011: toll-free line to be introduced in 2011/2.
			d) Expand the initiatives undertaken with the network of partners and the extent of their partnership with NSFAS	B. Administration Expenditure: 1.1	Target met. Joint projects with two provincial FETC clusters (Limpopo, WC), Free State Premier's Office, Umzinyathi Careers Advice Centre (Dundee), SAQA Careers Advice Centre, Vula Programme (Pietermaritzburg), VW Community Trust (Eastern Cape). Participation in Eden District Education Summit (EC/WC) led to outreach work in region.	
			e) Conduct surveys and competitions amongst learners to assess knowledge of financial aid available for HE and FET	B. Administration Expenditure: 1.2 and 1.3	Target not met. Planned survey on campuses not undertaken.	Alternative and more cost-effective social networking options being investigated.
			f) Adapt communication material for schools to reflect any additions or amendments regarding scarce skills bursaries	B. Administration Expenditure: 1.2 and 1.3	Target met. Brochure/presentation/advertising material updated to reflect information about teaching and social work bursaries, and the new FET College bursaries.	
			g) SMS/email and/or post campaign to 200 educators/learners	B. Administration Expenditure: 1.2 and 1.3	Target met. Proactive outbound SMS campaign to 12 996 learners and 612 educators.	
		13.2% of registering students aware of funding opportunities through NSFAS	Surveys conducted at all registration points in participating universities: 60% of students surveyed had prior knowledge of NSFAS	B. Administration Expenditure: 1.2 and 1.3	Target not met. Survey not carried out.	As above.

PERFORMANCE INDICATORS STRATEGIC GOAL 5

Effectively communicating and managing the relationship with all NSFAS stakeholder groups and targeted audiences

PERFORMANCE INDICATORS
STRATEGIC GOAL 5
Continued

Effectively communicating and managing the relationship with all NSFAS stakeholder groups and targeted audiences

	STRATEGIC OBJECTIVE	OUTPUT PERFORMANCE MEASURE	ANNUAL PERFORMANCE TARGET	BUDGET LINE	ANNUAL PERFORMANCE RESULTS	REASON FOR VARIANCE
13	Improve awareness of undergraduate funding opportunities available through NSFAS amongst prospective and current students in rural and urban South Africa, using and testing alternative channels of communication	13.3 Number of career exhibitions and open days supported by NSFAS and evaluated and selected on the basis of assessed quality and cost	Monitor the existing database. Evaluate and select appropriate careers exhibitions/open days for NSFAS support.	B. Administration Expenditure: 1.2 and 1.3	Target met. 95 career exhibitions participated in during the financial year. In the second quarter, implemented a database of career exhibitions not selected for attendance (with reasons for non-participation). Assessment document and/or reports produced for each event attended.	
		13.4 Number of communication initiatives involving published materials implemented	100% of secondary schools distributed information packs. 100% of impact evaluation forms distributed and response rate monitored.	B. Administration Expenditure: 9.1 and 9.2	Target not met. Brochures and posters produced but not sent out.	A Board decision halted the distribution of the brochure materials due to inaccurate information and inappropriate representation of NSFAS. The posters will be distributed in the next financial year.
			40 schools in Northern Cape, North West, Mpumalanga and Limpopo, Free State - targeted initiative	B. Administration Expenditure: 1.4	Target partly met. 46 schools were reached two provinces only: Mpumalanga (22 schools), Limpopo (24, including 2 for learners with disabilities).	Northern Cape, North West and Free State not prioritised by management.
			Materials distributed to all HEIs and negotiated with all HEIs the inclusion of NSFAS information into admissions packs	B. Administration Expenditure: 6.4	Target met. Brochures and posters sent out to all universities during January 2011.	
14	Engage with HEIs and FETC schools liaison offices and Financial Aid Offices iro marketing opportunities	14.1 Number of formal networks with HEIs and FETC marketing divisions established, maintained and supported	Two HEI visits/contacts per quarter. Co-ordinated dates for marketing activities established and NSFAS messaging included.	B. Administration Expenditure: 10.1, 10.2 and 10.3	Target met. Interaction with both university and FET College staff during the year, namely: UNISA, Letaba FETC, UCT, DUT, UWC, NMMU, UFH, College of Cape Town, False Bay College. Campus radio campaign in fourth quarter included 6 universities (CPUT, NWU, UFS, UP, UV, UCT).	

	STRATEGIC OBJECTIVE	OUTPUT PERFORMANCE MEASURE	ANNUAL PERFORMANCE TARGET	BUDGET LINE	ANNUAL PERFORMANCE RESULTS	REASON FOR VARIANCE
15	Strengthen policy and advisory support through the development of analytical reports on the impact of the NSFAS.	15.1 Research reports/ analyses based on management information in key areas	Minimum of 2 reports per year, one of which would be a cohort analysis of throughputs of NSFAS students	B. Administration Expenditure: 5.6	Target not met. Finalised RFP for cohort study in first quarter and service provider appointed in January 2011.	Cohort analysis project started late, due to delays in procurement. Second report not done due to lack of capacity.
		15.2 Research reports/ analyses based on new research projects	Minimum of 2 new research projects reported on	B. Administration Expenditure: 5.6	Target partly met. Commissioned and completed one research project on behalf of Irish Aid in second quarter.	
		15.3 Policy documents/ position papers	Minimum of 2 position papers prepared.		Target met. i) Position paper on the NSFAS response to the Ministerial Review report completed in the second quarter. Ii) International benchmarking position paper drafted. Iii) Draft debtor management policy presented to the Board in October 2010.	
		15.4 Operational policy documents drafted in response to operational requirements and changing regulatory and policy environment.	Ongoing as required.		Target met. Policy dashboard compiled and included updates in progress on all operational policies (existing and new)	
16	Collaborate and consult with specific stakeholders in the higher education sector to inform policies and to ensure co-ordinated responses to matters related to student financial aid.	16.1 Partnership with CHE and HESA	Minimum of one formal meeting with each organisation, including the development of joint projects where necessary.	B. Administration Expenditure: 10.1, 10.2 and 10.3	Target partly met. NSFAS participated in HESA seminar (report prepared), and HESA participated in FAPSA conference in September 2010. In addition, NSFAS's participation in the Stakeholder Summit on Higher Education provided an informal opportunity to engage with these stakeholders. No formal meetings with CHE were scheduled.	
		16.2 Relationship with SAUS	Consultative meetings with SAUS as required.	B. Administration Expenditure: 10.1, 10.2 and 10.3	Target partly met. No formal meetings with SAUS. Delegations from UJ and VUT to discuss operational issues included SAUS office-bearers.	Management failed to hold consultative meetings with SAUS as required.

PERFORMANCE INDICATORS
STRATEGIC GOAL 6

Undertaking research that informs the effective utilisation of available funds and serves to advise the Minister on matters related to student financial aid

	STRATEGIC OBJECTIVE	OUTPUT PERFORMANCE MEASURE	ANNUAL PERFORMANCE TARGET	BUDGET LINE	ANNUAL PERFORMANCE RESULTS	REASON FOR VARIANCE
17	Responsiveness of the student and institutional funding framework in ensuring that deserving students are funded at the institution of choice.	17.1 New student award and institutional funding model approved by the Ministry	Finalise conceptual framework and model, based on the outcomes of the Ministerial Review		Target met. NSFAS Board, SMT and staff drafted comprehensive response to the Ministerial Review Report which addressed a conceptual framework and model for student awards and institutional funding. Submitted to DHET 14 May 2010. New allocations model adopted for the 2011 allocations, approved by Board in January 2011.	
		17.2 Means test used at all insitutions to determine student eligibility and award size	Revise means test application and database platform. Develop the means test for FETCs as a one-stop-shop solution for the bursary application and allocation process.		Target met. New means test technology was designed using a .NET technology platform. Database tables updated in September 2010. Number of updates to the FETC means test made as a result of new funding programmes introduced in third quarter.	
		17.3 Means test extract is a true and accurate reflection of all applicant information	Audit reports at institutions reflect improvement in FMT data.	B. Administration Expenditure: 1.1	Target partly met. Means test extract still reflects inconsistencies in the use and interpretation of means test. Confirmed through internal audit reports for 2010.	Improved monitoring of universities in the determination of actual award size must be introduced.
		17.4 Refinements to the FMT software and technologies.	Enhance functionality and validations of the FMT		Target not met.	To be considered as part of a comprehensive IT review.

PERFORMANCE INDICATORS
STRATEGIC GOAL 6
Continued

Undertaking research that informs the effective utilisation of available funds and serves to advise the Minister on matters related to student financial aid

Glossary

ELAF	Electronic Loan Agreement Form
AeS	Advanced electronic Signature
BCP	Business Continuity Plan
CBO	Community-based organisation
CEO	Chief Executive Officer
CHE	Council for Higher Education
DHET	Department of Higher Education and Training
DHET Disability	Donor code for the DHET bursary funding for students with disabilities
DHET General	Donor code for the DHET General Education funding
DHET Teacher	Donor code for the DHET ring-fenced teacher education loan funding
DRP	Disaster Recovery Plan
DSD	Department of Social Development
FAOs	Financial Aid Officers
FAPSA	Financial Aid Practitioners of South Africa
FETC	Further Education and Training College
FMT	Financial means test
HEI	Higher Education Institution
HESA	Higher Education South Africa
ITS	Integrated Tertiary Solutions
LMS	Loan Management System
NCR	National Credit Regulator
NGO	Non-governmental organisation
NSF	National Skills Fund
SAICA	South African Institute of Chartered Accountants
SAUS	South African Union of Students
SITA	State Information Technology Agency
SLC	Systems Link Cape (Pty) Ltd
VC	Vice Chancellor
WSP	Workplace Skills Plan

Universities

CPUT	Cape Peninsula University of Technology
DUT	Durban University of Technology
NWU	North West University
TUT	Tshwane University of Technology
UCT	University of Cape Town
UJ	University of Johannesburg
UKZN	University of KwaZulu Natal
UL	University of Limpopo
UNISA	University of South Africa
UNIZULU	University of Zululand
UV	University of Venda
UWC	University of the Western Cape
VUT	Vaal University of Technology
WSU	Walter Sisulu University

Provinces

WC	Western Cape
EC	Eastern Cape

SRC VICE-PRESIDENT, BOARD TREASURER AND STAR STUDENT

I am very proud of my achievements at college - for the past two years, I have been placed second in the course I am studying. I also serve as SRC Vice-President on campus and Treasurer of the Board. My biggest wish is to go even further and complete a B Comm Accounting degree.

I am18, and the eldest of five children, and was raised by my grandmother in Tafelsig, Mitchells Plain, in Cape Town. I am able to fund my studies through a NSFAS bursary.

I am currently enrolled at False Bay FET College in the Western Cape in the National Certificate (Vocational) Level 4 Finance, Economics and Accounting. I believe that hard work is crucial to get one far in life.

When students realise that there is hope to study and resources to achieve their dreams, I'm sure nothing will stop them.

MIESHKAH FORTUIN, 18

STUDENT: NATIONAL CERTIFICATE | FINANCE, ECONOMICS AND ACCOUNTING

False Bay FET College

9 FINANCIAL STATEMENTS

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE NATIONAL STUDENT FINANCIAL AID SCHEME

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the National Student Financial Aid Scheme (NSFAS), which comprise the statement of financial position as at 31 March 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 60 to 103.

Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with 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) and section 15 of the National Student Financial Aid Scheme Act, 1999 (Act No. 56 of 1999), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010.* Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Student Financial Aid Scheme as at 31 March 2011, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the PFMA.

Emphasis of matter

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

Restatement of corresponding figures

9. As disclosed in note 2 to the financial statements, the corresponding figures for 31 March 2010 were restated to correct errors previously reported. The restatements were in respect of:
   - Student loans which are measured at fair value on initial recognition and thereafter at amortised cost whereas in the prior year student loans were initially measured at nominal value.
   - Interest on student loans which is now accounted for using the effective interest method whereas in the prior year interest on student loans was recognised as income only when debtors initiated repayment.

Additional matters

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

Material inconsistencies in other information included in the annual report

11. No material inconsistencies between the draft annual report and financial statements were identified. The final printer's proof of the annual report will be reviewed and any material inconsistencies then identified will be communicated to management. Should the inconsistencies not be corrected, it may result in the matter being included in the audit report.

Unaudited supplementary schedules

12. The supplementary information set out on pages 104 to 105 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.

Predetermined objectives

14. There were no material findings on the annual performance report.

COMPLIANCE WITH LAWS AND REGULATIONS

Procurement and contract management

15. Goods and services with a transaction value exceeding R500 000 were procured without following a competitive bidding process or without the requisite approvals per the delegations of authority, as per the requirement of Treasury Regulation 16 A6.1 and Practice Note 8 of 2007-08.

16. Goods and services with a transaction value of between R10 000 and R500 000 were procured without inviting at least three written price quotations from prospective suppliers, as per the requirements of Treasury Regulation 16A6.1 and Practice Note 8 of 2007-08.

17. Awards were made to bidders who did not submit an SBD 4 declaring whether the bidder or any person connected with the bidder is employed by the state as per the requirements of Treasury Regulation 16A8.3 and Practice Note 7 of 2009-10.

18. The preference point system was not applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act No. 5 of 2000.

19. Awards, with a transaction value above R30 000 were made to suppliers without obtaining an original valid tax clearance certificate from suppliers as required by Treasury Regulation 16A9.1(d) and Practice Note 8 of 2007-08.

Expenditure Management

20. The accounting authority did not take effective steps to prevent and detect irregular expenditure, as per the requirements of section 38(1)(c)(ii) of the PFMA. The irregular expenditure incurred is disclosed in note 33 to the financial statements.

Annual financial statements, performance and annual report

21. The financial statements submitted for audit did not comply with section 55(1)(c)(i) of the PFMA. Material misstatements on student loans were identified during the audit. These were corrected by management.

INTERNAL CONTROL

22. In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the findings on compliance with laws and regulations included in this report.

Leadership

23. The accounting authority did not evaluate whether management has implemented effective internal controls to ensure that senior management has met its responsibilities. NSFAS does not have a central Supply Chain Management (SCM) function and policies and procedures in place, including monitoring controls to ensure that all expenditure incurred was in terms of SCM requirements. This is evident by the non-compliance matters identified relating to SCM regulations.

24. The accounting authority did not exercise adequate oversight responsibility regarding financial and performance reporting, compliance with laws and regulations, related internal controls and the implementation of action plans to address internal control deficiencies was not monitored adequately. As a result, actions plans to address prior year audit findings, including the appointment of service providers to assist the NSFAS with certain of the complex technical aspects relating to student loans were not started timeously for the purposes of the year-end audit. This resulted in some of the financial statement close processes being finalised under very tight deadlines which in turn resulted in material errors.

Financial and performance management

25. Management did not ensure that proper guidance was provided to all staff involved in the procurement process and that sufficient training occurred to ensure compliance with SCM regulations. Furthermore, the review and monitoring of compliance and monitoring of the daily and monthly procurement processes was not effective.

26. NSFAS did not prepare accurate and complete financial statements as a result of certain of the financial statement close processes being finalised under very tight deadlines. Material errors and omissions were therefore not prevented or detected by the entity's internal control system.

INVESTIGATIONS

27. An investigation is being conducted into a case of misrepresentation to third parties by an employee. The investigation was still ongoing at the reporting date.

28. An investigation of specific procurement activities was conducted by internal audit to assess whether NSFAS complied with SCM requirements. The investigation revealed irregular expenditure which has been disclosed in the financial statements.

Auditor-General

31 July 2011

Cape Town

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

GENERAL INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	The nature of the activities of the entity is to provide sustainable financial assistance in the form of loans or bursaries to eligible students at public higher education institutions and further education and training (FET) colleges, to administer such loans and bursaries, and to recover the loans from the students once they are employed and earning in excess of R30,000 per annum.
NSFAS BOARD	**Zamayedwa Sogayise** (Chairperson) Collette Caine Spencer Janari Nathan Johnstone Kirti Menon Thamsanqa Ncokwane Nyiko Shivambu Stephen Smith
CHIEF EXECUTIVE OFFICER	Ashley Seymour (ex officio Board member, dismissed 7 April 2011)
REGISTERED OFFICE / BUSINESS ADDRESS	18-20 Court Road Wynberg 7801
POSTAL ADDRESS	Private Bag X1 Plumstead 7800
AUDITORS	Auditor-General
WEBSITE ADDRESS	www.nsfas.org.za

NSFAS

NATIONAL STUDENT FINANCIAL AID SCHEME

Established by NSFAS Act (Act 56 of 1999)

ANNUAL FINANCIAL STATEMENTS
For the year ended 31 March 2011

Contents

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

The following supplementary information does not form part of the annual financial statements and is unaudited:

NSFAS BOARD'S APPROVAL AND STATEMENT OF RESPONSIBILITY

The NSFAS Board is required by the Public Finance Management Act (Act 1 of 1999), 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 is 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).

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 deficit 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 in ensuring 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 deficit.

The Board has reviewed the entity's cash flow forecast for the year to 31 March 2012 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 wholly dependent on the Department of Higher Education and Training for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the Department of Higher Education and Training has neither the intention nor the need to liquidate or materially curtail the scale of the entity.

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

The Auditor-General is responsible for independently reviewing and reporting on the entity's annual financial statements.

The annual financial statements set out on pages 54 to 105, which have been prepared on the going concern basis, were approved by the Board on 28 July 2011 and were signed on its behalf by:

Zamayedwa Sogayise
Chairperson

Nathan Johnstone
Chairperson: Finance Committee

Cape Town
28 July 2011

REPORT OF THE BOARD MEMBERS

The NSFAS Board submits its report for the year ended 31 March 2011.

1. GENERAL REVIEW

Main business and operations

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

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

Results	2011	2010
New grants* - Universities	2,516,221,000	2,205,953,000
New grant - FET colleges	318,000,000	300,000,000
Student loan recovery and interest reinjected	704,339,406	580,129,000
Total awards	3,678,429,021	3,154,697,000
Operational expenses	(59,830,000)	(51,325,000)
Administration expenses to awards ratio	1.63%	1.63%
Bursary awards** - Universities	1,529,453,000	1,277,598,000
Bursary awards - FET colleges***	316,504,000	310,520,000
Percentage of courses passed****	74.69%	73.98%

* *During the year under review grants were received from the South African government via the Department of Higher Education and Training, the Department of Agriculture, the Department of Labour, the Department of Social Development, the Eastern Cape Provincial Government, and various other donors.*

** *Up to 40% of a loan may be converted into a bursary on the basis of academic performance.*

*** *100% bursary awards.*

**** *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. SUBSEQUENT EVENTS

The Board is not aware of any matter or circumstance arising since the end of the financial year which could affect the interpretation of the Annual Financial Statements.

4. BOARD

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

Name	
Zamayedwa Sogayise (Chairperson)	Appointed 15 December 2010
Patrick FitzGerald (Chairperson)	Resigned 13 December 2010
Ngozi Mary Awa	Resigned 13 December 2010
Collette Caine	Appointed 15 December 2010
Brian Gallant	Resigned 13 December 2010
Mbali Hlophe	Membership terminated 25 February 2011
Zeona Jacobs	Resigned 13 December 2010
Spencer Janari	Appointed 30 January 2007
Nathan Johnstone	Appointed 1 July 2008
Duma Malaza	Resigned 13 December 2010
Lynne Matthews	Resigned 13 December 2010
Vuyokazi MemaniSedile	Resigned 31 July 2010
Kirti Menon	Appointed 22 October 2009
Thamsanqa Ncokwane	Appointed 1 July 2008
Nyiko Shivambu	Appointed 1 July 2008
Stephen Smith	Appointed 15 December 2010

5. BOARD EXPENSES, EXECUTIVE AND SENIOR MANAGERS' EMOLUMENTS

(expressed in R'000)

	Salary or Fee	Bonuses and performance related payments	Retirement Fund contributions	Medical contributions	Expense allowance	Other	Total package 2011	Total package 2010
5.1. BOARD EXPENSES								
Per diem allowances	-	-	-	-	-	47	47	53
Travel and accommodation costs	-	-	-	-	-	636	636	480
	-	-	-	-	-	683	683	533
5.2. EXECUTIVE MANAGERS								
Chief Executive Officer*	956	-	143	90	14	11	1,214	870
Chief Financial Officer**	443	48	72	10	39	6	618	717
Chief Financial Officer***	201	-	30	15	2	2	250	-
Chief Operations Officer****	391	32	57	11	30	5	526	718
Special Projects Executive*****	324	-	11	12	3	4	354	-
	2,315	80	313	138	88	28	2,962	2,305
5.3. SENIOR MANAGERS								
Manager: Information Technology	300	-	-	-	-	4	304	145
Manager: Human Resources and Administration	478	39	76	34	23	7	657	608
Manager: Communications	636	-	94	29	16	8	783	737
Manager: Legal and Governance******	162	-	24	5	32	2	225	-
Manager: Loans and Bursary Management (formerly Policy and Research Officer, changed on the 31 December 2010)	610	58	98	-	25	8	799	731
	2,186	97	292	68	96	29	2,768	2,221
	4,501	177	605	206	184	740	6,413	5,059

* *Dismissed 7 April 2011*
** *Stepped down 9 January 2011*
*** *Appointed 10 January 2011; resigned 1 April 2011*
**** *Resigned 8 August 2010*
***** *Appointed 1 December 2010; resigned 4 May 2011*
****** *Appointed 10 January 2011; resigned 31 July 2011*

6. CORPORATE GOVERNANCE

GENERAL

Board of directors

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

Committees of the Board are established in terms of the NSFAS Act, as follows: an Executive Committee, an Audit and Risk Committee and a Finance Committee.

NSFAS has faced significant challenges in the past year seeking to address the issues identified through the Ministerial Review and audit disclaimer of 2010.
Mr Zamayedwa Sogayise was appointed as Chairperson on 15 December 2010, following the resignation of Professor Patrick FitzGerald as Chairperson and the resignations of a number of other Board members.
Ms Collette Caine and Mr Stephen Smith were co-opted onto the Board on 15 December 2010 and were tasked together with the Chairperson to assist the Board in ensuring a turnaround strategy for the entity. The Minister of Higher Education and Training, Dr Blade Nzimande, is currently considering new candidates for appointment to the Board following the advertising of vacancies. The changes to the Board are set out on page 55.

Mr Ashley Seymour was dismissed as Chief Executive Officer with effect from 7 April 2011.

A comprehensive human resource plan is being implemented which includes interim measures to ensure the continued operation and stability of the entity.

Effectiveness of Internal Controls

Based on the results of the formally documented review of the entity's system of internal financial controls conducted by the internal audit function during the 2010/ 2011 year, the Audit and Risk Committee's consideration of information and explanations given by management, the Board is of the opinion that the entity's system of internal controls form 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

The nature of the activities of the entity is to provide sustainable financial assistance in the form of loans and bursaries to eligible students at public universities. NSFAS also disburses bursaries to students at further education and training (FET) 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 award can be converted into a bursary dependent upon the number of courses a student passes.

Student loans are granted to individual students after an application has been submitted to NSFAS by the university at which the student has registered. 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 repo rate, as at 1 April 2010, and was fixed for the year. This is consistent with the way in which the interest rate was determined in the prior year.

Full bursaries are earmarked for, amongst others, scarce skills and may carry conditions specified by different donors, mainly national government departments. Some of these bursaries may become repayable if the conditions are not fulfilled by the beneficiaries.

8. PRIOR PERIOD ERROR CORRECTION

8.1 Student loans, initial measurement

During the year under review, NSFAS conducted a comprehensive review of the student loan book since inception, in terms of the requirements of IAS 39 and GRAP 104 - Financial Instruments recognition and measurement. Based on the results thereof NSFAS changed its accounting policy which resulted in fair value adjustments on initial recognition of student loans and the figures reported in previous financial statements have been restated. The nominal value as at 31 March 2011 of R12,300,874 (2010: R10,531,363) has been adjusted due to initial recognition and impairment of R7,266,006 (2010: R5,973,757) to a carrying value of R5,034,868 (2010: R4,557,606).

The parameters within which this review was conducted are detailed in note 1.1 to the annual financial statements.

8.2 Revenue from exchange transactions

NSFAS changed its accounting policy relating to the recognition of interest on student loans to be compliant with the provisions of GRAP 9 Revenue from exchange transactions. Previously, NSFAS had not accrued for interest revenue on student loans in accordance with GRAP 9.

8.3 Impairment of student loans and provision for doubtful debts

In prior years an actuarial model was utilised to calculate a provision for doubtful debts. The reporting of student loans in 2010 was based on certain management assumptions in respect of the collectability, and therefore the impairment, of the loan book. The assumptions by management were not substantiated with reliable supporting documentation. Based on the actuarial calculation of fair value on initial recognition (the standard), utilising historical actual data spanning a 20 year period and recognised actuarial standards, a verifiable impairment of the loan book at each reporting date was calculated since inception up until 2011.

The actuaries consider the historic data to be sufficient and suitable for use in setting assumptions as to the future behaviour of the student loan portfolio, since the data spans a sufficiently long period to cover more than one economic cycle. Banking valuation models usually require at least one full economic cycle of data for forecasting or a minimum of seven years. The entity's data has been captured since 1991 and covers a 20 year period.

The assumptions are reassessed on an annual basis to determine their continued appropriateness as new data is collected. The model is updated as required, to reflect the most recent payment experience of the entity and the current status of the loans in force at the Statement of Financial Performance date.

9. STUDENT AWARDS

Academic year	2010		2009		To date	
Student awards by institution category	Rand value	Number of students	Rand value	Number of students	Rand value	Number of students
Universities	3,343,530,674	148,387	2,818,220,032	135,202	18,176,334,796	684,686
FET colleges	317,998,191	61,703	312,666,821	55,173	918,127,438	124,132
National Institutes of Higher Education	10,682,194	347	10,690,135	384	34,388,449	690
Other*	6,217,962	155	13,089,178	281	38,252,559	528
	3,678,429,021	210,592	3,154,666,165	191,040	19,167,103,242	810,036

	2011	2010	Financial years 1992 - 2011
Loan repayments**	637,782,374	636,321,575	3,894,361,744

Since its inception in 1991, the entity has awarded approximately R19 billion (2010: R15 billion) in loans and bursaries. For the year under review, loan repayments were at a monthly average of R53 million (2010: R53 million).

** These are awards as identified by certain donors for students/learners at specific agricultural colleges and/or schools, and other colleges.*
*** Loan repayments include credit balances received from Institutions that are processed as the first repayment to reduce the original loan amount..*

Student awards by funding category	Academic years 2010		2009	
	Rand Value	Number of students	Rand value	Number of students
Department of Higher Education and Training (DHET)				
General allocation	2,115,365,459	109,798	1,876,450,737	106,682
Teacher allocation	97,148,624	4,672	80,048,396	3,898
Students with Disabilities	35,278,148	1,040	25,680,383	762
National Skills Fund	81,590,696	3,885	37,538,465	1,890
SAICA partnership - Thuthuka Fund	24,091,308	774	22,008,222	782
FETC Bursaries	317,998,191	61,703	312,666,821	55,173
Department of Basic Education (DBE)				
Funza Lushaka teacher bursaries	462,232,553	10,074	380,645,815	9,190
Other funding categories	544,724,041	18,630	419,627,326	12,658
	3,678,429,021	210,576	3,154,666,165	191,035

STATEMENT OF FINANCIAL POSITION

Figures in Rand thousand	Note(s)	2011	2010 Restated
ASSETS			
Current Assets			
Cash and cash equivalents	10	212,767	305,219
Investments	5	541,118	541,281
Trade and other receivables non-exchange	6&21	10,802	1,496
Prepayments to institutions non-exchange	7	298,302	333,481
Amounts owing by institutions non-exchange	9	70,363	90,812
Student loans exchange	8	420,704	454,089
		1,554,056	**1,726,378**
Non-Current Assets			
Property, plant and equipment	3	8,634	5,634
Intangible assets	4	4,206	1,154
Investments	5	37,269	11,356
Student loans exchange	8	4,613,943	4,102,328
		4,664,052	**4,120,472**
Non-Current Assets		4,664,052	4,120,472
Current Assets		1,554,056	1,726,378
Total Assets		**6,218,108**	**5,846,850**
LIABILITIES			
Current Liabilities			
Trade and other payables exchange	14	17,005	8,348
Other payables non-exchange	14	20,000	-
Provisions	11	77,825	77,825
Amounts due to institutions non-exchange	12	17,239	136
Deferred income recognised	13	165,303	157,025
		297,372	**243,334**
Non-Current Liabilities		-	-
Current Liabilities		297,372	243,334
Total Liabilities		**297,372**	**243,334**
Assets		6,218,108	5,846,850
Liabilities		(297,372)	(243,334)
Net Assets		**5,920,736**	**5,603,516**
NET ASSETS			
Fair value adjustment reserve		4,464	4,210
Capital fund		5,916,272	5,599,306
Total Net Assets		**5,920,736**	**5,603,516**

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand thousand	Note(s)	2011	2010 Restated
Revenue			
Administration grants	15	29,824	25,987
Grants received for student awards	16	2,834,221	2,505,953
Interest revenue	23	567,738	583,722
Unallocated Debtors Receipts	22	930	-
Total Revenue		**3,432,713**	**3,115,662**
Expenditure			
Personnel costs	17	(23,837)	(18,734)
Asset management fees	23	(1,510)	(958)
Depreciation and amortisation	3&4	(1,274)	(3,188)
Irrecoverable debts written off		(5,583)	(5,891)
Transfer to Fundisa Fund	14	(20,000)	-
Bursaries - Universities		(1,529,453)	(1,277,598)
Bursaries - FET Colleges		(316,504)	(310,520)
General Expenses*		(13,938)	(11,449)
Consulting and professional fees *	24	(5,265)	(2,461)
Broader communications strategy *		(6,333)	(7,473)
Postage *		(2,787)	(4,575)
Audit fees *	19	(6,396)	(3,445)
Total Expenditure		**(1,932,880)**	**(1,646,292)**
Loss on disposal of assets		(1)	(36)
Day One Loss on student loans issued	8	(899,683)	(621,812)
Impairment loss	8	(93,700)	(2,352)
Model adjustments for repo rate changes	8&30	(189,542)	(425,605)
Profit on funds invested		62	82
Finance costs	18	(3)	(2)
Revenue		3,432,713	3,115,662
Expenditure		(1,932,880)	(1,646,292)
Other		(1,182,867)	(1,049,725)
Surplus for the year	**38**	**316,966**	**419,645**

*These amounts are reflected in the Operational Expenses on the Supplementary Information on page 105.

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand thousand	Fair value adjustment reserve	Capital fund	Total reserves	Accumulated surplus /(deficit)	Total net assets
Opening balance as previously reported	742	6,691,929	6,692,671	-	6,692,671
Adjustments					
Prior period error correction (refer note 2)	-	-	-	(1,511,719)	(1,511,719)
Transfer to capital fund	-	(1,511,719)	(1,511,719)	1,511,719	-
Balance at 01 April 2009 as restated	**742**	**5,180,210**	**5,180,952**	**-**	**5,180,952**
Changes in net assets					
Net income (losses) recognised directly in net assets	-	-	-	-	
Surplus for the year	-	-	-	419,645	419,645
Transfer to capital fund	-	419,645	419,645	(419,645)	-
Fair value adjustment	3,468	-	3,468	-	3,468
Transfer to Irish Aid	-	(549)	(549)	-	(549)
Total changes	3,468	419,096	422,564	-	422,564
Balance at 01 April 2010	**4,210**	**5,599,306**	**5,603,516**	**-**	**5,603,516**
Changes in net assets					
Surplus for the year	-	-	-	316,966	316,966
Transfer to capital fund	-	316,966	316,966	(316,966)	-
Fair value adjustment	254	-	254	-	254
Total changes	254	316,966	317,220	-	317,220
Balance at 31 March 2011	**4,464**	**5,916,272**	**5,920,736**	**-**	**5,920,736**
Note:				38	

CASH FLOW STATEMENT

Figures in Rand thousand	Note(s)	2011	2010 Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Grants for capital fund and administration costs		2,872,319	2,566,298
Student loan repayments - capital		542,099	533,800
Other inflows		28,921	9,724
		3,443,339	3,109,822
Payments			
For student awards		(3,581,541)	(3,045,618)
To employees and suppliers		(56,992)	(50,902)
Prepayments - initial student registration fees		35,180	(181,260)
Amounts due to institutions		17,105	(20,890)
		(3,586,248)	(3,298,670)
Total receipts		3,443,339	3,109,822
Total payments		(3,586,248)	(3,298,670)
Net cash flows from operating activities	**20**	**(142,909)**	**(188,848)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	(3,804)	(789)
Proceeds from sale of property, plant and equipment	3	-	23
Purchase of other intangible assets	4	(3,523)	(614)
Proceeds from sale of other intangible assets	4	-	1
Net movement in financial assets		(25,434)	(426,026)
Interest Income		83,221	120,045
Net cash flows from investing activities		**50,460**	**(307,360)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance costs		(3)	(2)
Net decrease in cash and cash equivalents		**(92,452)**	**(496,210)**
Cash and cash equivalents at the beginning of the year		305,219	801,429
Cash and cash equivalents at the end of the year	**10**	**212,767**	**305,219**

ACCOUNTING POLICIES

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The National Student Financial Aid Scheme is a statutory body established by the National Student Financial Aid Scheme Act (Act 56 of 1999), and is recognised as a Schedule 3A public entity in terms of the Public Finance Management Act (Act 1 of 1999). The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention except for available-for-sale financial assets measured at fair value and unless specified otherwise. They are presented in South African Rand and prepared on the going concern basis.

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

Unless stated in Note 2, accounting policies are consistent with the previous period.

1.1 BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with the Public Finance Management Act (Act 1 of 1999).

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.

GRAP Standards issued but not yet effective

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

GRAP 18 Segment Reporting
This standard requires additional disclosures on the various segments of the business in a manner that is consistent with the information reported internally to management of the entity. This standard does not yet have an effective date.

GRAP 21 Impairment of Non-cash-generating Assets
This standard becomes effective for years beginning on or after 1 April 2012 and will only be formally adopted on that date. It determines the requirements and provides additional guidance on how to impair non-cash-generating assets, being assets that are not held to generate any sort of commercial benefit. In particular, it provides guidance on how to determine an asset's recoverable service amount in the absence of any future cash flows.

GRAP 23 Revenue from Non-Exchange Transactions
This standard becomes effective for years beginning on or after 1 April 2012 and will only be formally adopted on that date. It determines the requirements and provides additional guidance on how to account for revenue from non-exchange transactions. In particular, it requires the entity to recognise revenue from grants received, to the extent that there are no further conditions attached to the grant that give rise to an obligation to repay.

GRAP 24 Presentation of Budget Information in Financial Statements
This standard becomes effective for years beginning on or after 1 April 2012. It determines the specific requirements and provides additional guidance on how to present a comparison between budgeted and actual amounts in the financial statements, as required by GRAP 1. This is expected to add significantly to the level of disclosures currently being provided in terms of the interim guidance on minimum budget information from the Accountant General's Office.

GRAP 25 Employee Benefits
This standard prescribes similar requirements to those in terms of IAS 19: Employee Benefits. Since IAS 19 has been applied in developing the current accounting policy, and since there are no post employment benefits, no significant impact on the financial statements of the entity is expected. This standard does not yet have an effective date.

GRAP 26 Impairment of Cash-generating Assets
This standard becomes effective for years beginning on or after 1 April 2012 and will not be early adopted. It determines the requirements and provides additional guidance on how to impair cash-generating assets, being assets that are expected to generate a commercial benefit.

GRAP 103 Heritage Assets
This standard determines requirements for accounting for heritage assets. Heritage assets are defined as assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. This standard does not yet have an effective date.

GRAP 104 Financial Instruments
This standard will introduce some relatively significant changes when compared to IAS 39, especially in the way financial assets are classified and treated. The principles of GRAP 104 have already been incorporated in developing the accounting policy of the entity for the current year.

STANDARDS NOT APPLICABLE TO THE ENTITY INCLUDE:

GRAP 18	Segment Reporting (not required by Accounting Standards Board)
GRAP 103	Heritage Assets (NSFAS does not hold any heritage assets)
GRAP 26	Impairment of Cash-generating Assets (All assets are considered non-cash-generating)

The Accounting Standards Board Directive 5, paragraph 30, allows for the entity to selectively apply the principles established in a Standard of GRAP that has been issued, but is not yet in effect, in developing an appropriate accounting policy dealing with a particular transaction or event before applying paragraph 12 of the GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors.

The entity applied the principles established in the following Standards of GRAP that have been issued, but are not yet in effect, in developing appropriate accounting policies dealing with the following transactions, but has not early adopted these Standards:

GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-Exchange Transactions
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 104	Financial Instruments

1.2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the annual financial statements, management is required to make judgements, 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 include:

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

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

The following parameters have been applied effective 1991:

- 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 was 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 cashflow 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, this has not been included in the model. The effect was not considered material.

Impairment on student loans
Based on the actuarial calculation of fair value on initial recognition, utilising historical actual data spanning a 20 year period and recognized actuarial standards, a verifiable impairment of the loan book at each balance sheet date is calculated.

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.

1.3 PROPERTY, PLANT AND EQUIPMENT

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be reliably measured.

Property, plant and equipment is initially measured at cost.

Cost includes 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. Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the assets are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, it is regarded as repairs and maintenance, and is expensed. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment, except for land, is depreciated on the straight line basis over its expected useful life to its estimated residual value. 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.

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 Performance.

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

All NSFAS's property, plant and equipment are considered to be non-cash-generating 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 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. The increased carrying amount attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in the prior periods.

The residual value and the useful life of each asset, where significant, are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition 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

An intangible asset is identified 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 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 carried at cost less any accumulated amortisation and any impairment losses.

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 that the asset is classified as held for sale, or included in a disposal group that is classified as held for sale, and the date that the asset is derecognised.

Computer software

Expenditure on internally developed software is recognised as an asset when the entity is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life.

Internally developed software is stated at capitalised cost less accumulated amortisation and impairment. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in Statement of Financial Performance on a straight line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

1.5 FINANCIAL INSTRUMENTS

Classification

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

- Loans and receivables
- Available-for-sale 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 loans and receivables on the trade date, which is the date when the entity becomes a party to the contractual provisions of the instrument.

The entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the entity is recognised as a separate asset or liability.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received, including any new asset obtained less any new liability assumed, is recognised in the Statement of Financial Performance.

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.

Loans and receivables

Loans and receivables comprise cash and cash equivalents and trade and other receivables.

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

Loans and receivables are financial assets with fixed or determinable payments 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 loans and receivables 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 and subsequently measured at amortised cost. Fixed deposits that mature within three months after reporting date are recognised as cash equivalents.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The entity's non-coupon Negotiable Certificates of Deposit (NCDs) and promissory notes are classified as available-for-sale financial assets.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other income and presented in the Statement of Changes in Net Assets in the fair value adjustment reserve. When an investment is derecognised, the cumulative gain or loss in the Statement of Changes in Net Assets is transferred to the Capital Fund.

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

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.

Trade and other payables

Financial liabilities are measured at amortised cost using the effective interest rate method.

Other payables are those payables that do not meet the definition of a financial liability.

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 method.

Finance income and costs

Finance income comprises interest income on funds invested, including available-for-sale financial assets, and gains on the disposal of available-for-sale financial assets.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in surplus or deficit using the effective interest rate method.

Interest on student loans is recognised using the effective interest rate method over the estimated life of the loan. Risk is reflected by adjusting either the cash flows or the discount rate. It requires less judgement to adjust the cash flows for risk and to discount the expected cash flows at a risk-free interest rate. Adjusting the discount rate for risk often is complex and involves a high degree of judgement.

Impairment of financial assets

At each reporting date the entity assesses whether there is objective evidence that financial assets 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 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 through the Statement of Financial Performance.

Impairment losses on available-for-sale financial instruments are recognised by transferring the cumulative loss that has been recognised in the Statement of Changes in Net Assets to the Statement of Financial Performance as a reclassification adjustment. The cumulative loss that is reclassified from Statement of Changes in Net Assets to Statement of Financial Performance is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in Statement of Financial Performance. Changes in impairment provisions attributable to time value are reflected as a component of Finance Income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in surplus or deficit, the impairment loss is reversed, with the amount of the reversal recognised in the Statement of Financial Performance.

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

Determination of fair values

Available-for-sale instruments

The fair values of available-for-sale instruments that are quoted in active markets are determined using the quoted prices where they represent those at which regularly and recently occurring transactions take place.

The fair value of available-for-sale financial assets where prices, quoted in active markets, are not available is determined using valuation techniques – including determining the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Trade and other receivables

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.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, 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.

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 tertiary students from low income households. The loans have no fixed repayment terms and the debt is only due and payable when a student has exited university and has subsequently become employed. The repayments are based on a sliding scale of the debtor's annual salary.

A student may apply for a new loan for each year of study which, if granted, results in the student having multiple loans payable.

The 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 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 each 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.

Recognition of a day one profit or loss

The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, i.e. the fair value of the consideration paid or received, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on valuation techniques such as discounted cash flow models whose variables include only data from observable markets as described above.

When such valuation models, with only observable market data as inputs, indicate that the fair value differs from the transaction price, this initial difference, commonly known as day one profit or loss, is recognised in the Statement of Financial Performance. In the case of the student loans issued by the entity, the day one loss has been recognised in the Statement of Financial Performance and in terms GRAP 104 would be termed a social benefit. This is in recognition of the purpose of the loans.

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.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the Statement of Financial Position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the entity's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Any contingent rental is expensed in the period in which it is incurred.

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 is 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 bonus 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.

Obligations are classified as contingent liabilities where the existence of the entity's possible obligations depends on uncertain future events beyond the entity's control or when the entity has a present obligation that is not probable or which the entity is unable to measure reliably. Items are classified as commitments where the entity commits itself to future transactions or if the items will result in the acquisition of assets.

Contingent assets and contingent liabilities are not recognised in the annual financial statements but disclosed as a note. Contingencies are disclosed in note 26.

1.9 REVENUE

Revenue consists of conditional grants received for student loans and bursaries, administration grants, interest on student loans, irrecoverable debts recovered and interest on investments. Revenue is measured at the fair value of the consideration received or receivable. The entity recognises revenue when the amount can be reliably measured; it is probable that future economic benefits will flow to the entity and when specific criteria stated below have been met.

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount. 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 debt are recorded as irrecoverable debt recovered.

Interest received on investments

Interest on financial assets and cash and cash equivalents is accrued and is capitalised to the various instruments at amortised cost.

Interest on student loans

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

1.10 TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions

Transactions in foreign currencies are accounted for at the rates of exchange ruling on transaction dates.

1.11 PREPAYMENTS

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

For the 2011 academic year, institutions were able to claim up to 30% of their annual NSFAS allocations as prepayments as approved by the NSFAS Board.

The institution academic year runs from 1 January to 31 December and is therefore different to the NSFAS financial reporting year that runs from 1 April to 31 March. Payments 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 subsequent reporting period, the prepayments to institutions are reclassified as amounts owing by institutions until awards are made to students against these amounts.

1.12 RESERVES

Fair value reserve

The fair value adjustment reserve is non-distributable and comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

Capital fund reserve

The reserve comprises accumulated surpluses and is distributable.

1.13 WRITE OFF OF STUDENT LOANS

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 identification of borrowers that are deceased. For disability, medical certification is required.

The specific loans are then written off on approval by the Board.

2. PRIOR YEAR ADJUSTMENTS

2.1 CORRECTION OF ERRORS:

(1) Correction of error on student loans
(2) Correction of difference between the Loan Management System and the Debtors control account in the general ledger
(3) Interest portion of deceased debtors who are repayers included in irrecoverable debts
(4) Deferred income error in calculation
(5) Credit balances for refunds due to students

2.2 CORRECTION OF ERROR ON STUDENT LOANS

Student loans: Fair value on initial recognition

In prior years student loans were initially measured at nominal value, i.e. at the value of the consideration paid, and not at their fair value at initial recognition as required by IAS 39: Financial Instruments: Recognition and measurement and GRAP 104.

To comply with the requirements of IAS 39: Financial Instruments: Recognition and measurement and GRAP 104, student loans are now initially recognised at fair value at inception and thereafter at amortised cost.

Impairment of student loans and provision for doubtful debts

In prior years an actuarial model was utilised to calculate a provision for doubtful debts. The reporting of student loans in 2010 was based on certain management assumptions in respect of the collectability, and therefore the impairment, of the loan book. The assumptions by management were not substantiated with reliable supporting documentation.

Based on the actuarial calculation of fair value on initial recognition (the Standard), utilising historical actual data spanning a 20 year period and recognised actuarial standards, a verifiable impairment of the loan book at each reporting date was calculated since inception up until 2011.

The actuaries consider the historic data to be sufficient and suitable for use in setting assumptions as to the future behaviour of the student loan portfolio, since the data spans a sufficiently long period to cover more than one economic cycle. Banking valuation models usually require at least one full economic cycle of data for forecasting or a minimum of seven years. The entity's data has been captured since 1991 and covers a 20 year period.

The assumptions are reassessed on an annual basis to determine their continued appropriateness as new data is collected. The model is updated as required, to reflect the most recent payment experience of the entity and the current status of the loans in force at the Statement of Financial Performance date.

Interest on Student loans

In prior years interest on the student loans was recognised as income only when the debtors started repayment of the loans. Subsequent to initial recognition, student loans are measured at amortised cost using the effective interest method. To comply with the requirements of IAS 39: Financial Instruments: Recognition and measurement and GRAP 104 interest on student loans will now be recognised from the date of initial recognition of the loan using the effective interest rate method.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2011	2010 Restated

2. PRIOR YEAR ADJUSTMENTS (continued)

The prior period errors have been corrected retrospectively and comparative figures have been restated. Presented below are only those Statement of Financial Performance and Position items that have been affected by the prior year adjustments:

(in Rand thousands)	As previously reported	Correction of errors	Reclassification	Restated
2009**				
Statement of Financial Position				
Impact on Capital fund (1)	(6,691,929)	1,511,719	-	(5,180,210)
Student loans (1)	5,673,564	(1,433,894)	-	4,239,670*
Provision for credit balances on student loans (5)	-	(77,825)	-	(77,825)
2010				
Statement of Financial Performance				
Grants received for student awards (4)	2,561,963	(5,900)	(50,110)	2,505,953
Interest on funds invested (4)	69,935	-	50,110	120,045
Interest received from student loans (2) & (1)	228,941	234,736	-	463,677
Irrecoverable debts (3)	(4,078)	(1,813)	-	(5,891)
(Impairment loss)/reversal of impairment (1)	(2,685,550)	2,683,198	-	(2,352)
Provision for doubtful debts (1)	1,599,154	(1,599,154)	-	-
Day one loss on student loans issued (1)	-	621,812	-	621,812
Model adjustments for repo rate changes (1)	-	425,605	-	425,605
Surplus for the year	1,770,365	2,358,484	-	4,128,849
Statement of Financial Position				
Student loans (2) & (1)	5,720,761	(1,164,343)	-	4,556,418
Deferred Income (4)	151,125	5,900	-	157,025

* *The student loans restated balance as at 31 March 2009 and 31 March 2010 are net of Unallocated receipts and debit order clearing accounts.*

** *The adjustment of R1 433 894 includes the cumulative effect, not previously taken into account, of the adjustments from the nominal value to the carrying value from 1991 - 2009 due to the fair value and amortised cost calculation. This comprises interest, day one profit/loss on loans issued, model and experience adjustments and impairment loss/reversals. The detailed breakdown of these adjustments for 2010 and 2011 are shown in Note 8 Student loans.*
The prior year adjustments had no effect on the cashflow.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2011	2010 Restated

3. PROPERTY, PLANT AND EQUIPMENT

	2011 Cost	2011 Accumulated depreciation	2011 Carrying value	2010 Cost	2010 Accumulated depreciation	2010 Carrying value
Land and Buildings*	4,817	(577)	4,240	4,783	(497)	4,286
Furniture and fixtures	3,225	(1,767)	1,458	2,348	(1,714)	634
Motor vehicles	119	(119)	-	119	(104)	15
IT equipment	5,663	(2,727)	2,936	4,994	(4,295)	699
Total	**13,824**	**(5,190)**	**8,634**	**12,244**	**(6,610)**	**5,634**

Reconciliation of property, plant and equipment 2011

	Opening balance	Additions	Disposals	Depreciation	Total
Land and Buildings*	4,286	34	-	(80)	4,240
Furniture and fixtures	634	1,119	(1)	(294)	1,458
Motor vehicles	15	-	-	(15)	-
IT equipment	699	2,651	-	(414)	2,936
	5,634	**3,804**	**(1)**	**(803)**	**8,634**

Reconciliation of property, plant and equipment 2010

	Opening balance	Additions	Disposals	Depreciation	Total
Land and Buildings*	4,366	-	-	(80)	4,286
Furniture and fixtures	1,022	281	(2)	(667)	634
Motor vehicles	39	-	-	(24)	15
IT equipment	1,690	505	(54)	(1,442)	699
	7,117	**786**	**(56)**	**(2,213)**	**5,634**

* *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.

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

	2011	2010
Furniture and equipment	949	1,199
IT hardware	1,749	3,732
IT software	264	2,209
	2,962	**7,140**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2011	2010 Restated

4. INTANGIBLE ASSETS

	2011 Cost	2011 Accumulated amortisation	2011 Carrying value	2010 Cost	2010 Accumulated amortisation	2010 Carrying value
Computer software, proprietary loan management system (LMS)	3,193	(2,212)	981	1,632	(1,197)	435
Computer software, other	-	-	-	2,667	(1,948)	719
LMS System Enhancement WIP*	3,225	-	3,225	-	-	-
Total	**6,418**	**(2,212)**	**4,206**	**4,299**	**(3,145)**	**1,154**

Reconciliation of intangible assets – 2011

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software, proprietary loan management system (LMS)	435	298	719	(471)	981
Computer software, other	719	-	(719)	-	-
LMS System Enhancement WIP	-	3,225	-	-	3,225
	1,154	**3,523**	**-**	**(471)**	**4,206**

Reconciliation of intangible assets – 2010

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, internally generated (LMS)	544	-	-	(109)	435
Computer software, other	972	614	(1)	(866)	719
	1,516	**614**	**(1)**	**(975)**	**1,154**

* *Expenditure of R3,225,000 has been incurred on a number of projects designed to enhance the proprietary loan management system (LMS).*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2011	2010 Restated

5. INVESTMENTS

	2011	2010 Restated
Available-for-sale		
Commercial paper	37,521	49,288
Fixed deposits	53,239	22,254
Floating rate notes	105,610	175,108
Bonds	29,958	24,956
Non-coupon Negotiable Certificates of Deposit (NCD's)	340,675	204,772
Treasury bills	1,384	76,259
	578,387	**552,637**
Non-current assets		
Available-for-sale	37,269	11,356
Current assets		
Available-for-sale	541,118	541,281
Non-current assets	37,269	11,356
Current assets	541,118	541,281
	578,387	**552,637**

See note 36 for the detail of the utilisation of financial assets.

6. TRADE AND OTHER RECEIVABLES NON-EXCHANGE

	2011	2010 Restated
Trade debtors	-	1,389
Transfers to institutions	243	61
Clearing accounts	3	69
Prepayments	395	(28)
Operating Lease asset	23	-
Amount owing by National Skills Fund	10,138	5
	10,802	**1,496**

7. PREPAYMENTS TO INSTITUTIONS NON-EXCHANGE

	2011	2010 Restated
Prepayments to institutions for initial student registration fees.	298,302	333,481

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2011	2010 Restated

8. STUDENT LOANS EXCHANGE

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 write 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 Loan Carrying Value

Student loans are initially recognised at fair value, and subsequently measured at amortised cost using the effective interest rate method less any impairment loss.

The relationship between the Nominal Value and the Carrying Value is as follows:

	2011	2010 Restated
Nominal Value	12,300,874	10,531,363
Adjustments due to to initial recognition and impairment	(7,266,006)	(5,973,757)
Carrying Value	**5,034,868**	**4,557,606**

The relationship between Nominal Value and the Carrying Value for 2009 was as follows:

Nominal Value	8,899,039
Adjustments due to to initial recognition and impairment	(4,656,444)
Carrying Value	**4,242,595**

The movement in the Carrying Value during the current year is as follows:

	2011	2010
Opening balance	4,557,606	4,242,595
Net new loans	1,735,584	1,457,500
Day one loss on student loans issued	(917,500)	(644,410)
Interest	484,517	463,677
Payments (excluding credit balances from Institutions)	(542,097)	(533,800)
Model adjustments for repo rate changes*	(189,542)	(425,605)
Impairment loss	(93,700)	(2,351)
	5,034,868	**4,557,606**
Unallocated debtor receipts	(221)	(1,189)
Closing balance	**5,034,647**	**4,556,417**

** See Note 30.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2011	2010 Restated

The balance on student loans includes a current portion of R420,703,991 (2010: R454,089,240), the balance of which is non-current. The non-current portion is stated after taking into account the unallocated receipts and debit order clearing account, totalling R221,256 (2010: R1,188,653). The current portion of the asset is measured as the expected cash flows for the next twelve months based on the amortised cost calculation.

The Day one loss on student loans issued in the table above differs to the Day one loss on student loans in the Statement of Financial Performance by R17,817,780 (2010: R22,597,785). This difference is due to the above table only including Day one loss on student loans issued in that year for the reconciliation, whereas the Statement of Financial Performance figure includes an adjustment in the amount due to student loans issued in prior years.

9. AMOUNTS OWING BY INSTITUTIONS NON-EXCHANGE

Credit balances on student fee accounts due by institutions.

Amounts owing by institutions	70,363	90,812

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Bank and cash balances	176,012	293,124
Fixed deposits (maturing within 3 months of reporting date)	36,755	12,095
	212,767	**305,219**

11. PROVISIONS

Provision for credit balances to be refunded	77,825	77,825

During the 2010 Ministerial Review it was discovered that the NSFAS Loan Management System has not applied the legal principle of in duplum to accrued 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 system has since inception been applying repayments incorrectly against student debt, by applying the student repayments against the outstanding capital balance first, rather than accrued interest. This implies that students have been advantaged. The net effect of these corrections have been incorporated into the 2009 retained earnings and an amount of R78 million provided for. The Board has resolved that where students have been advantaged, NSFAS will not attempt to recover the additional interest from students. However, where students have been charged interest in excess of in duplum, every attempt should be made to trace the respective account holders and the credit balances refunded. The cash for such refunds will be provided for from 2011/12 recoveries.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2011	2010 Restated

12. AMOUNTS DUE TO INSTITUTIONS

Payments due to institutions for student loans and bursaries disbursed.

Amounts due to institutions	17,239	136

13. 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 invested in a ring-fenced investment until utilised.

Grants received in advance	16,990	2,160
Deferred income	148,313	154,865
	165,303	**157,025**

14. TRADE AND OTHER PAYABLES

TRADE AND OTHER PAYABLES EXCHANGE		
Trade payables	6,206	4,318
Student credit balances received from institutions	4,419	1,371
Other clearing accounts	321	306
Accruals*	4,923	1,412
Accrued leave pay due to employees	807	556
Accrued bonuses due to employees	303	342
Finance lease obligation**	26	43
	17,005	**8,348**

* Accruals include the following items:

Business Development Costs	:	1,364
Internal audit fee	:	1,149
External audit fee	:	1,038

*** The finance lease relates to the leasing of business hubs with an average lease term of 3 years. Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2011	2010 Restated
Minimum lease payments due		
- within one year	20	20
- in second to fifth year inclusive	8	29
	28	49
less: future finance charges	(2)	(6)
Present value of minimum lease payments	**26**	**43**

OTHER PAYABLES NON-EXCHANGE

Transfer to Fundisa Fund	20,000	-

The Fundisa Fund is a dedicated educational savings scheme with a unique bonus feature of an additional 25% of an investor's savings added annually, to a maximum of R600 per annum. The bonus was made possible through a joint venture between government and various unit trust companies and is intended to help South Africans afford a high quality, accredited qualification for their children or a learner of their choice at either a public college or university. The entity is committed to contributing R20 million from NSFAS recoveries and interest to the bonus pool of funds.

15. ADMINISTRATION GRANTS

Administration Grant - Nedbank	216	271
Administration Grant - Department of Higher Education and Training	29,608	25,716
	29,824	**25,987**

16. GRANTS RECEIVED FOR STUDENT AWARDS

Department of Higher Education and Training*	2,365,603	2,118,952
Other South African government departments	254,031	292,439
HIgher education institutions	197,275	118,372
Private sector	10,581	13,256
Non-governmental organisations	179	132
Deferred income/(expense)	6,552	(37,198)
	2,834,221	**2,505,953**

** Includes grants to provide for teacher training at universities and vocational training at further education and training colleges.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2011	2010 Restated

17. PERSONNEL COSTS

Salaries and other employee benefits	20,541	15,977
Defined contribution plan	3,296	2,757
	23,837	**18,734**

Refer to Note 35.

18. FINANCE COSTS

Finance leases	3	2

19. AUDIT FEES

External audit fees	1,958	723
Internal audit fees	4,438	2,722
	6,396	**3,445**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2011	2010 Restated

20. CASH UTILISED IN OPERATIONS

Surplus	316,966	419,645
Adjustments for:		
Depreciation and amortisation	1,274	3,191
Loss on sale on property, plant and equipment	1	33
Profit on funds invested	(62)	(82)
(Impairment loss) / reversal of impairment	93,700	2,351
Interest income	(567,738)	(583,722)
Finance costs	3	2
Transfer to Irish Aid	-	(549)
Transfer to Fundisa	20,000	-
Day one loss on student loans	917,500	644,410
Model adjustments for repo rate changes	189,542	425,605
Changes in working capital:		
Trade and other receivables non-exchange	(9,306)	(1,075)
Prepayments to institutions non-exchange	35,179	(181,260)
Student loans exchange	(1,735,584)	(1,457,500)
Student loans receipts	542,097	533,800
Amounts owing by institutions non-exchange	20,449	(9,513)
Trade and other payables exchange	8,657	4,084
Unallocated debtor receipts written back	(968)	(1,736)
Amounts due to institutions non-exchange	17,103	(20,890)
Deferred income recognised	8,278	34,358
	(142,909)	**(188,848)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2011	2010 Restated

21. OPERATING LEASE ASSET

Operating lease payments represent rental payable for the leasing of office space in Wynberg Mews. Two rental agreements were entered into in the current year:

- Wynberg Mews first floor from 1 April 2010 for a period of three years ending 31 March 2013 with an annual escalation rate of 10% per annum.
- Additional office space in Wynberg Mews first floor from 1 October 2010 for a period of two and a half years ending 31 March 2013 with an annual escalation rate of 9% per annum.

Refer to Note 26.

22. UNALLOCATED DEBTORS RECEIPTS

Amounts received by the entity without a valid reference to loan accounts are recorded in the financial statements against student loans. Every attempt is made with the relevant bank to establish the identity of the depositor. When these unidentified amounts have been outstanding for more than five years, they are written off to income. In the event that debtors subsequently claim and prove an amount which had previously been deposited by them, the amount will at that stage be set off against the student's loan account as a payment and reflected as an expense in the financial statements. This policy was recently approved by the NSFAS Board, hence there is no prior year comparative.

23. INTEREST INCOME

Interest on student loans*	484,517	463,677
Interest on funds invested	83,221	120,045
	484,517	463,677
	83,221	120,045
Total	**567,738**	**583,722**

Asset management fees for the period ended 31 March 2011 of R1,510,000 (2010: R958,000 implemented part of the way through the year) were incurred on the funds invested.

** Refer to Note 8.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2011	2010 Restated

24. CONSULTING AND PROFESSIONAL FEES

Information technology	335	294
Staff development	13	204
Design	196	177
Research	151	58
Management	1,039	284
NGO - Consultancy Fees	37	-
Business Development Services: SLC	2,843	340
Compliance	226	224
Legal expenses	425	880
	5,265	**2,461**

The relatively extensive utilisation of consultants was necessitated due to the fact that the staff complement and capacity at NSFAS was not at full strength during the year.

25. 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. This exemption is applicable from the date that the entity was established.

26. COMMITMENTS

Authorised capital expenditure

The entity had capital commitments for computer hardware for R45,596 at 31 March 2011.

Current operating lease commitment – as lessee

Minimum lease payments due		
within one year	947	-
in second to fifth year inclusive	947	-
	1,894	**-**

Refer to Note 21

The entity entered into a property lease effective from 1 April 2011 - 31 January 2012 amounting to total rental payable of R117,468.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2011	2010 Restated

27. CONTINGENCIES

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 R850,000 (2010: R460,000). A settlement facility of R1,000,000 (2010: R600,000) is required for payroll. An encashment facility of R2,000 is in place to facilitate Petty Cash.

NSFAS has a short-term contingent facility (bank guarantee) of R500,000 (2010: R500,000) in favour of the South African Post Office that facilitates the timely mailing of quarterly statements to all debtors.

In terms of Section 53(3)(1) of the PFMA, the entity has applied to National Treasury for approval to retain its surplus. For the year under review, the uncommitted cash surplus amounts to R98.5 million which the entity may need to transfer to the National Revenue Fund if the approval to retain the uncommitted cash surplus is not granted by National Treasury. In terms of the NSFAS mandate, cash surpluses may only be utilised when approved by the Minister of Higher Education and Training, and is not available to NSFAS to use at its discretion.

Subsequent to this reporting date, the Chief Executive Officer was dismissed. There is a contingent liability arising from the fact that the now ex Chief Executive Officer has instituted legal proceedings against the entity.

28. RELATED PARTIES

Relationships	
Board Members	Refer to the Report of the Board members
Executive Authority	Department of Higher Education and Training
Other Government Departments	Department of Agriculture, Forestry and Fisheries
	Department of Labour
	Department of Social Development
	Department of Basic Education
Public Entities	State Information Technology Agency
Members of key management	Ashley Seymour (CEO – 1 February 2010 - 7 April 2011)
	Faizel Alli (CFO – 10 January - 1 April 2011)
	Ugandra Naidoo (Special Projects Executive – 1 December 2010 - 4 May 2011)

The following are defined as related parties of the entity:

1. Departments of the South African government
2. Key management personnel: individuals responsible for planning, directing and controlling the activities of the entity, including directors.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2011	2010 Restated
Related party transactions		
Purchases from (sales to) related parties		
State IT Agency (SITA) Data centre services	-	153
Administration grant		
Department of Higher Education and Training	29,608	25,716
Grants received for student awards		
Department of Agriculture, Forestry and Fisheries	8,500	13,300
Department of Higher Education and Training - Universities	1,623,600	1,418,952
Department of Higher Education and Training - FET Colleges	318,000	300,000
Department of Basic Education - Funza Lushaka Teacher Bursaries	424,000	400,000
Department of Labour	1,960	52,437
Department of Social Development	226,000	210,000
Compensation to Board members and key management		
Per diem allowances and travel costs of Board members	683	533
Short-term employee benefits to key management	5,125	4,010
Post-employment benefits to key management	605	516
	6,413	**5,059**

29. EMOLUMENTS

Executive

2011	Basic salary	Bonuses	Allowances	Employer contributions	Total
Chief Executive Officer*	956	-	14	244	1,214
Chief Financial Officer**	443	48	39	88	618
Chief Financial Officer***	201	-	2	48	251
Special Project Executive****	324	-	3	27	354
Chief Operations Officer*****	391	32	30	73	526
	2,315	**80**	**88**	**480**	**2,963**

2010	Basic salary	Bonuses	Allowances	Employer contributions	Total
Chief Executive Officer	159	-	2	39	200
Chief Executive Officer (Acting)	258	-	-	1	259
Chief Executive Officer (outgoing)	339	-	3	69	411
Chief Financial Officer	559	46	8	104	717
Chief Operations Officer	555	45	9	109	718
	1,870	**91**	**23**	**322**	**2,306**

* *Dismissed 8 April 2011*
** *Stepped down 9 January 2011*
*** *Appointed 10 January 2011; resigned 1 April 2011*
**** *Appointed 1 December 2010; resigned 4 May 2011*
***** *Resigned 8 August 2010*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand — 2011 — 2010 Restated

Board members

2011	Emoluments	Pension paid or receivable	Compensation for loss of office	Gain on exercise of options	Total
Per diem allowance	47	-	-	-	47
Travel costs	636	-	-	-	636
	683	**-**	**-**	**-**	**683**

2010	Emoluments	Pension paid or receivable	Compensation for loss of office	Gain on exercise of options	Total
Per diem allowance	53	-	-	-	53
Travel costs	480	-	-	-	480
	533	**-**	**-**	**-**	**533**

30. MODEL ADJUSTMENT FOR REPO RATE CHANGES

Student loans

In estimating the fair value of the loans at initial recognition, assumptions described in note 1.2 were utilised. There has been an incremental increase in the payment history and performance of the student loan book. For the current year and for restatement purposes a consistent assumption set for three years was utilised with only the change in market variables, e.g. the Repo Rate included. As a result of these changes in assumptions a difference in value of the student loan portfolio of R189,542,000 is recorded.

Year of issue of student loan

	2011	2010 Restated
1991 - 2001	(6,078)	(22,983)
2002 - 2007	(70,474)	(215,218)
2008	(27,367)	(77,672)
2009	(38,404)	(109,732)
2010	(47,219)	-
	(189,542)	**(425,605)**

31. COMPARATIVE FIGURES

Where necessary, comparative figures have been adjusted to conform with changes in presentation and classification in the current year. Refer to Note 2 for detail.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2011	2010 Restated

32. RISK MANAGEMENT

Overview

Capital 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 remained unchanged from 2010. 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 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 Risk Management 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, through its training and management standards and procedures, aim 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.

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 low due to the entity's conservative funding structure and its high cash generation. Management monitors rolling forecasts of the entity's cash and cash equivalents on the basis of the expected cash flow.

Financial instruments carrying value approximates fair value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2011	2010 Restated

32. RISK MANAGEMENT (continued)

Maturity analysis of financial instruments

At 31 March 2011	Less than 1 month	1-3 months	3 months to 1 year	Total
Financial liabilities				
Accounts payable and provisions	37,005	-	77,825	114,830
Amounts due to institutions	17,239	-	-	17,239

At 31 March 2010	Less than 1 month	1-3 months	3 months to 1 year	Total
Financial liabilities				
Accounts payable and Provisions	8,348	-	77,825	86,173
Amounts due to institutions	136	-	-	136

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities,
Level 2: inputs other than quoted prices included within Level 1 that are observable for asset or liability,
Level 3: inputs for asset or liability that are not based on observable market data (unobservable inputs).

2011	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	149,081	466,061	-	615,142

2010	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	174,604	457,046	-	631,650

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2011	2010 Restated

Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The entity is exposed to one primary type of market risk, namely interest rate risk.

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 Repo rate, as determined by the South African Reserve Bank from time to time.

Interest rate risk profile

At the reporting date the interest rate profile of the entity's interest-bearing financial instruments was:

Variable rate instruments

Student loans	5,034,647	4,556,417
Other variable rate instruments	791,154	857,856
	5,825,801	**5,414,273**

Valuation sensitivity analysis for variable rate interest instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) surplus or deficit by R7,900,000. 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.

Student loans

100 basis points increase	189,542	3.8%
100 basis points decrease	(195,844)	(3.9)%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2011	2010 Restated

Credit risk

Credit risk is the risk of financial loss to the entity if 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 statutory determined threshold level. Available-for-sale financial assets, loans and receivables and cash and cash equivalents are exposed to credit risk.

The maximum credit risk exposure is: R5,907 billion (2010: R5,506 billion), 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.

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 notification of the death or permanent disability of the borrower. During the year under review the entity identified borrowers who had passed away and as a result an amount of R5,583,000 of the student loans was written off.

A list of identity numbers is sent to the Department of Home Affairs on an annual basis for identification of borrowers that are deceased. For disability, medical certification is required. The specific loans are then written off on approval by the Board.

Loans and receivables and cash and cash equivalents

The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter party. Consequently, the entity does not consider there to be any significant exposure to credit risk.

Impairment losses

The impairment loss recognised on student loans during the year resulted from changes in the mortality rates, payments profile and actual transition from the student state.

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's student base is also considered as this has an influence on credit risk. 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

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.

Loan number	Number of loans	Transaction value	Percentage of total value
1	486,880	3,706,252	38%
2	324,213	2,810,651	29%
3	209,377	1,886,078	20%
4	98,507	896,107	9%
5+	41,471	387,258	4%
	1,160,448	**9,686,346**	**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 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
Student	397,837	-	397,837
Graduate	420,221	111,840	308,381
Drop-out	342,390	74,514	267,876
	1,160,448	**186,354**	**974,094**

Price risk

The entity's other financial assets are money market instruments and low risk investments. Therefore, fair value or future cash flows as a result of market prices changes is immaterial.
The Fair Value Reserve would increase/decrease as a result of gains or losses on securities classified a available-for-sale.
All financial instruments are classified as amortised cost except for investments that are classified as available-for-sale.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2011	2010 Restated

33. IRREGULAR EXPENDITURE

	2011	2010 Restated
Opening balance	25,348	1,186
Add: Irregular Expenditure for current year per supplier:	-	-
1) South African Broadcasting Corporation	6,083	-
2) Spearhead Property Holdings (Pty) Ltd	1,296	-
3) Systems Link Cape (Pty) Ltd	2,726	-
4) Business Connexion (Pty) Ltd	2,101	-
5) Lithotech Afric Mail Cape (Pty) Ltd	1,664	-
6) Metrofile (Pty) Ltd	982	-
7) Rennies Tavel (Pty) Ltd	1,791	-
8) South African Post Office Bulk Mail Western Cape	3,163	-
9) Other irregular expenditure	7,019	24,162
Less: Amounts condoned*	(1,186)	-
	50,987	**25,348**

Analysis of expenditure awaiting condonation per age classification

	2011	2010 Restated
Current year	50,987	-
Prior years	-	25,348
	50,987	**25,348**

Prior Year Irregular Expenditure:

* In the prior year, through an audit review of procurement, it was found that there was a regulatory breach in terms of the process to appoint a consultant. The NSFAS Board reported the irregular expenditure and related internal disciplinary action taken to the Executive Authority during the year under review. The irregular expenditure was condoned by the Board on 28 July 2010.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand | 2011 | 2010 Restated

Current Year Irregular Expenditure:

1) Goods/Services Procured : National Radio Campaign via Vernacular Radio Stations.

Reason why irregular : The procurement from the SABC was done in terms of a sole source selection process and did not follow a competitive bid process.

The procurement committee did not approve the procurement as required for purchases in excess of R500 000 per the delegations of authority in place at the time.

2) Goods/Services Procured : Lease Agreement for additional office space.

Reason why irregular : No competitive bid processes were followed by the entity for the lease of House Vincent.

3) Goods/Services Procured : Information Technology support services – "AccPac ERP and CRM Business Partner".

Reason why irregular: SLC was appointed as an AccPac ERP and CRM Business Partner to the entity in 2008, following a closed tender process.

Currently SLC is involved with a number of projects at the entity.

Though most of the requests to SLC stem from the NSFAS IT Steering Committee, due to the vagueness of the Service Level Agreement with SLC, there are concerns that:

- Expenditure incurred is not catered for in terms of the Service Level Agreement; and
- Due supply chain management and/or delegations of authority processes had not been complied with for expenditure not catered for in terms of the Service Level Agreement for which the service provider was appointed.

4) Goods/Services Procured : Storage Area Network.

Reason why irregular : The procurement process followed for the purchase of the Storage Area Network system was a closed tender where two solution providers were approached to supply the system as opposed to an open competitive bid process being followed.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand | 2011 | 2010 Restated

5) Goods/Services Procured : Lithotech is used to provide a mailing service for the distribution of quarterly and monthly statements to entity's debtors.

Reason why irregular : While Lithotech is a long standing supplier, the expenditure has been classed as irregular as no competitive tender process was followed nor has an adequate and effective process been in place to class the service provider as a preferred supplier as part of maintaining a current preferred supplier database within the entity.

6) Goods/Services Procured : Metrofile is used to provide general organisational archiving services and scan and store services for loan agreement forms and schedules of particulars.

Reason why irregular : While Metrofile is a long standing supplier, the expenditure has been classed as irregular as no competitive tender process was followed nor has an adequate and effective process been in place to class the service provider as a preferred supplier as part of maintaining a current preferred supplier database within the entity.

7) Goods/Services Procured : Rennies is used as an agency to provide travel and accommodation services.

Reason why irregular : While Rennies is a long standing supplier, the expenditure has been classed as irregular as no competitive tender process was followed nor has an adequate and effective process been in place to class the service provider as a preferred supplier as part of maintaining a current preferred supplier database within the entity.

8) Goods/Services Procured : The South African Post Office is used for the distribution of quarterly and monthly statements to NSFAS debtors.

Reason why irregular : While the South African Post Office is a long standing supplier, the expenditure has been classed as irregular as no competitive tender process was followed nor has an adequate and effective process been in place to class the service provider as a preferred supplier as part of maintaining a current preferred supplier database within the entity.

Board actions: Disciplinary enquiry will be instituted
Managers have been requested to motivate condonation

9) Other Irregular expenditure identified: Insufficient quotations obtained by the Chief User for amounts procured between R2,000 - R30,000, amounting to R5,626,018.

Insufficient quotations obtained by the Chief User for amounts procured between R30,000 - R500,000; non-compliance with Preferential Procurement Policy Act and no valid tax clearance certificate presented by suppliers, amounting to R1,392,592 (2010: R24,162,384).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2011	2010 Restated

34. RECONCILIATION BETWEEN BUDGET AND STATEMENT OF FINANCIAL PERFORMANCE

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

	2011	2010
Net (deficit)/surplus per the statement of financial performance	316,966	419,645
Adjusted for:		
Revenue items in statement of financial performance not budgeted for:		
Interest received	(567,738)	(583,722)
Unallocated debtor receipts	(930)	-
Revenue items budgeted for but not reflected in statement of financial performance:		
NSFAS re-injection of recoveries and interest	704,370	613,874
Revenue items under/(over) budget:	-	-
Total transfers and funding	196,899	(80,502)
Expenditure items in statement of financial performance not budgeted for:		
Irrecoverable debts	5,583	5,891
Depreciation	1,274	3,188
(Increase)/decrease in provision for doubtful debts	-	-
Transfer to Fundisa	20,000	-
(Impairment loss)/ Reversal of impairments	93,700	2,352
Administration and management fees on investment	1,510	958
Other Adjustments:		
Day one loss on loans issued	899,683	621,812
Model adjustments due to repo rate changes	189,542	425,605
(Loss)/profit on sale of assets	1	36
Profit on funds invested	(62)	(82)
Finance costs	3	2
Expenditure items budgeted for but not reflected in statement of financial performance:		
Student loans repayable portion	(1,957,180)	(1,552,114)
Capital expenditure	(548)	(1,560)
Prior year unspent (as of 1 April 2009/2010)	115,916	142,018
Expenditure items (under)/over budget	-	-
Budget vs Actual expenditure	(18,989)	(17,401)
Net surplus per approved budget	**-**	**-**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2011	2010 Restated

35. EMPLOYEE BENEFITS

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

During the year the entity contributed R2,197,458 (2010: R1,838,003) to the plan. In addition, employees contributed R1,098,549 (2010: R919,001). Both employer and employee contributions are included in the salaries expenditure in the administration expenses reflected in the Statement of Financial Performance. Refer to Note 17.

36. UTILISATION OF INVESTMENTS AND CASH AND CASH EQUIVALENTS

Investments and cash and cash equivalents totalling R786.6 million (2010: R854 million) include R613.7 million (2010: R694 million) recovered money that NSFAS holds for re-injection into student loans and bursaries. The balance is held on behalf of third parties for allocation by the entity on the instruction of the third party.

The entity expects to provide loans and bursaries to students amounting to approximately R5.5 billion* for the 2011 academic year. This will be funded from expected new grants and the recovered money reflected above. The projected cash flow for these expected funds and NSFAS recovered money is as follows:

Quarter Ending	Expected new grants	NSFAS re-injection	Cumulative
June 2011	1,477,000	0	1,477,000
September 2011	1,994,000	247,599	2,241,599
December 2011	1,116,000	217,599	1,333,599
March 2012	159,000	30,000	189,000
	4,746,000	**495,198**	**5,241,198***

**Prepayments to the value of R298 million, utilising recovered funds, have been made to institutions as at 31 March 2011*

37. 2010 WORLD CUP EXPENDITURE

	2011	2010
Tickets acquired	-	-
Travel costs	-	-
Purchase of other World Cup apparel	-	-
- T-shirts for staff (105 items)	11	-
- Promotional items	8	-
- Meals and refreshments	4	-
	23	**-**

During the year under review the entity incurred expenditure with respect to the Soccer World Cup.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2011	2010 Restated

38. ANALYSIS OF SURPLUS

Operational		
Administration grants	29,824	25,987
Interest received	567,738	583,722
Unallocated debtors receipts	930	-
Less: Administration and investment costs	(61,340)	(52,283)
Other income (expenses)	61	46
Surplus available for reinvestment in student awards	**537,213**	**557,472**
Capital		
Grants received for student awards	2,834,221	2,505,953
Irrecoverable debts recovered	-	-
Less		
Bursaries	(1,845,957)	(1,588,118)
Irrecoverable debts	(5,583)	(5,891)
Finance costs	(3)	(2)
Impairment loss	(93,700)	(2,352)
Day one loss on student loans issued	(899,683)	(621,812)
Model adjustments for repo rate changes	(189,542)	(425,605)
Transfer to Fundisa Fund	(20,000)	-
	(220,247)	**(137,827)**
Total surplus reported	**316,966**	**419,645**

NATIONAL STUDENT FINANCIAL AID SCHEME

Established by NSFAS Act (Act 56 of 1999)

ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2011

SUPPLEMENTARY INFORMATION

The following supplementary information does not form part of the annual financial statements and is unaudited:

SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

The supplementary information presented does not form part of the annual financial statements and is unaudited.

1. GRANTS RECEIVED FOR STUDENT AWARDS (EXPRESSED IN R'000)

Figures in Rand thousand	2011	2010 Restated
Grants received for student awards		
Communicare	179	132
Department of Agriculture, Forestry and Fisheries	8,500	13,300
Department of Higher Education and Training	1,623,600	1,418,952
Department of Higher Education and Training - FET Colleges*	318,000	300,000
Department of Basic Education - Funza Lushaka Teacher Bursaries**	424,000	400,000
Department of Labour	-	52,437
Department of Social Development	226,000	210,000
Eastern Cape Provincial Government	19,531	16,702
Nedbank	10,581	13,256
Eastern Cape Provincial Government - Ntabankulu	-	-
	2,630,391	**2,424,779**

** Bursaries for vocational training at Further Education and Training Colleges.*
*** Bursaries for teacher training at Universities.*

Figures in Rand thousand	2011	2010 Restated
Capital grants from educational institutions		
University of Cape Town	27,340	16,478
Central University of Technology	-	2,028
Durban University of Technology	4,584	-
University of the Free State	1,696	1,331
University of Johannesburg	33,779	16,218
University of KwaZulu Natal	12,579	27,026
Nelson Mandela Metropolitan University	10,354	1,060
North West University	3,241	288
University of Pretoria	7,536	5,667
Rhodes University	25,497	19,956
University of South Africa	54,670	17,896
Tshwane University of Technology	-	5,210
Vaal University of Technology	2,998	4,999
University of Zululand	13,000	216
	197,274	**118,373**
Total grants	**2,827,665**	**2,543,152**

SUPPLEMENTARY INFORMATION

2. OPERATIONAL EXPENSES (EXPRESSED IN R'000)

Figures in Rand thousand	2011	2010 Restated
Accommodation	235	164
Advertising	165	48
Assessment rates & municipal charges	150	113
Audit fees - external	1,958	723
Bank charges	739	669
Cleaning	138	123
Computer expenses	466	651
Legal expenses	425	880
Consulting fees	1,771	1,017
Business development services	2,843	340
Compliance - National Credit Regulator	226	224
Courier services	87	384
Donations	32	34
Insurance	197	188
Broader communications strategy	6,333	7,473
Collection costs	27	61
Computer services	224	-
Lease rentals on operating lease	930	118
Storage and scanning (outsourced)	952	192
Motor vehicle expenses	10	6
Placement fees	1,656	751
Postage	2,787	4,575
Printing and stationery	1,686	2,513
Promotions	362	600
Security services	379	390
Staff welfare	22	-
Subscriptions and membership fees	69	41
Telephone and fax	1,019	879
Training	245	425
Travel and subsistence	1,543	994
Electricity	266	138
Water	51	35
Repairs and maintenance	689	136
Workshops	314	1,029
Audit fees - internal	4,438	2,723
Ministerial review	15	440
Salaries - secondments	622	-
Renovation costs	459	-
SITA - data centre hosting service	-	153
Office expenses	189	173
	34,719	**29,403**

I am asking for financial aid help, i'm from a disadvantaged family but i had passed my matric so well, i know that you can be able to help me fulfil my dream... to become a professional Social Worker and study at the University of Free State, thank you.

I got 4 As,2 Bs and 1 C and would like to apply for a bursary. My mother is unemployed and my father died in the year of 2000. I would really love to continue with my studies this year. It would be a delight if i can get...any kind of financial aid.

civil engineering, i'd really appreciate it if i could also benefit from the NSFAS bursaries because i believe that i can make it happen only if i could get this golden opportunity from NSFAS... to get me there since my grandmother is a pensioner! Thanks

Hello. i've been doing grade 12 last year. i passed with a bachelor. my dream of becoming an agronomist seems to fail because i hv no one to pay study expenses for me. my mother earns a pension only and we all depend on it as a family. please help me get this bursary so that i can be able to further my studies and help my family live a better life.

NSFAS has an SMS hotline for students, learners and others to contact us with their queries.
For the financial year dated 1 April 2010 to 31 March 2011, NSFAS received 55 700 SMS queries.
Many of these queries are about student financial aid application processes
and the NSFAS eligibility criteria.

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