



# NSFAS

National Student Financial Aid Scheme



**ANNUAL**  
**REPORT**  
for the  
Fiscal Year **2022/23**

## Table of Contents

### PART A

|                                                                                       |       |
|---------------------------------------------------------------------------------------|-------|
| 1. General Information                                                                | 4     |
| 1.1 General information                                                               | 5     |
| 1.2 List of abbreviations                                                             | 6     |
| 1.3 Foreword by the Executive Authority                                               | 7     |
| 1.4 Foreword by the Accounting Authority                                              | 9     |
| 1.5 Statement of responsibility and confirmation of the accuracy of the annual report | 10    |
| 1.6 Strategic overview                                                                | 11    |
| 1.7 Legislative and other mandates                                                    | 11    |
| 1.7.1 Constitutional mandate                                                          | 12    |
| 1.7.2 Legislative mandate                                                             | 12    |
| 1.7.3 Policy mandate                                                                  | 13-14 |
| 1.8. Organisational Structure                                                         | 15    |

### PART B

|                                                                         |    |
|-------------------------------------------------------------------------|----|
| 2. Performance Information                                              | 17 |
| 2.1 Service Delivery Environment                                        | 17 |
| 2.2 Organisational environment                                          | 17 |
| 2.2.1 Key policy development and legislative changes                    | 18 |
| 2.3. Progress towards achievements of institutional impacts an outcomes | 19 |
| 2.3.1 Strategic outcome-oriented goals                                  | 20 |
| 2.3.2 Institutional programme performance information                   | 24 |
| 2.3.3 Revenue collection                                                | 41 |

### PART C

|                                          |    |
|------------------------------------------|----|
| 3. Governance                            | 43 |
| 3.1 Introduction                         | 43 |
| 3.2 Committees                           | 50 |
| 3.3 Risk management                      | 51 |
| 3.4 Internal control unit                | 53 |
| 3.5 Internal audit and audit committees  | 53 |
| 3.6 Compliance with laws and regulations | 55 |
| 3.7 Fraud and corruption                 | 55 |

### PART D

|                                          |    |
|------------------------------------------|----|
| 4. Human Resources Management            | 64 |
| 4.1 Introduction                         | 64 |
| 4.2 Human resources oversight statistics | 66 |

### PART E

|                                                       |    |
|-------------------------------------------------------|----|
| 5. PFMA Compliance Report                             | 72 |
| 5.1 Information on irregular expenditure              | 72 |
| 5.2 Information on fruitless and wasteful expenditure | 72 |

### PART F

|                                                                      |          |
|----------------------------------------------------------------------|----------|
| 6. Financial Information                                             | 75       |
| 6.1. Accounting Authority Statement of Responsibilities and Approval | 75       |
| 6.2. Report of the Auditor-General                                   | 76       |
| 6.2.1. Report on the audit of the financial statements               | 76       |
| 6.2.2. Report on the audit of the annual performance report          | 79       |
| 6.2.3. Report on compliance with legislation                         | 80       |
| 6.2.4. Other information in the annual report                        | 81       |
| 6.2.5. Internal control deficiencies                                 | 81       |
| 6.2.6. Material irregularities                                       | 82       |
| 6.2.7. Other reports                                                 | 85       |
| 6.3. Annual Financial Statements                                     | 86       |
|                                                                      | 89 - 166 |

A photograph of two students, a young man and a young woman, walking through a school hallway. The young man, on the left, has dark curly hair and wears glasses, a blue and white plaid shirt, and light blue jeans. He is holding a stack of papers. The young woman, on the right, has blonde hair and is wearing a white sweater and a dark skirt. She is pointing at something on a paper she is holding. In the background, other students and the hallway structure are visible. Overlaid on the right side of the image is a large white circle with a yellow and red border. Inside the circle, the text 'PART A' is in orange and 'GENERAL INFORMATION' is in red.

**PART A**  
**GENERAL**  
**INFORMATION**

## PART A

### 1. General information

#### 1.1. General information

##### Country of incorporation and domicile

Republic of South Africa

##### Nature of business and Principal activities

The nature of the activities of the National Student Financial Aid Scheme (NSFAS) is to provide financial assistance in the form of loans or bursaries to eligible students at public universities and Technical and Vocational Education and Training (TVET) colleges and to administer such loans and bursaries. Following the pronouncement of the bursary funding programme by the former President of the Republic of South Africa in December 2017, from the 2018 academic year, financial assistance from the Department of Higher Education and Training (and certain other funders) to all eligible students is now in the form of bursaries. For students who commenced studies prior to the 2018 academic year, and where financial assistance was provided in the form of loans, NSFAS is required to recover the loans from the students once they are employed and earning in excess of R30,000 per annum.

##### Accounting Authority

In terms of section 17A(3)(a) of the NSFAS Act 56 of 1999, NSFAS was put under Administration on 12 April 2024 by the Minister of Higher Education and Training. The Minister approved Mr Sithembiso Freeman Nomvalo and appointed him as the Administrator from 12 April 2024 to 11 April 2026. The terms of reference of the Administrator were published in the 4722 in Government Gazette no 50482. It reads:

Furthermore, on 1 August 2024 as amended, the period of appointment of the Administrator published under no 4722 in Government Gazette no 50482 of 12 April 2024, was revised to be earlier of either 31 December 2024 or any date when the Minister appoints a new Board in terms of section 5 of the NSFAS Act, at which date, the appointment of the Administrator shall come to an end.

##### Registered Office

The Halyard  
4 Christiaan Barnard St  
Cape Town City Centre  
Cape Town  
8001

##### Business Address

The Halyard  
4 Christiaan Barnard St  
Cape Town City Centre  
Cape Town  
8001

##### Postal Address

Private Bag X1  
Plumstead  
Cape Town  
7801

##### Bankers

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

##### Auditors

Auditor-General of South Africa

##### Website

[www.nsfas.org.za](http://www.nsfas.org.za)

## 1.2. Abbreviations / Acronyms

|                |                                                                                        |                |                                                  |
|----------------|----------------------------------------------------------------------------------------|----------------|--------------------------------------------------|
| <b>AFS</b>     | Annual Financial Statements                                                            | <b>GIP</b>     | Graduate Internship Programme                    |
| <b>AGSA</b>    | Auditor - General of South Africa                                                      | <b>GM</b>      | General Manager                                  |
| <b>AIP</b>     | Audit Improvement Plan                                                                 | <b>GRAP</b>    | General Recognised Accounting Practices          |
| <b>APOPO</b>   | Audit of Predetermined Objectives                                                      | <b>HE</b>      | Higher Education                                 |
| <b>AP</b>      | Annual Performance                                                                     | <b>HR</b>      | Human Resources                                  |
| <b>AR</b>      | Annual Report                                                                          | <b>HRM</b>     | Human Resources Management System                |
| <b>ARC</b>     | Audit and Risk Committee                                                               | <b>ICT</b>     | Information and Communication Technology         |
| <b>ASB</b>     | Accounting Standards Board                                                             | <b>ISO9000</b> | International Standards on Quality Management    |
| <b>ASISA</b>   | Association for Savings and Investment South Africa                                    | <b>IT</b>      | Information Technology                           |
| <b>B-BBEE</b>  | Broad-Based Black Economic-Empowerment                                                 | <b>KPI</b>     | Key Performance Indicator                        |
| <b>CAMS</b>    | Corporate Access Management Services                                                   | <b>LRA</b>     | Labour Relations Act                             |
| <b>CACH</b>    | Central Application Clearing House                                                     | <b>MEC</b>     | Member of the Executive Council                  |
| <b>CCSO</b>    | Chief Corporate Services Officer                                                       | <b>MoA</b>     | Memorandum of Agreement                          |
| <b>CEO</b>     | Chief Executive Officer                                                                | <b>MTEF</b>    | Medium-Term Expenditure Framework                |
| <b>CFO</b>     | Chief Financial Officer                                                                | <b>MTSF</b>    | Medium-Term                                      |
| <b>CGICTAS</b> | Corporate Governance of Information and Communications Technology Assessment Standards | <b>MTT</b>     | Ministerial Task Team                            |
| <b>CSIR</b>    | Council of Scientific and Industrial Research                                          | <b>NBA</b>     | NSFAS Bursary Agreement                          |
| <b>DBE</b>     | Department of Basic Education                                                          | <b>NCA</b>     | National Credit Act                              |
| <b>DHET</b>    | Department of Higher Education and Training                                            | <b>NCOP</b>    | National Council of Provinces                    |
| <b>DMV</b>     | Department of Military Veterans                                                        | <b>NCR</b>     | National Credit Regulator                        |
| <b>DOH</b>     | Department of Home Affairs                                                             | <b>NCV</b>     | National Certificate (Vocational)                |
| <b>DOL</b>     | Department of Labour                                                                   | <b>NDP</b>     | National Development Plan                        |
| <b>DSD</b>     | Department of Social Development                                                       | <b>NOCLAR</b>  | Non-Compliance to Laws and Regulations           |
| <b>DSU</b>     | Disability Support Unit                                                                | <b>PWD</b>     | Persons with Disabilities                        |
| <b>ECPG</b>    | Eastern Cape Provincial Government                                                     | <b>PSET</b>    | Post School Education and Training               |
| <b>EE</b>      | Employment Equity                                                                      | <b>QMS</b>     | Quality Management System                        |
| <b>EEA</b>     | Employment Equity Act                                                                  | <b>QSE</b>     | Qualifying Small Enterprises                     |
| <b>EES</b>     | Employment Engagement Survey                                                           | <b>RMA</b>     | Rand Mutual Assurance                            |
| <b>EME</b>     | Exempted Micro Enterprises                                                             | <b>SAICA</b>   | South African Institute of Chartered Accountants |
| <b>EO</b>      | Executive Officer                                                                      | <b>SAMSA</b>   | South African Maritime Safety Authority          |
| <b>ESS</b>     | Employee Self-Service                                                                  | <b>SARS</b>    | South African Revenue Service                    |
| <b>ETDP</b>    | Education, Training and Development Practices                                          | <b>SCER</b>    | Select Committee on Education Recreation         |
| <b>EXCO</b>    | Executive Committee                                                                    | <b>SCM</b>     | Supply Chain Management                          |
| <b>EXMA</b>    | Executive Management                                                                   | <b>SCPA</b>    | Standing Committee on Public Accounts            |
| <b>FRM</b>     | Funder Relationship Management                                                         | <b>SETA</b>    | Sector Education and Training Authority          |
| <b>FTENs</b>   | First-Time Entering Students                                                           |                |                                                  |
| <b>GDP</b>     | Gross Domestic Product                                                                 |                |                                                  |

### 1.3. Foreword by the Executive Authority



I am pleased to present the 2022/23 Annual Report after many months of delays. This achievement marks an important milestone for the entity given the current challenges regarding governance, leadership, and organisational culture that undermined the integrity of the entity. This progress demonstrates the government's commitment to the principles of transparency, accountability, and good governance as highlighted in Section 195(1) of the Constitution which underpins the basic values governing public administration.

NSFAS remains a cornerstone to ensure equitable access to higher education in line with the NDP 2030 Vision and the priorities of the 7th Administration. To this effect, the Cabinet approved the Comprehensive Student Funding Model, which seeks to expand access to Missing Middle students whose combined annual household income is above R350,000 but below R600,000. NSFAS continues to manage millions of students' applications, a feat that no other entity in South Africa – be it public or private has been able to attain in the management of student bursaries.

Given the size of the budget allocated to the entity, it is noticeably clear that professional development, good governance, sound fiscal management, organisational capacity and system must be maintained at all times. I am aware that the Annual Performance Plan (APP) for the 2022/23 financial year was revised and approved. However, the effort did not yield the desired results

given the negative audit opinion on both financial and performance information which require solid action plans to rectify historic and current practices.

The 2022/23 financial year saw a concerted effort to bring parity in student allowance between universities and TVET colleges, particularly for accommodation allowances. In the 2022 academic year, 238,287 students at 50 TVET colleges and 572,089 students at 26 public universities received financial assistance, compared to 270,134 and 555,950 students, respectively, in 2021. A total of R41,9 billion was disbursed in the 2022/23 financial year, up from R36,6 billion in 2021/22, with R5.3 billion allocated to TVET colleges and R36,6 billion to universities. Since inception, total disbursements have reached R255,8 billion. The nominal value of outstanding loan balances stands at R42,3 billion, while collections have decreased by 21 percent to R239 million, following a 22 percent drop the previous year.

In a bid to improve the governance and accountability of the entity, I will prioritise the appointment of the NSFAS Board, and the strengthening of positive collaboration within the Post School Education and Training sector, especially the flow of information between NSFAS and the institutions. I will also prioritise a phased in regionalisation of the entity, expanding its footprint to ensure that our pipeline and current students can have seamless access to the NSFAS products and services.

Whilst I note that the Administrator arrived after the reporting period, I still expect an improvement in future performance and reporting of the entity to help restore and build public confidence. The lessons learnt from previous years of administration should be used to close current and future gaps and reposition the entity to its former glory. NSFAS has opened many doors for young people and has contributed to the transformative agenda of this country, and needs to be supported to fully implement its noble mandate.

I am very thankful for the many initiatives and suggestions from our stakeholders and oversight bodies who are making a concerted effort to ensure access and success of our students in higher education and training by pushing the frontiers of poverty and enabling young people to realise their dreams. I would like to thank the Administrator and his team for their dedication and hard work in turning the entity around and ensuring its success.

Dr Nobuhle Pamela Nkabane, MP

## 1.4. Foreword by the Accounting Authority



It is with great pleasure to present the long outstanding report of the National Student Financial Aid Scheme (NSFAS) for the financial year ending 31 March 2023. Reflecting on this Annual Report has created an opportunity for me to draw from the past, current, and future and identify areas where I can immediately intervene in setting the entity in its rightful course.

The year under review showed serious weaknesses in various areas of the organisation which included systems and operational processes that were not fit for purpose and impacted negatively on the funding decisions of students. The business model adopted also compounded the problem resulting in persistent delays in the payment of student allowances. The lack of organisational capacity and clear standard operating procedures weakened the entity's processes including efficient decision-making in critical areas of our operations.

Several interventions to turn around the entity have already commenced as guided by the Terms of Reference and are most likely to be the defining feature of the current and post-administration period.

**Improving governance and accountability:** A governance framework is implemented to guide the work and the decision-making process of the entity. The entity is taking steps to limit the recurring irregular, fruitless, and wasteful expenditures and also reviewing the contract management portfolio to give clearer management and accountability in our procurement environment. The submission of the outstanding annual reports ranks high on the agenda and the major challenges obstructing this important accountability measure were identified and are receiving full attention through the close-out project. An Audit Improvement Plan has been developed to address outstanding audit matters and future commitments.

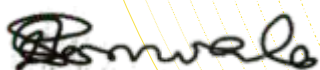
**Improving organisational capacity, systems, and policies:** The entity is finalising recruitment for critical functions at the executive level, including sections in the disbursement function. Given the nature of the problem at the core of the organisation, a cultural change programme has been launched to change the mindset and improve the understanding of the collective and individual contribution to the organisational success and failure. The programme is designed to develop a new high-performance culture and enhance organisational loyalty and it will be cascaded across the organisation starting with executive management.

**Streamlining the disbursement process:** To ensure that funded students are paid on time, the entity has started with the migration of the TVET allowance payments from third-party service providers directly into the students' bank accounts through an arrangement with our banker. This project is one of the immediate interventions implemented to stabilise the payment of allowances in the TVET sector. To date, 95 percent of the TVET beneficiaries have been paid. Furthermore, for the universities, student allowances are paid to the institutions who pay the students. This intervention has reduced the number of student complaints and protests.

## 1.4. Foreword by the Accounting Authority (continued)

**Student accommodation:** A surge in student enrolments and NSFAS accommodation funding has led to an increased demand for student beds. Studies have shown a correlation of high performance for students staying in residences compared to those who are based at home. Therefore, NSFAS understands the impact of students staying in habitable accommodation to the student success. I have personally led the accommodation roadshow with stakeholders to understand the challenges encountered in the NSFAS led student accommodation pilot programme. It is evident that there are still insufficient bed spaces out there, especially for institutions with campuses in rural areas which increases the demand for student accommodation. This has spurred the growth of Private Student Accommodation (PSA) participating in the NSFAS process; however, uniform and standard accreditation mechanisms remain a challenge. The entity is working closely with DHET on policy initiatives aimed at ensuring that students receive adequate accommodation and there is a uniform standard for determining decent and affordable student accommodation provisioning.

**Regionalisation of NSFAS:** Over the years, there have been consistent calls by PSET stakeholders for NSFAS to establish a regional or provincial footprint. The entity has initiated a feasibility study to determine the modalities as well as cost implications and clearer plans will be outlined in the planning documents of the entity. Given the critical role of NSFAS in the nation-building project providing financial support to the most deserving and vulnerable learners, we consider the recovery and stability of NSFAS as sacrosanct. The current administration has put all efforts in place to avoid any such future regression as is the case today.



---

Mr Freeman Nomvalo, NSFAS Administrator

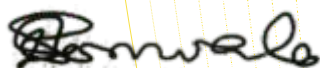
## 1.5. Statement of responsibility and confirmation of the accuracy of the annual report

To the best of my knowledge and belief, I confirm the following:

- All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor General.
- The annual report is complete, accurate and is free from any omissions.
- The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.
- The Annual Financial Statements (Part F) have been prepared in accordance with the GRAP standards applicable to the public entity.
- The Accounting Authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.
- The Accounting Authority is responsible for establishing and implementing a system of internal control which has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.
- The external auditors were engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2023.

Yours faithfully



---

Mr Freeman Nomvalo, NSFAS Administrator

## 1.6. Strategic overview

### Vision

A model public entity that enables access to public universities and TVET colleges through financial aid to students who are financially and academically eligible.

### Mission

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

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

- NSFAS exists to provide financial aid to eligible

students at public TVET colleges and public universities.

- NSFAS identifies eligible students, provides financial aid, and recovers student loan repayments to replenish the funds available for future generations of students.
- NSFAS supports access to, and success in, higher education and training for students from poor and working-class families who would otherwise not be able to afford to study.

### Our Values

| Value          | Behaviour                                                                                                                               |
|----------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| Accessibility  | We create an environment that allows efficient, effective, and direct access to NSFAS and the funding it provides to eligible students. |
| Transparency   | We are open and honest.                                                                                                                 |
| Stewardship    | Going beyond the call of duty and valuing the organisational resources.                                                                 |
| Integrity      | Displaying ethical behaviour and having the courage to do the right thing.                                                              |
| Accountability | We take responsibility for our actions that drive performance management.                                                               |
| Respect        | Collegiality, professionalism, work ethic and tolerance for diversity.                                                                  |
| Innovation     | Anticipating change and being a learning organisation.                                                                                  |

## 1.7. Legislative and other mandates

### 1.7.1. Constitutional mandate

#### The Constitution of The Republic of South Africa, 1996

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

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

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

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

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

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

#### (ii) NSFAS Act 56 of 1999 as amended is established to provide the following:

- Provide bursaries to eligible students,
- Develop criteria and conditions for the granting of bursaries to eligible students in consultation with

the Minister of Higher Education, Science and Innovation,

- Raise funds,
- Recover past loans,
- Maintain and analyse a database and undertake research for the better utilisation of financial resources,
- Advise the minister on matters relating to financial aid for students, and
- Undertake other functions assigned to it by the NSFAS Act 56 of 1999 as amended or by the Minister.

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

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

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

The regulations also expand NSFAS's mandate to include:

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

## 1.7.2. Legislative mandate

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

### i. Public Service Regulations, 2016

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

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

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

### iii. The continuing Education and Training Act, No. 16 of 2006 aims to:

Enable students to acquire-

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

Provide students with the necessary attributes required for-

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

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

### iv. Public Finance Management Act 1 of 1999

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

### v. Treasury Regulations, 2005

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

### vi. Public Audit Act, 2004 (Act 25 of 2004)

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

### vii. National Credit Act (Act 34 of 2005)

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

### 1.7.3. Policy mandate

#### Government priorities

Government priorities that NSFAS contributes to as per the 2019 State of the Nation Address (SONA) and the MTSF

| Priority   | Description                                | Contribution          |
|------------|--------------------------------------------|-----------------------|
| Priority 1 | A capable, ethical and developmental state | Indirect contribution |
| Priority 2 | Economic transformation and job creation   | Indirect contribution |
| Priority 3 | Education, skills and health               | Direct contribution   |
| Priority 7 | A better Africa and world                  | Indirect contribution |

#### National Development Plan - 2030

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

| OUTCOME   | DESCRIPTION                                                                                                                                                                                                                   | CONTRIBUTION        |
|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Outcome 5 | Skilled and capable workforce to support an inclusive growth path.                                                                                                                                                            | Direct contribution |
| Outcome 2 | Further and higher education and training that allows people to fulfill their potential. An expanding higher education sector that boosts incomes and productivity and shifts South Africa towards a knowledge-based economy. | Direct contribution |

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

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

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

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

- Funding for qualifying students**  
*"Provide all students who qualify for the National Student Financial Aid Scheme with access to full funding through loans and bursaries to cover the costs of tuition, books, accommodation and other living expenses"*
- Collections**  
*"The National Student Financial Aid Scheme... should be recovered through arrangements with the South African Revenue Service"*

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

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

### Framework for Managing Programme Performance Information (2007)

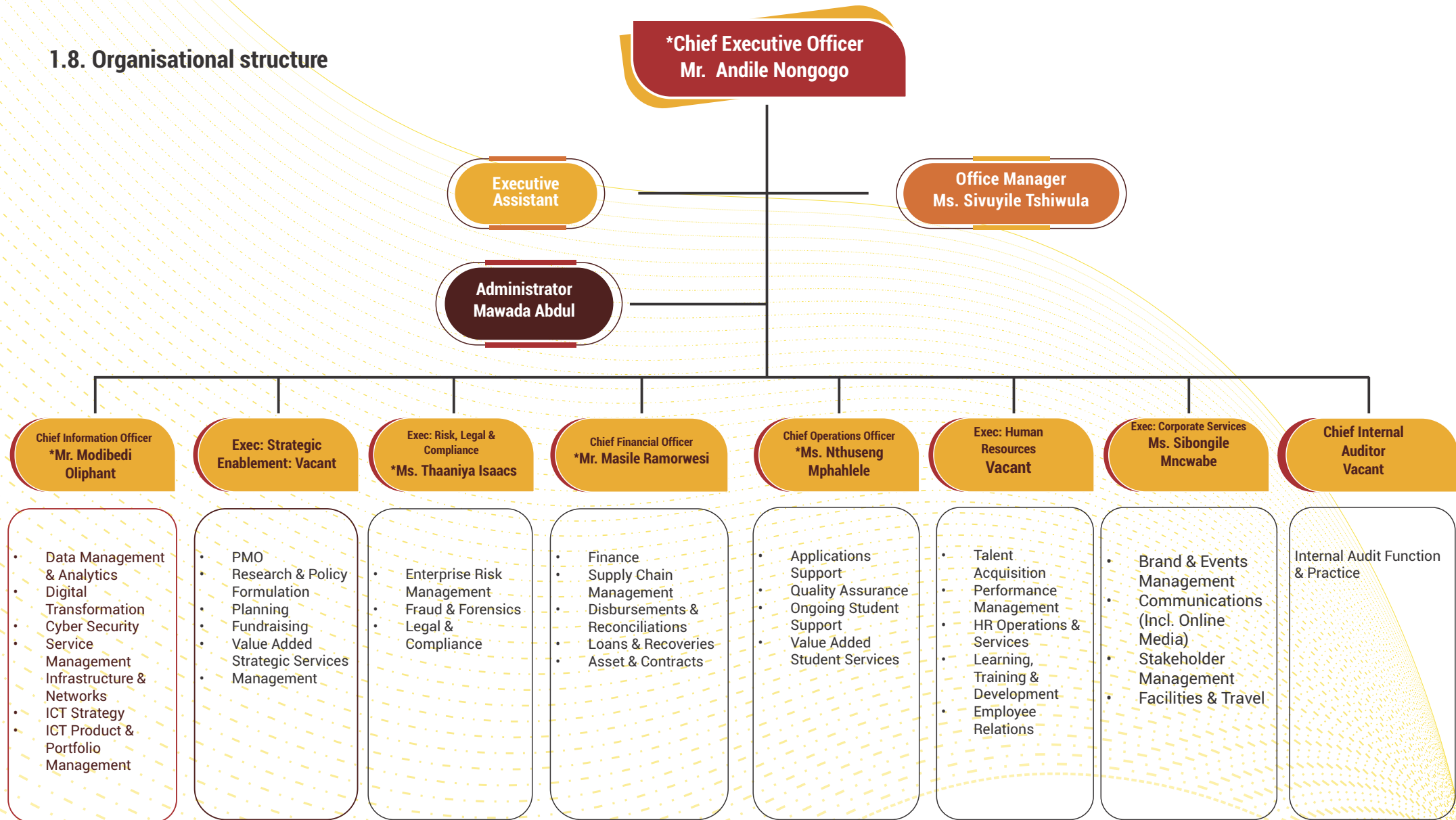
The framework outlines the key concepts in the design and implementation of management systems to define, collect, report, and use performance information in the public sector. This framework stipulates that performance information is essential to focus the attention of the public and oversight bodies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

### Medium Term Strategic Framework

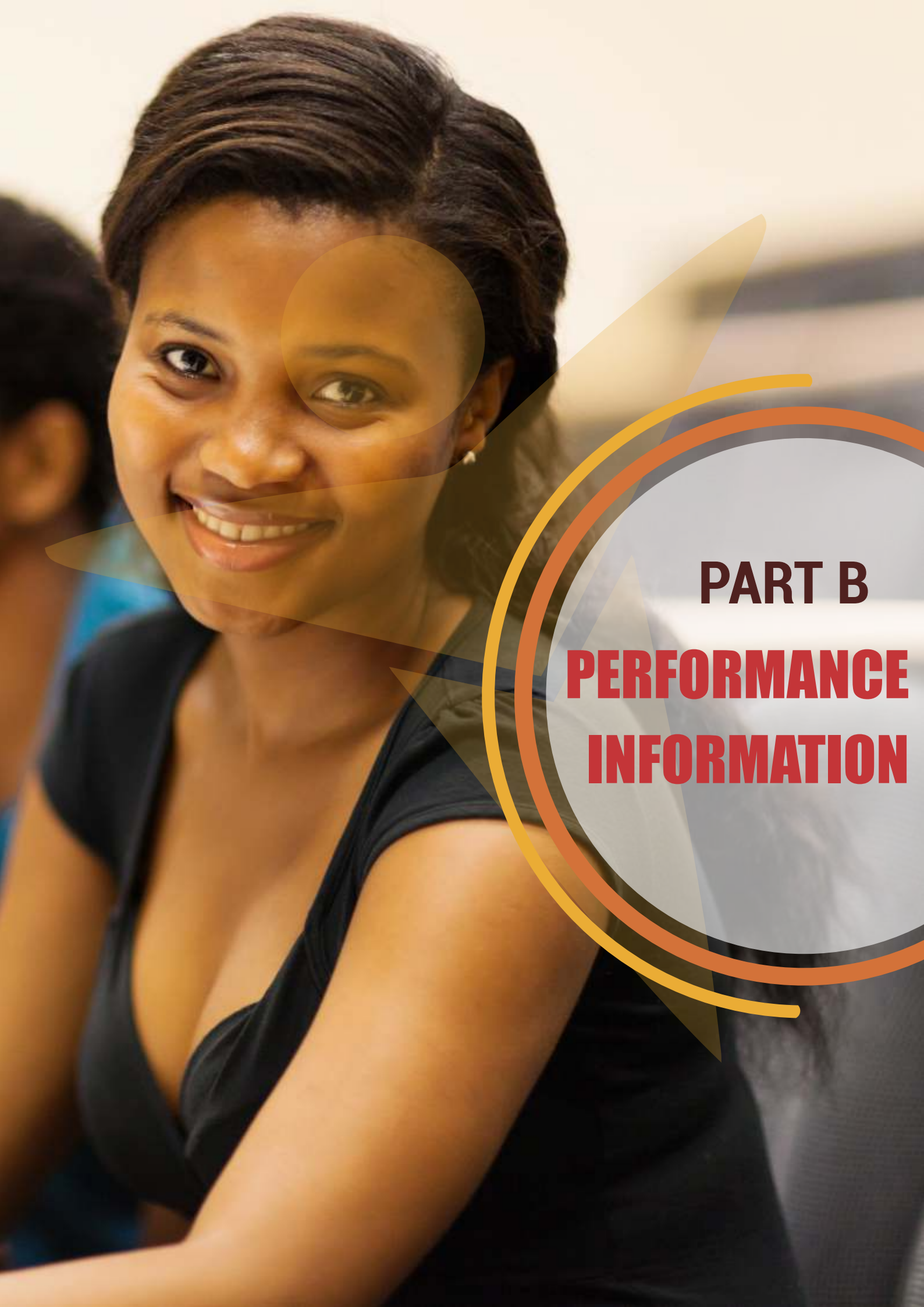
The MTSF is the government's strategic plan for the 2020–2025 electoral term. It reflects the commitments made in the election manifesto of the governing party, including the commitment to implement the NDP. The MTSF sets out the actions the government will take and the targets to be achieved. It also provides a framework for the other plans of national, provincial, and local governments. The MTSF sets targets for the achievement of the NDP goals over its five-year period for each of the 14 outcomes.



## 1.8. Organisational structure



\* Subsequent to 31 March 2023 and the dissolution of the Board, a number of the senior management team members have resigned.



## **PART B**

# **PERFORMANCE INFORMATION**

## PART B

### 2. Performance information

#### 2.1. Service delivery environment

In the 2022 academic year, 238,287 students at 50 TVET colleges and 572,089 students at 26 public universities received financial assistance, compared to 270,134 and 555,950 students, respectively, in 2021. A total of R41,9 billion was disbursed in the 2022/23 financial year, up from R36,6 billion in 2021/22, with R5,3 billion allocated to TVET colleges and R36,6 billion to universities. Since inception, total disbursements have reached R255,8 billion. The nominal value of outstanding loan balances stands at R42,3 billion, while collections have decreased by 21 percent to R239 million, following a 22 percent drop the previous year.

The Annual Performance Report is based on the strategic outcomes, key performance indicators (KPIs) and targets as outlined in the revised 2020-25 strategic plan and 2022-23 Annual Performance Plan.

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

Graph 1: Performance Summary



NSFAS evaluated its performance for the 2022-23 financial year based on 17 key performance indicators (KPIs) outlined in its revised APP for that period. The organisation successfully met 7 targets out of the 17 KPIs, representing a 41% achievement rate. This marks a 3% decline in overall performance compared to the 2021-22 financial year.

#### 2.2. Organisational environment

NSFAS operated in a dynamic and evolving organisational environment. The post-pandemic environment saw a surge in demand for financial aid due to the economic challenges faced by students and their families. Many South African students sought NSFAS funding to access higher education, increasing the pressure on NSFAS to meet this demand. The period under review was also marked by alignment with national policy objectives, particularly under the DHET.

NSFAS had to ensure that its operations and funding criteria remained consistent with evolving legislative frameworks, including amendments related to student funding and financial aid models.

The entity continued to implement its digital transformation strategy, focusing on improving efficiency through online platforms and systems.

This included the Student-Centered Model and enhancements to the NSFAS application portal, aiming to simplify the application process and improve communication with beneficiaries. While NSFAS forged ahead with numerous innovations, there were ongoing challenges in managing a growing student population amid financial limitations. There was a need to optimise resource allocation and manage the budget effectively, while dealing with under funding in some areas.

Internally, the entity worked to address organisational capacity issues, including staff shortages, skills gaps, and improving the overall efficiency of its operations. This included strengthening governance structures and accountability, particularly following previous years of audit findings and recommendations. The relationship with universities, TVET colleges, students, and other stakeholders remained a critical focus. NSFAS had to manage expectations, especially around funding disbursements and eligibility criteria, amid increasing criticism and calls for greater transparency. These collaborative initiatives were aimed at establishing collective understanding of key issues, alignment of strategies, and improve student access to higher education and academic success throughout and post graduation.

### 2.1.1 Key policy development and legislative changes

#### 2.2.2.1 Student accommodation

Student accommodation remains a challenge to NSFAS beneficiaries across the country. Through private partnerships, NSFAS envisages improving the current deteriorating state of NSFAS beneficiaries. In 2010, a Ministerial Committee was established to review the provision of student housing at public universities and the report suggested that +300, 000 beds are required to close the gap. The nationwide shortage of student housing has a negative impact on students who rent private, off-campus accommodation, which is often unaffordable or unsuitable and at times located far from the campuses.

The Committee found more than 70% of students who study through NSFAS funding cannot afford the high rentals for private accommodation close to campus. Therefore, the student accommodation project was initiated and currently, the project is underway with 8192 accredited beds in place. The accredited beds will be made available to students where institutions are unable to provide students with their internal accommodation. The allocation of accreditors will commence as more capacity is added in the form of personnel and system support.

Furthermore, the organisation has undertaken a national drive to conduct workshops with various potential service providers to provide equal opportunities to all deserving service providers.

#### 2.2.2.1 Direct payment methods

NSFAS beneficiaries studying at public universities and TVET colleges receive, where necessary, allowances to cater for food, learning material, and travelling to campus during the course of study.

The process of paying these allowances to beneficiaries is not streamlined due to various methods that are being used. The proposed direct payment solution seeks to provide the following benefits:

- A streamlined process of allowance payments that will ensure that NSFAS beneficiaries receive allowances directly from NSFAS.
- A solution that will enable NSFAS to pay its beneficiaries on time by eliminating dependency on third parties.
- Additionally, a solution that will help the scheme monitor how beneficiaries utilise their funds and identify trends and risks that require financial awareness initiatives.

#### 2.2.2.2 Funding policy amendments

NSFAS requested a policy amendment relating to academic eligibility criteria, particularly on the clauses that deny gap year students from continued NSFAS funding and appeal. The recommendation was endorsed by the Board to remove Clause 4.6.10.4. The clause seeks to discourage students from failing during their funding period; however, it does not provide students an opportunity, where they have utilised their own funds to study and progress and be funded by NSFAS again/going forward. When a student does not progress, with no valid exception as defined in the appeals categories, the student will not be funded by NSFAS at any point during their studies. Furthermore, gap year students are not permitted to appeal and Clause 4.6.10.4 defines a gap year student as a student who NSFAS previously declined to provide financial aid due to not meeting the academic eligibility criteria.

## 2.3. Progress towards achievements of institutional impacts and outcomes

### 2.3.1. Strategic outcome-oriented goals

| Strategic outcome oriented goals | Goal 1                                                                                                                                                                                                                                       | Goal 2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                  | An effective, efficient and transparent public entity in providing student financial aid                                                                                                                                                     | Increased access to higher education and improved student financial aid environment to poor and working-class students.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Goal Statement                   | To implement effective, efficient and transparent processes and operations to ensure stakeholder objectives are achieved                                                                                                                     | To increase access to funding for eligible students by raising funds, maximising loan recoveries and creating a student-centred bursaries model through improved communication support for students and a central application process                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Outcomes                         | <p>Outcome 6 - Clean governance embedded in all behaviour practices</p> <p>Outcome 7 - An optimal organisation that deploys resources efficiently</p>                                                                                        | <ul style="list-style-type: none"> <li>• Outcome 1 - Alternative pool of funding available for eligible students</li> <li>• Outcome 2 - A sustainable and improved systems for recoveries</li> <li>• Outcome 3 - Fund the right student, the correct amount at the right time</li> <li>• Outcome 4 - Engaged and informed stakeholders</li> <li>• Outcome 5 - Research and knowledge management database for improved decision-making and stakeholder needs</li> </ul>                                                                                                                                                                                |
| Strategic objectives             | <p>Strategic objectives 6 - Improve and maintain financial, performance management and IT governance audit outcomes</p> <p>Strategic Objective 7 - To improve the organisational culture by improving capability and employee engagement</p> | <ul style="list-style-type: none"> <li>• Strategic objectives 1 - Increase in funding (Rand value) raised for financial aid for eligible students</li> <li>• Strategic Objective 2 - Increase the recovery rate from NSFAS debtors</li> <li>• Strategic objectives 3. - Improve the efficiency of the application, evaluation, funding of students and payments to institutions and eligible students</li> <li>• Strategic objectives 4 - Improve service level to customers and stakeholders through key stakeholder engagements</li> <li>• Strategic objectives 5 - Undertake research for the better utilisation of financial resources</li> </ul> |

## 2.3.1. Strategic outcome-oriented goals (continuation)

| Strategic outcome oriented goals | Goal 1                                                                                                                                                                                                                                                                                                                                                                                                                                     | Goal 2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                  | An effective, efficient and transparent public entity in providing student financial aid                                                                                                                                                                                                                                                                                                                                                   | Increased access to higher education and improved student financial aid environment to poor and working-class                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Performance indicator            | <ul style="list-style-type: none"> <li>• Audit Opinion of the AGSA</li> <li>• Status Level 3 for CGICTAS achieved</li> <li>• Improve the level of maturity with respect to Cyber Security Management</li> <li>• Percentage of approved funded positions filled per annum</li> <li>• Approved mentorship and coaching programme for management on Levels D and E</li> <li>• Percentage of women employed in management positions</li> </ul> | <ul style="list-style-type: none"> <li>• Amount of funds (Rand value) raised in the financial year under review from funders other than DHET for eligible students</li> <li>• Amount of funds (Rand value) raised from funders [non-core]</li> <li>• Amount of money recovered (Rand value) from NSFAS debtors</li> <li>• Percentage of all valid applications for the current academic year received in the previous academic year, where provisional funding decisions are communicated to applicants by 6 February</li> <li>• Percentage of all continuing students for the current academic year, where provisional funding decisions are communicated to applicants within 30 working days.</li> <li>• Percentage of DHET funded students with disabilities for which assistive devices are disbursed to the institution within 30 working days of the receipt of valid registration data, including an assistive device claim, being received by NSFAS</li> <li>• Percentage of continuing students where provisional funding process is completed within 30 working days of receipt of academic progression or academic results from Institutions or DHET</li> <li>• Percentage of DHET allocated bursary funds received and disbursed to funded students within each quarter</li> <li>• Number of stakeholder engagements conducted</li> <li>• Number of research reports produced each financial year</li> <li>• Number of policy advisory briefs to the Minister</li> </ul> |

The entity has made progress against strategic outcome-oriented goals which were supported by selected outcomes, strategic objectives and key performance indicators as indicated below:

#### **Targets towards institutional impacts and outcomes**

The performance targets that the entity achieved are based on the following strategic outcomes:

#### **Outcome 1 – Alternative pool of funding available for eligible students**

*KPI 1.1 Amount of funds (Rand value) raised in the financial year under review from funders other than DHET for eligible students.*

NSFAS exceeded its performance target on the amount of funds raised from funders. The entity raised an amount of **R56,9 million** from the Manufacturing, Engineering and Related Services SETA (merSETA) and a further **R43 million** from non-core funders. The latter amount of money was raised to increase the NSFAS administration budget. NSFAS has invested time and effort in fundraising during the year and expects to raise additional funds going forward.

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

*KPI 3.2 Percentage of all continuing students for the current academic year, where provisional funding decisions are communicated to applicants within 30 working days.*

During the financial year 2022/2023, the target of 90% of provisional funding decisions for continuing students were communicated within the prescribed period of 30 days were met.

*KPI 3.4 Percentage of continuing students where provisional funding process is completed within 30 working days of receipt of academic progression or academic results from Institutions or DHET*

The target of 90% was met.

#### **Outcome 5 - Research and knowledge management database for improved decision-making and stakeholder needs.**

*KPI 5.1 Number of research reports produced each financial year*

The entity produced all four research reports which were due for the 2022/23 financial year. These reports were produced according to an approved research plan. This demonstrates NSFAS's priority on research and policy matters around student funding.

*KPI 5.2 Number of research reports produced each financial year*

Regarding the Minister's policy advisory briefs, NSFAS has achieved its target of developing one Policy Advisory brief.

However, continuous research will enable the entity, Department of Higher Education, Science and Technology, Parliament, and other stakeholders to gain a broader understanding and knowledge of how to provide fee-free education to the poor and middle class.

NSFAS envisages that this effort will assist in its decision-making and consequently address the NDP vision of putting the country in a better position to utilise funds and state resources effectively.

#### **Outcome 6 - Clean governance embedded in all behaviour practices.**

*KPI 6.2 Status Level 3 for CGICTAS achieved*

The organisation's targets that align with Outcome 6 were achieved in the 2022-2023 financial year through improved ICT governance and Cyber security management. NSFAS achieved a significant advancement in its corporate governance of ICT, progressing from level 1 to Level 3 of maturity. This remarkable accomplishment can be attributed to the meticulous implementation of fundamental ICT governance elements, including the adoption of the NSFAS ICT Digital Strategy, the establishment of an ICT governance framework, and the implementation of effective decision-making processes and controls.

This strategic direction showcased NSFAS's dedication to digital transformation and leveraging ICT as a catalyst for more effective service delivery. Furthermore, the implementation of an ICT governance framework provided a structured and systematic approach to ICT management, incorporating crucial elements such as defined responsibilities, robust policies and procedures, and comprehensive risk management practices.

Through these governance mechanisms, NSFAS aimed to ensure responsible and transparent utilisation of ICT resources, mitigate information security and privacy risks, and enhance the overall effectiveness of its ICT operations. While commendable progress has been made in improving ICT governance, an external assessment revealed that NSFAS still has work to do to achieve the ultimate Level 5 of maturity. This assessment emphasises the ongoing commitment required by NSFAS to further enhance its ICT governance practices and strive for excellence across all facets of its ICT operations.

**KPI 6.3 Baseline level of maturity with respect to Cyber Security**

NSFAS has shown a strong commitment to business resilience by establishing an organisation-wide cybersecurity practice, recognising the critical importance of cybersecurity in today's digital landscape. Through an outsourced partnership, NSFAS has adopted the NIST Framework as its standard, aligning its operations with industry best practices. With a dedicated team of resources managing cybersecurity activities and a Security Operations Center (SOC) in place, NSFAS proactively monitors and responds to potential security incidents, aiming to safeguard its digital assets and protect sensitive information. However, with a Level of 3.2 on the cybersecurity maturity scale according to the latest NIST self-assessment, NSFAS acknowledges the need for further improvements to achieve a higher level of cybersecurity maturity and fully secure its digital environment.

**Targets not achieved**

Although the entity has not achieved the following performance targets, some progress has been made as highlighted below:

**Outcome 1 – Alternative pool of funding available for eligible students.****KPI 1.2 Amount of funds (Rand value) raised from funders (non-core)**

NSFAS only managed to raise funds to the value of R43,1m and not R58,6m as per their target.

**Outcome 2 – Sustainable and improved systems for recoveries****KPI 2.1 Amount of money recovered (Rand value) from NSFAS debtors**

The entity recorded actual collections of R239,2 million, which fell short by 26,4% the high unemployment rate in the country remains the biggest factor that contributes to a high number of unpaid debt orders by NSFAS debtors. However, the entity continues to intensify efforts to activate non-paying debtors through the work done by the external debt collection (EDC) companies.

**Outcome 3 – Fund the right student, the correct amount at the right time.**

Under this strategic outcome, there are five KPIs that the entity is measured against. Whilst most targets were not achieved, the entity has made some progress in certain areas (KPIs) as indicated below:

**KPI 3.1 Percentage of all valid applications for the current academic year received in the previous academic year, where provisional funding decisions are communicated to applicants by 06 February.**

Only 52.3% of provisional funding decisions were communicated to applicants by 6 February 2023. The entity recorded an under performance of 37.7% against the target of 90% for the year. This under performance was caused by capacity and system-related challenges.

**KPI 3.3 Percentage of DHET-funded students with disabilities for which assistive devices are disbursed to the institution within 30 working days of the receipt of valid registration data, including an assistive device claim, being received by NSFAS.**

The entity recorded 33% for this KPI and the underperformance was attributed to manual interventions on the system to upload and process documents for students with disabilities. As a result, this caused delays when processing payments for assistive devices for disability beneficiaries. In addition, there were capacity challenges in the disability unit.

**KPI 3.5 Percentage of DHET allocated bursary funds received and disbursed to funded students within each quarter.**

The entity disbursed 89% of allocated DHET bursary funds to NSFAS-funded students for the financial year 2022/23. Despite minor challenges that exist within the entity, this achievement displays continued commitment and efficiency toward the goal of providing funding decisions to students in the higher education sector.

**Outcome 4 – Engaged and informed stakeholders****KPI 4.1. Number of stakeholder engagements conducted**

The entity has not achieved its target for this outcome. The target was 24 stakeholder engagements, eight engagements with institutions of higher learning have been conducted to address challenges that were raised by the institutions.

**Outcome 6 – Clean governance is imbedded in all behaviour practices****KPI 6.1 Audit opinion of the AGSA**

The adverse opinion is due to material misstatements in assets, liabilities, expenses, revenues and disclosures not appropriately accounted for in the financial statements submitted for audit. There were also material findings on the annual performance report and material non-compliance with key requirements of applicable legislation.

*Outcome 7 - Optimal organisation that deploys resources efficiently.*

NSFAS underperformed under this Strategic Outcome; as indicated below:

*KPI 7.1: Percentage of approved funded positions filled per annum.*

The organisation implemented the organisational structure that was adopted by the Board in the 2022/2023 financial year. The roll-out process entailed a major transformation programme which led to organisation-wide matching and placing and job re-evaluation projects with an objective of matching the right skills to the right jobs.

While the matching and placing phase was done within the correct framework and timeframes, the organisation experienced delays in securing suitable panel members who would have participated in the recruitment processes. Consequently, delays affected the overall target of this KPI, leading to NSFAS achieving 78% against the set target of 90%.

*KPI 7.2: Approved mentorship and coaching programme for management employees on levels D and E.*

NSFAS undertook an initiative to capacitate its leadership by developing coaching and mentoring programmes to ensure that leaders are driving the strategies and mandate of the organisation effectively and efficiently. The entity has adopted a Peterson Model which classifies management levels differently and the payroll system was not updated at this time.

*KPI 7.3 Percentage of women employed in management positions.*

NSFAS has managed to employ 42% of women in management positions which is 8% below the target of 50%. As mentioned in the above paragraph (KPI 7.1), the delays in securing the recruitment panel contributed to the underperformance of the KPI.

## **2.3.2 Institutional programme performance information**

On 14 March 2023, the entity made changes to its annual performance plan. Tables 2.3.2.1 and 2.3.2.2 outline outputs, key performance indicators, targets and primarily provide reasons for the revisions carried out during the re-tabling process. Tables 2.3.2.3 and 2.3.2.4 reflect the performance measured against the re-tabled APP and include all the revised, additional, and consolidated key performance indicators. It is important to note that the overall performance of the entity is evaluated based on the revised and re-tabled annual performance plan as set out in table 2.3.2.3 and 2.3.2.4.

**Key performance indicators, planned targets, and actual achievements.**

### **2.3.2.1 Progress against original tabled annual performance plan**

#### **Programme 1: Administration**

**Purpose** – To implement effective, efficient, and transparent processes and operations to ensure stakeholder objectives are achieved.

#### **Programme 1: Outcomes**

Outcome 6 - Clean governance embedded in all behaviour practices.

Outcome 7 - An optimal organisation that deploys resources efficiently.

Table 2.3.2.1: Report against the tabled Annual Performance Plan - Programme 1

Achieved Not achieved

| Programme 1: Administration                          |                                              |                                                               |                                                           |                                           |                                                                                 |                                                   |                                                               |                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                        |
|------------------------------------------------------|----------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------------|-------------------------------------------|---------------------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcome                                              | Output                                       | Output Indicator                                              | Audited Actual Performance 2020/2021                      | Audited Actual Performance 2021/2022      | Planned Annual Target 2022/2023                                                 | **Actual Achievement 2022/2023                    | Deviation from planned target to Actual Achievement 2022/2023 | Reasons for deviations                                                                                                                                                                                                                                                                       | Reason for revision to the Outputs / Output/ indicators/ Annual Targets                                                                                                                                                                |
| Clean governance imbedded in all behaviour practices | Audit report generated and obtained by NSFAS | 6.1 Audit opinion of the AGSA                                 | Qualified audit opinion with findings<br><br>Not achieved | Adverse Audit Opinion<br><br>Not achieved | Unqualified audit opinion                                                       | NSFAS Audit still in progress<br><br>Not achieved | (100.0%)                                                      | <ul style="list-style-type: none"> <li>The entity requested the AGSA to grant an extension for the submission of the NSFAS 2021/22 Annual Financial Statements.</li> <li>The extension was granted and NSFAS was afforded an opportunity to adjust AFS close-out project results.</li> </ul> | <ul style="list-style-type: none"> <li>Changes have been made to the definition of the KPI, a sentence reading "Unqualified audit opinion on the annual financial statements" was added to ensure that the KPI is specific.</li> </ul> |
|                                                      | Third-party report on CGICTAS                | 6.2 Status Level 3 for CGICTAS achieved                       | Level 1<br><br>Not achieved                               | Level 1<br><br>Not Achieved               | Achieve CGICTAS Level 3                                                         | Not Applicable during Quarter 3                   | None                                                          | None                                                                                                                                                                                                                                                                                         | N/A                                                                                                                                                                                                                                    |
|                                                      | Report on the level of maturity obtained.    | 6.3 Baseline level of maturity with respect to cyber security | Level 1<br><br>Not achieved                               | Level 0<br><br>Not achieved               | To determine a baseline on the level of maturity with respect to Cyber Security | Not Applicable during Quarter 3                   | None                                                          | None                                                                                                                                                                                                                                                                                         | <ul style="list-style-type: none"> <li>The target has been changed from baseline to maturity Level 3. This is to improve the level of maturity on cyber security management.</li> </ul>                                                |

\*\*The performance reported under this table provides an overview of performance until the end of quarter three

Table 2.3.2.1: Report against the tabled Annual Performance Plan - Programme 1 (continued)

Achieved
Not achieved

| Programme 1: Administration                             |                                                                     |                                                                                       |                                      |                                                           |                                                          |                                 |                                                               |                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|---------------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------------------------|--------------------------------------|-----------------------------------------------------------|----------------------------------------------------------|---------------------------------|---------------------------------------------------------------|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcome                                                 | Output                                                              | Output Indicator                                                                      | Audited Actual Performance 2020/2021 | Audited Actual Performance 2021/2022                      | Planned Annual Target 2022/2023                          | **Actual Achievement 2022/2023  | Deviation from planned target to Actual Achievement 2022/2023 | Reasons for deviations | Reason for revision to the Outputs / Output/ indicators/ Annual Targets                                                                                                                                                                                                                                                                                                                                                                             |
|                                                         | Total procurement value awarded to BBB-EE level 1 service providers | 6.4 Percentage of total procurement value awarded to BBB-EE level 1 service providers | New indicator                        | New indicator                                             | 60%                                                      | Not Applicable during quarter 3 | • None                                                        | • None                 | <ul style="list-style-type: none"> <li>The KPI has been removed due to the repeal of the 2017 PPPFA regulations and the gazetting of the 2022 PPPFA regulations effective 16 January 2023.</li> <li>The new regulations removed BBB-EE as a preference criteria hence it is impractical to measure the organisation on procurement awards to level 1 BBB-EE entities.</li> </ul>                                                                    |
| Optimal organisation that deploys resources efficiently | An approved organisational structure                                | 7.1 Percentage of approved funded positions filled per annum                          | New indicator                        | 0.0%<br><br><span style="color: red;">Not achieved</span> | 90%                                                      | Not Applicable during quarter 3 | • None                                                        | • None                 | <ul style="list-style-type: none"> <li>The indicator definition has been updated to include the words "in the current year". This is to make the KPI more specific and measurable. The source of data has also been updated to include "records and budget provision".</li> <li>Means of verification has been updated to include "data from the approved HR system, and all the vacancies against the approved and budgeted structure".</li> </ul> |
|                                                         | Mentorship and coaching programme                                   | 7.2 Approved mentorship and coaching programme for senior managers                    | New indicator                        | 100%<br><br><span style="color: green;">Achieved</span>   | 60%<br><br><span style="color: red;">Not achieved</span> | Not Applicable during quarter 3 | • None                                                        | • None                 | <ul style="list-style-type: none"> <li>The reason for amendment is to ensure that the KPI is well-defined and verifiable in accordance with FMPPPI.</li> </ul>                                                                                                                                                                                                                                                                                      |
| Optimal organisation that deploys resources efficiently | Women (especially Africans) employed in management positions        | 7.3 Percentage of women employed in management positions                              | New indicator                        | 83%<br><br><span style="color: green;">Achieved</span>    | 50%                                                      | Not Applicable during quarter 3 | • None                                                        | • None                 | <ul style="list-style-type: none"> <li>To ensure that the KPI is well defined and verifiable in accordance with FMPPPI.</li> </ul>                                                                                                                                                                                                                                                                                                                  |

\*\*The performance reported under this table provides an overview of performance until the end of quarter three

**Programme 2: Student-centred model**

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

**Programme 2: Outcomes**

Outcome 1 - Alternative pool of funding available for eligible students

Outcome 2 - A sustainable and improved systems for recoveries

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

Outcome 4 - Engaged and informed stakeholders

Outcome 5 - Research and knowledge management database for improved decision-making and stakeholder needs.

Table 2.3.2.2: Report against the tabled Annual Performance Plan - Program 2

Achieved

Not achieved

| Programme 2: Student-centred model                           |              |                                                          |                                      |                                      |                                 |                                |                                                               |                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|--------------------------------------------------------------|--------------|----------------------------------------------------------|--------------------------------------|--------------------------------------|---------------------------------|--------------------------------|---------------------------------------------------------------|------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcome                                                      | Output       | Output Indicator                                         | Audited Actual Performance 2020/2021 | Audited Actual Performance 2021/2022 | Planned Annual Target 2022/2023 | **Actual Achievement 2022/2023 | Deviation from planned target to Actual Achievement 2022/2023 | Reasons for deviations | Reason for revision to the Outputs /Output indicators/ Annual Targets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Alternative pool of funding available for eligible students. | Funds raised | 1.1 Amount of funds (Rand value) raised from new funders | New indicator                        | R91 283 147.83<br><br>Achieved       | R48.3 m                         | R56 933 263.64                 | + R8 633 263.6                                                | • None                 | <ul style="list-style-type: none"> <li>KPI 1.1 Amount of funds (Rand value) raised in the financial year under review from funders other than DHET for eligible students. The indicator title has been refined to address the audit findings and to ensure that the KPI is well-defined and verifiable in accordance with FMPPi.</li> <li>The indicator title and TID now includes the wording "(other than DHET) in the financial year under review to fund eligible students." The definition has been refined to exclude the wording "non-core funders" The source of data and means of verification has been updated to include "Addendum" to existing funding agreements between NSFAS and funders.</li> </ul> |

Table 2.3.2.2: Report against the tabled Annual Performance Plan – Program 2 (continued)

Achieved

Not achieved

| Programme 2: Student-centred model                        |                                                           |                                                                                                                                                                                                  |                                      |                                      |                                 |                                |                                                               |                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-----------------------------------------------------------|-----------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|--------------------------------------|---------------------------------|--------------------------------|---------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcome                                                   | Output                                                    | Output Indicator                                                                                                                                                                                 | Audited Actual Performance 2020/2021 | Audited Actual Performance 2021/2022 | Planned Annual Target 2022/2023 | **Actual Achievement 2022/2023 | Deviation from planned target to Actual Achievement 2022/2023 | Reasons for deviations                                                                                                                                                                                                                      | Reason for revision to the Outputs /Output /indicators/ Annual Targets                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| A sustainable and improved system for recoveries          | Funds recovered from debtors                              | 2.1 Amount of money recovered (Rand value) from NSFAS debtors                                                                                                                                    | R388.1m                              | R341, 728 937                        | R388.5 m                        | R155 803 822<br>Not achieved   | (R232 696 178)                                                | <ul style="list-style-type: none"> <li>The organisation has been working without a loan management system since November 2022 which has resulted in the recoveries unit being unable to run further debits on debtors' accounts.</li> </ul> | <ul style="list-style-type: none"> <li>The method of calculation has been redefined to exclude "credit balances returned from institutions". This is to address prior year audit findings and to ensure that the KPI is well-defined and verifiable in accordance with FMPPi.</li> </ul>                                                                                                                                                                                                                                              |
| Fund the right student, correct amount at the right time. | Bursaries funded to students and bursary accounts created | 3.1: Percentage of all valid applications received in each academic cycle, where provisional funding decisions are communicated to applicants within 30 days of the closing date of applications | New indicator                        | 91,3%<br>Achieved                    | 90%                             | 79.8%<br>Not achieved          | (10.2%)                                                       | <ul style="list-style-type: none"> <li>In quarter 2, a considerable number of applications were not processed due to system challenges.</li> </ul>                                                                                          | <ul style="list-style-type: none"> <li>To address prior year audit findings and to ensure that the KPI is well-defined and verifiable in accordance with FMPPi.</li> <li>The indicator title and the definition has been revised to ensure it is specific and measurable, the communication date has been changed from "30 days of the closing date of applications to "06 February of the current year".</li> <li>The source of data has been changed to include all reports generated and not only system-based reports.</li> </ul> |

Table 2.3.2.2: Report against the tabled Annual Performance Plan - Programme 2 (continued)

| Programme 2: Student-centred model |        |                                                                                                                                                                                       |                                      |                                      |                                 |                                 |                                                               |                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------------------------------|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|--------------------------------------|---------------------------------|---------------------------------|---------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcome                            | Output | Output Indicator                                                                                                                                                                      | Audited Actual Performance 2020/2021 | Audited Actual Performance 2021/2022 | Planned Annual Target 2022/2023 | **Actual Achievement 2022/2023  | Deviation from planned target to Actual Achievement 2022/2023 | Reasons for deviations                                                                                                                                                                                                                                                   | Reason for revision to the Outputs /Output /indicators/ Annual Targets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|                                    |        | 3.2 Percentage of continuing students where provisional funding process is completed within 10 days of receipt of academic progression or academic results from institutions and DHET | New indicator                        | 36%<br>Not achieved                  | 90%                             | 5.86%<br>Not achieved           | (84.1%)                                                       | <ul style="list-style-type: none"> <li>The academic eligibility functionality was delayed and could not process academic results due to policy changes on returning students that required enhancements to the system, therefore results were processed late.</li> </ul> | <ul style="list-style-type: none"> <li>KPI 3.2: Percentage of all valid continuing students for the current academic year where provisional funding decisions are communicated to applicants within 30 working days (refined). To address prior year audit findings and to ensure that the KPI is well-defined and verifiable in accordance with FMPPPI.</li> <li>The indicator title has been adjusted; the provisional funding process has been changed from 10 days period to 30-day period to give the entity more time to process funding decisions.</li> <li>The source of data has been changed to include all reports generated and not only system-based reports.</li> </ul> |
|                                    |        | 3.3 Percentage of assistive devices provided to students with disabilities within 30 days of receipt of claims.                                                                       | New indicator                        | 71.6%<br>Not achieved                | 90%                             | Not Applicable during quarter 3 | None                                                          | <ul style="list-style-type: none"> <li>Manual processing of claims and capacity challenges in the disability unit resulted in under achievement.</li> </ul>                                                                                                              | <ul style="list-style-type: none"> <li>KPI 3.3. Percentage of DHET funded students with disabilities for which assistive devices are disbursed to the institution within 30 working days of the receipt of valid registration data, including an assistive device claim, being received by NSFAS (redefined) This is to address prior year audit findings and to ensure that the KPI is well-defined and verifiable in accordance with FMPPPI.</li> </ul>                                                                                                                                                                                                                             |

Table 2.3.2.2: Report against the tabled Annual Performance Plan - Programme 2 (continued)

Achieved

Not achieved

| Programme 2: Student-centered model |                                          |                                                                                                                                                                                   |                                      |                                                                                                                     |                                                                               |                                                            |                                                               |                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                          |
|-------------------------------------|------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|---------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|------------------------------------------------------------|---------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcome                             | Output                                   | Output Indicator                                                                                                                                                                  | Audited Actual Performance 2020/2021 | Audited Actual Performance 2021/2022                                                                                | Planned Annual Target 2022/2023                                               | **Actual Achievement 2022/2023                             | Deviation from planned target to Actual Achievement 2022/2023 | Reasons for deviations                                                                                                                                                        | Reason for revision to the Outputs /Output /indicators/ Annual Targets                                                                                                                                                                                                                                                                                                                   |
|                                     | Bursaries funded to students.            | 3.4. Per the instalments of tuition and allowances to institutions are paid on the 25th day of every second month                                                                 | New indicator                        | 28.7%<br>Not achieved                                                                                               | 90%                                                                           | 77.1%<br>Not achieved                                      | (12.9%)                                                       | The system-based disbursement method was not functional, so the entity is processing disbursements manually. This has led to the organisation missing deadlines for payments. | <ul style="list-style-type: none"> <li>KPI 3.4 Percentage of continuing students where provisional funding process is completed within 30 working days of receipt of academic progression or academic results from Institutions or DHET (Redefined). To address prior year audit findings and to ensure that the KPI is well defined and verifiable in accordance with FMPPi.</li> </ul> |
|                                     |                                          | 3.5 Percentage of TVET-funded students for which the instalment of tuition and allowances (where NSFAS disburses directly to students or institutions) are paid monthly (30 days) | New indicator                        | 93.5%<br>Achieved                                                                                                   | 90%                                                                           | 61.9%<br>Not achieved                                      | (28.1%)                                                       | The system-based disbursement method was not functional, so the entity is processing disbursements manually. This has led to the organisation missing deadlines for payments. | <ul style="list-style-type: none"> <li>New 3.5 added, this current one was combined with 3.4 to create a new 3.4.</li> </ul>                                                                                                                                                                                                                                                             |
| Engaged and informed stakeholders   | Stakeholder engagement surveys conducted | 4.1. Percentage of stakeholder engagement survey                                                                                                                                  | New indicator                        | A framework for the measurement of customer (student) and stakeholder satisfaction has been developed and approved. | Develop a stakeholder engagement tool and collect a baseline for stakeholders | Stakeholder engagement tool not developed.<br>Not achieved | (100%)                                                        | The entity is going through a redesign process to focus on the student-centred model and to enhance stakeholder relations.                                                    | <ul style="list-style-type: none"> <li>KPI 4.1 Number of stakeholder engagements conducted (redefined). To ensure that the KPI is well defined and verifiable in accordance with FMPPi.</li> <li>The indicator title and the definition have been revised. The word "number" of stakeholder engagements conducted, replaces the word "percentage".</li> </ul>                            |

Table 2.3.2.2: Report against the tabled Annual Performance Plan - Programme 2 (continued)

| Programme 2: Student-centred model                                                              |                                 |                                                                 |                                      |                                      |                                 |                                 |                                                               |                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-------------------------------------------------------------------------------------------------|---------------------------------|-----------------------------------------------------------------|--------------------------------------|--------------------------------------|---------------------------------|---------------------------------|---------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcome                                                                                         | Output                          | Output Indicator                                                | Audited Actual Performance 2020/2021 | Audited Actual Performance 2021/2022 | Planned Annual Target 2022/2023 | **Actual Achievement 2022/2023  | Deviation from planned target to Actual Achievement 2022/2023 | Reasons for deviations                                                                                                                                                                                                                                                                                                                                    | Reason for revision to the Outputs /Output indicators/ Annual Targets                                                                                                                                                                                                                                                                                                                                                     |
| Research and knowledge management database for improved decision - making and stakeholder needs | Research reports produced       | 5.1 Number of research reports produced each financial year     | New indicator                        | 3<br>Not achieved                    | 4                               | 0<br>Not achieved               | (100%)                                                        | <ul style="list-style-type: none"> <li>No research reports were produced during Quarter 3.</li> <li>The lack of capacity in the research unit has resulted in the target not being met.</li> <li>Furthermore, the entity had reached out to various institutions for collaborative research reports and no positive results have been yielded.</li> </ul> |                                                                                                                                                                                                                                                                                                                                                                                                                           |
|                                                                                                 | Policy advisory briefs produced | 5.2 Number of policy advisory briefs per the research conducted | 4                                    | 11<br>Achieved                       | 1                               | Not Applicable during quarter 3 | None                                                          | None                                                                                                                                                                                                                                                                                                                                                      | <ul style="list-style-type: none"> <li>KPI 5.2 Number of Policy Advisory briefs to the Minister. To ensure that the KPI is well-defined and verifiable in accordance with FMPPi:</li> <li>Changes have been made to the means of verification, a sentence reading "evidence that the policy advisory brief was submitted to the Minister" was added, as further evidence that the advisory brief was produced.</li> </ul> |

### 2.3.2.2. Progress against the re-tabled Annual Performance Plan

#### Programme 1: Administration

**Purpose**—To implement effective, efficient and transparent processes and operations to ensure stakeholder objectives are achieved.

#### Programme 1: Outcomes

Outcome 6 - Clean governance embedded in all behaviour practices.

Outcome 7—An optimal organisation that deploys resources efficiently.



Table 2.3.2.3: Report against the re-tabled Annual Performance Plan: Programme 1

Achieved

Not achieved

| Programme 1: Administration                          |                                               |                                                                          |                                                           |                                                             |                                                              |                                                                  |                                                               |                                                                                                                                                                                                                                                                                                                                                                                                             |
|------------------------------------------------------|-----------------------------------------------|--------------------------------------------------------------------------|-----------------------------------------------------------|-------------------------------------------------------------|--------------------------------------------------------------|------------------------------------------------------------------|---------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcome                                              | Output                                        | Output Indicator                                                         | Audited Actual Performance 2020/2021                      | Audited Actual Performance 2021/2022                        | Planned Annual Target 2022/2023                              | Actual Achievement 2022/2023                                     | Deviation from planned target to Actual Achievement 2022/2023 | Reasons for deviations                                                                                                                                                                                                                                                                                                                                                                                      |
| Clean governance imbedded in all behaviour practices | Audit report generated and obtained by NSFAS. | 6.1 Audit opinion of the AGSA                                            | Qualified audit opinion with findings<br><br>Not achieved | Unqualified audit opinion with findings<br><br>Not achieved | Unqualified audit opinion on the annual financial statements | Adverse audit opinion with findings obtained<br><br>Not achieved | (100.0%)                                                      | <ul style="list-style-type: none"> <li>The adverse opinion is due to material misstatements in assets, liabilities, expenses, revenues and disclosures not appropriately accounted for in the financial statements submitted for audit.</li> <li>There were also material findings on the annual performance report and material non-compliance with key requirements of applicable legislation.</li> </ul> |
|                                                      | Third-party report on CGICTAS                 | 6.2 Status Level 3 for CGICTAS achieved                                  | Level 1<br><br>Not achieved                               | Level 1<br><br>Not Achieved                                 | Achieve CGICTAS Level 3                                      | Status Level 3 for CGICTAS has been achieved<br><br>Achieved     | • None                                                        | • None                                                                                                                                                                                                                                                                                                                                                                                                      |
|                                                      | Report on the level of maturity obtained.     | 6.3 Baseline level of maturity with respect to cyber security management | Level 1<br><br>Not achieved                               | Level 0<br><br>Not achieved                                 | Level 3                                                      | Level 3<br><br>Achieved                                          | • None                                                        | • None                                                                                                                                                                                                                                                                                                                                                                                                      |

Table 2.3.2.3: Report against the re-tabled Annual Performance Plan: Programme 1 (continued)

Achieved

Not achieved

| Programme 1: Administration                             |                                                              |                                                                              |                                      |                                      |                                 |                              |                                                               |                                                                                                                                                                                                                                                                                                                                           |
|---------------------------------------------------------|--------------------------------------------------------------|------------------------------------------------------------------------------|--------------------------------------|--------------------------------------|---------------------------------|------------------------------|---------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcome                                                 | Output                                                       | Output Indicator                                                             | Audited Actual Performance 2020/2021 | Audited Actual Performance 2021/2022 | Planned Annual Target 2022/2023 | Actual Achievement 2022/2023 | Deviation from planned target to Actual Achievement 2022/2023 | Reasons for deviations                                                                                                                                                                                                                                                                                                                    |
| Optimal organisation that deploys resources efficiently | An approved organisational structure                         | 7.1 Percentage of approved funded positions filled per annum                 | New indicator                        | 0.0%<br>Not achieved                 | 90%                             | 4%<br>Not achieved           | (86%)                                                         | <ul style="list-style-type: none"> <li>There were various delays in convening panels for both short listing and interviews during the year under review.</li> <li>The organisation will implement commitment schedules for recruitment short listing and interview panels.</li> </ul>                                                     |
|                                                         | Mentorship and coaching programme                            | 7.2 Approved mentorship and coaching programme for management on level D & E | 100%<br>Achieved                     | 60%                                  | 60%                             | 44%<br>Not achieved          | (16%)                                                         | <ul style="list-style-type: none"> <li>The entity has adopted a Peterson model which classifies management levels differently and payroll system was not updated at this time.</li> </ul>                                                                                                                                                 |
|                                                         | Women (especially Africans) employed in Management positions | 7.3 Percentage of women employed in management positions                     | New indicator                        | New indicator                        | 50%                             | 42%<br>Not achieved          | (8%)                                                          | <ul style="list-style-type: none"> <li>There were various delays in convening panels for both shortlisting and interviews during the year under review.</li> <li>The entity will enhance the employment equity forum by ensuring that updated statistics of women in management positions are provided prior the shortlisting.</li> </ul> |

**Programme 2: Student-centred model**

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

**Programme 2: Outcomes**

Outcome 1 - Alternative pool of funding available for eligible students

Outcome 2 - A sustainable and improved systems for recoveries

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

Outcome 4 - Engaged and informed stakeholders

Outcome 5 - Research and knowledge management database for improved decision making and stakeholder needs.

**Table 2.3.2.4: Report against the re-tabled Annual Performance Plan: Programme 2****Achieved****Not achieved**

| Programme 2: Student-Centred Model                          |              |                                                                                                                              |                                       |                                      |                                 |                                       |                                                               |                                                                                                                 |
|-------------------------------------------------------------|--------------|------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|--------------------------------------|---------------------------------|---------------------------------------|---------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| Outcome                                                     | Output       | Output Indicator                                                                                                             | Audited Actual Performance 2020/ 2021 | Audited Actual Performance 2021/2022 | Planned Annual Target 2022/2023 | Actual Achievement 2022/2023          | Deviation from planned target to Actual Achievement 2022/2023 | Reasons for deviations                                                                                          |
| Alternative pool of funding available for eligible students | Funds raised | 1.1 Amount of funds(Rand value) raised in the financial year under review from funders other than DHET for eligible students | New indicator                         | R91 283 147.83<br><b>Achieved</b>    | R48.3 m                         | R56 933 263.64<br><b>Achieved</b>     | + R8 633 263.6                                                | • None                                                                                                          |
|                                                             |              | 1.2 Amount of funds(Rand value) raised from funders [non-core]                                                               | New indicator                         | New indicator                        | R58.6m                          | R43,188,558.12<br><b>Not achieved</b> | -(R15 411 441,9)                                              | • The values are linked to the funds being managed and do not always align to the quarterly and annual targets. |

Achieved

Not achieved

Table 2.3.2.4: Report against the re-tabled Annual Performance Plan: Programme 2 (continued)

| Programme 2: Student-Centred Model                       |                                                           |                                                                                                                                                                                                  |                                       |                                      |                                 |                              |                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|----------------------------------------------------------|-----------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|--------------------------------------|---------------------------------|------------------------------|---------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcome                                                  | Output                                                    | Output Indicator                                                                                                                                                                                 | Audited Actual Performance 2020/ 2021 | Audited Actual Performance 2021/2022 | Planned Annual Target 2022/2023 | Actual Achievement 2022/2023 | Deviation from planned target to Actual Achievement 2022/2023 | Reasons for deviations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| A sustainable and improved systems for recoveries        | Funds recovered from debtors                              | 2.1 Amount of money recovered (Rand value) from NSFAS debtors                                                                                                                                    | R388.1m                               | R341 728 937                         | R388.5m                         | R199 790 276                 | (R188 709 724)                                                | <ul style="list-style-type: none"> <li>The entity has been working without a loan management system since November 2022 which has resulted in the recoveries unit being unable to run further debits on debtor's accounts.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Fund the right student, correct amount at the right time | Bursaries funded to students and bursary accounts created | 3.1: Percentage of all valid applications for the current academic year received in the previous academic year, where provisional funding decisions are communicated to applicants by 6 February | New indicator                         | New indicator                        | 90%                             | 52.3%                        | (37.7%)                                                       | <ul style="list-style-type: none"> <li>The under performance was caused by delays in the requesting and loading of SARS data which enables the entity to do financial eligibility testing on applications.</li> <li>Further, there were technical glitches of identifying SASSA beneficiaries which resulted in the incorrect processing of application.</li> <li>NSFAS will ensure that the request for household income for all new applications is submitted to SARS timeously and processed immediately after receipt in order to ensure that applications are processed on time.</li> <li>The entity will ensure that the information system correctly identifies SASSA beneficiaries so that applications can be processed correctly.</li> </ul> |

Achieved

Not achieved

Table 2.3.2.4: Report against the re-tabled Annual Performance Plan: Programme 2 (continued)

| Programme 2: Student-Centred Model |        |                                                                                                                                                                                                                                                      |                                       |                                      |                                 |                              |                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|------------------------------------|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|--------------------------------------|---------------------------------|------------------------------|---------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcome                            | Output | Output Indicator                                                                                                                                                                                                                                     | Audited Actual Performance 2020/ 2021 | Audited Actual Performance 2021/2022 | Planned Annual Target 2022/2023 | Actual Achievement 2022/2023 | Deviation from planned target to Actual Achievement 2022/2023 | Reasons for deviations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|                                    |        | 3.2 Percentage of all continuing students for the current academic year, where provisional funding decisions are communicated to applicants within 30 working days                                                                                   | New indicator                         | New indicator                        | 90%                             | 90%<br>Achieved              | None                                                          | • None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|                                    |        | 3.3 Percentage of DHET-funded students with disabilities for which assistive devices are disbursed to the institution within 30 working days of the receipt of valid registration data, including an assistive device claim, being received by NSFAS | New indicator                         | New indicator                        | 90%                             | 33%<br>Not achieved          | (57%)                                                         | <ul style="list-style-type: none"> <li>The lack of disbursement system has led to the organisation not being able to effect a disbursement run during the last quarter of 2022/23 financial year. In addition, the lack of capacity in the disability unit.</li> <li>NSFAS is working on enhancing the student calculator (registration and disbursement system), which would mitigate the issue and time delays caused by manual processing of payments. Additional resources were included in the disability unit.</li> </ul> |

Achieved

Not achieved

Table 2.3.2.4: Report against the re-tabled Annual Performance Plan: Programme 2 (continued)

| Programme 2: Student-centred model                                                            |                                   |                                                                                                                                                                                              |                                       |                                      |                                 |                                                      |                                                               |                                                                                                                                                               |
|-----------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|--------------------------------------|---------------------------------|------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcome                                                                                       | Output                            | Output Indicator                                                                                                                                                                             | Audited Actual Performance 2020/ 2021 | Audited Actual Performance 2021/2022 | Planned Annual Target 2022/2023 | Actual Achievement 2022/2023                         | Deviation from planned target to Actual Achievement 2022/2023 | Reasons for deviations                                                                                                                                        |
|                                                                                               |                                   | 3.4 Percentage of continuing students where provisional funding process is completed within 30 working days of receipt of academic progression or academic results from Institutions or DHET | New indicator                         | New indicator                        | 90%                             | 90%<br>Achieved                                      | • None                                                        | • None                                                                                                                                                        |
|                                                                                               |                                   | 3.5 Percentage of DHET allocated bursary funds received and disbursed to funded students within each quarter                                                                                 | New indicator                         | New indicator                        | 90%                             | 89%<br>Not achieved                                  | • None                                                        | • Delays in registration processes at institutions made it difficult to submit registration data on time.                                                     |
| Engaged and informed stakeholders                                                             | Stakeholder engagements conducted | 4.1. Number of stakeholder engagements conducted                                                                                                                                             | New indicator                         | New indicator                        | 24                              | 8 Stakeholder engagements conducted.<br>Not achieved | • (16)                                                        | • The indicator was introduced in the last quarter of the 2022/23 financial year. The programme did not have sufficient plans to support planned performance. |
| Research and knowledge management database for improved decision-making and stakeholder needs | Research reports produced.        | 5.1 Number of research reports produced each financial year                                                                                                                                  | New indicator                         | 3<br>Not achieved                    | 4                               | Four (4) research reports produced<br>Achieved       | • None                                                        | • None                                                                                                                                                        |
|                                                                                               | Policy Advisory briefs produced   | 5.2 Number of policy advisory briefs per the research conducted                                                                                                                              | 4                                     | 11<br>Achieved                       | 1                               | 1<br>Achieved                                        | • None                                                        | • None                                                                                                                                                        |

## Linking performance with budgets

|                                              | 2022/23    |                    |                          | 2021/22    |                    |                          |
|----------------------------------------------|------------|--------------------|--------------------------|------------|--------------------|--------------------------|
| Programme                                    | Budget     | Actual Expenditure | (Over)/Under Expenditure | Budget     | Actual Expenditure | (Over)/Under Expenditure |
|                                              | R'000      | R'000              | R'000                    | R'000      | R'000              | R'000                    |
| Administration                               | 665 761    | 412 200            | 253 561                  | 482 060    | 354 710            | 127 350                  |
| Student Centred Financial Aid                | 59 739 653 | 41 096 333         | 18 643 320               | 40 156 471 | 36 567 434         | 3 589 037                |
| Depreciation and Amortisation and write-offs | 930 603    | 425 705            | 504 898                  | 1 340 785  | 1 495 407          | 154 622                  |

## Strategy to overcome areas of under performance

The following corrective measures have and/or are being implemented to improve the performance of the entity going forward.

**Outcome 2** – The entity is working on a new loan management system to remedy the systematic challenges that affect the recoveries process. NSFAS is also engaging stakeholders such as FNB and other collection service providers to stabilise the environment while a system is being procured.

**Outcome 3** – The entity is still experiencing challenges in disbursing funds to institutions and students due to ICT systems' defects. However, a new student calculator disbursement model has been developed and is currently being enhanced to strengthen its functionality to improve the disbursement system.

NSFAS has also developed an improved process of appeals to address challenges that were previously identified. The notable improvements include the improved systems which allow the student to appeal as soon as they have been rejected for funding. Students, particularly continuing students, previously used to lodge an appeal with their institutions; however, the process has changed to allow students to lodge their appeal directly from NSFAS and this was geared at ensuring consistency in appeals outcomes.

Furthermore, the categories under which a student may appeal are clearly defined with relevant supporting documentation that is required. Unfortunately, a large cohort of students continue to submit irrelevant documentation to the appeal reasons and constant communication and efforts are made to ensure students submit the correct supporting documents. An independent tribunal was established in 2023 to review the appeals processed by NSFAS and ensure that processes comply with funding policy and that students are treated fairly.

NSFAS has also launched a new direct payment system where all NSFAS beneficiaries at universities and TVET colleges will start receiving their allowances and transacting through the NSFAS bankcard as of the 2023 academic year. The new payment solution will alleviate challenges experienced through the current allowance payment method and appropriately cater to the ever-increasing number of beneficiaries and large amounts of funds to be disbursed.

**Outcome 6** – The entity has recently appointed an Executive in Risk, Governance, and Compliance. It is envisaged that this appointment will assist the entity in improving governance and compliance controls and mitigating risk-related challenges.

A service provider has been employed to fast track the close-out project and audit findings of the previous financial year with the aim of reconciling the payments between the institutions and NSFAS.

In terms of ICT governance, while commendable progress has been made in improving ICT governance, an external assessment revealed that NSFAS still has work to do to achieve the ultimate Level 5 of maturity. This assessment emphasises the ongoing commitment required by NSFAS to further enhance its ICT governance practices and strive for excellence across all facets of its ICT operations.

**Cyber Security Management** – The organisation will continue to improve the level of maturity with respect to cybersecurity management and will focus on the following areas as recommended by the NIST Framework:

- **Identify and assess risks:** Continue to conduct risk assessments to identify potential cybersecurity risks to our organisation's information and systems, and to determine the appropriate risk response actions.
- **Develop and implement appropriate safeguards:** Implement appropriate cyber security safeguards to mitigate identified risks and protect organisation's information and systems. This includes implementing security controls based on best practices and standards.
- **Monitor and respond to cyber threats:** Enhance capabilities to detect, respond, and recover from cybersecurity incidents. This includes implementing a comprehensive incident response plan and conducting regular training and awareness programmes for employees.

**Outcome 7–** NSFAS has finalised a fit for purpose organisational structure that will align the environment with its resources.

In the 2022/2023 financial year, the entity started the process of documenting roles and responsibilities for the new structure through projects of matching and placing, job description, and job evaluation. Furthermore, several policies have been subjected to an internal review process which was ultimately approved by the Board. The fit for purpose organisational structure will equip the entity in executing its mandate and enhance it to operate effectively. In addition to this, the organisation developed coaching and mentoring programmes both for senior management and executives to contribute towards high organisation culture and improved service delivery.

### 2.3.3. Revenue collection

|                   | 2022/23      |                            |                          | 2021/22      |                            |                          |
|-------------------|--------------|----------------------------|--------------------------|--------------|----------------------------|--------------------------|
| Recoveries monies | Estimate Rm  | Actual Amount Collected Rm | Over/ (Under) Collection | Estimate Rm  | Actual Amount Collected Rm | Over/ (Under) Collection |
| Recoveries monies | 388.5        | 199.7                      | (188.7)                  | 425.5        | 341.7                      | (83.8)                   |
| <b>Total</b>      | <b>388.5</b> | <b>199.7</b>               | <b>(188.7)</b>           | <b>425.5</b> | <b>341.7</b>               | <b>(83.8)</b>            |

NSFAS continues to recover loans from debtors. The announcement of a fee-free education has had a negative impact on the recoveries, with loan holders expecting their debt to be written off/ converted into bursaries. The historic debt settlement announcement by the DHET towards the end of the 2019/20 financial year has also contributed to unpaid debit orders by NSFAS debtors who were under the impression that their debts will be written off. An additional significant contributor to the reduction in recoveries is the absence of a loan management system within the organisation. NSFAS has developed and implemented the recoveries strategy which includes obtaining payroll deduction agreements from public sector employees and debit order mandates from private sector debtors via the engagement of external debt collectors. Collections from the public sector which is the key driver on recoveries continues to stagnate, despite a number of efforts made to increase collections. There has been a decline on recoveries target for the past three financial periods. Collections from the public sector, which were the key driver of performance in this area, stagnated despite a number of efforts made to increase collections.

As stipulated in the Mid-Term Strategic Framework (2019–2024) to prioritise issues of women, youth, and people with disabilities as a cross-cutting focus area of the developmental vision of the sixth administration; the entity strives to improve its gender representation in management positions. To achieve this agenda, NSFAS has committed to intensify its recruitment process with more emphasis on attracting an excellent calibre of women with the right skills and knowledge that will align to the entities' mandate.

The following strategies will be used to strengthen debt collection:

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

A background image showing several graduates in black gowns and white collared shirts. They are holding rolled-up white diplomas tied with red ribbons. The focus is on the hands and the diplomas, with the faces of the graduates blurred in the background. Overlaid on the right side is a large, semi-transparent circular graphic with concentric orange and yellow rings.

# **PART C**

# **GOVERNANCE**

## PART C

### 1. Governance

#### 3.1. Introduction

As outlined in the NSFAS Act, the Board assumes the critical role of being the Accounting Authority for NSFAS, and NSFAS is managed, governed, and administered by the Board. Composed of a balanced mix of non-executive directors possessing the necessary skills, the Board holds a central position in strategically guiding NSFAS and ensures impartiality and objectivity in its decision-making processes.

The previous NSFAS Executive Officer commenced their tenure on 1 December 2020, while the NSFAS Board officially commenced its duties on 1 January 2021, serving as the Accounting Authority for a designated four-year term as stipulated by the NSFAS Act.

This Board was dissolved in April 2024 when NSFAS was put under Administration and the new Administrator was appointed.

#### The responsibilities and duties of the NSFAS Board

The responsibilities and duties of the NSFAS Board are outlined as follows:

- **Absolute Responsibility and Accountability:** The Board assumes absolute responsibility for NSFAS's performance and is directly answerable to the Minister of Higher Education, Science, and Innovation. It provides strategic guidance to the organisation.
- **Compliance and Communication:** The Board diligently adheres to statutory obligations delineated in sections 50 to 55 of the Public Finance Management Act (PFMA), ensuring adherence to pertinent laws, regulations, and business codes. Transparent and open communication with stakeholders is prioritized.
- **Informed Decision-making:** Board members are granted unrestricted access to pertinent organisational information, facilitating informed decision-making in the best interest of NSFAS and its stakeholders.
- **Strategic Oversight:** The Board is responsible for formulating, monitoring, and evaluating NSFAS's strategic initiatives, annual performance plans, budgets, and business strategies. Key risk areas are identified and proactively managed.
- **Conflict Management:** The Board maintains vigilance in identifying and addressing potential conflicts of interest among management, Board members, and employees. Acceptance of unauthorized payments by Board members is strictly prohibited.

- **Delegation and Oversight:** Delegation of authority is meticulously outlined, with specific powers reserved for the Board. Delegated authority undergoes periodic review and evaluation.
- **Financial Oversight:** The Board approves NSFAS's annual financial statements, ensuring accuracy, adherence to accounting standards, and transparent presentation of financial affairs.
- **Board Evaluation:** An annual review of the Board's composition, skills, and individual contributions is conducted to enhance overall effectiveness.
- **Integrity and Governance:** Upholding the highest standards of integrity and accountability, the Board maintains a delicate balance between governance principles and organisational performance.

In essence, the NSFAS Board epitomises principles of transparency, accountability, and strategic vision, underscoring its commitment to the effective management of student financial aid resources.

#### Functions of NSFAS

The functions of NSFAS include:

- Allocating funds for loans and bursaries to eligible students.
- Developing criteria and conditions for the disbursement of loans and bursaries in consultation with the Minister.
- Raising funds as per the provisions of section 14(1).
- Recovering loans.
- Maintaining and analysing a database and conducting research to optimise financial resource utilisation.
- Advising the Minister on matters pertaining to student financial aid.
- Carrying out other functions as assigned by the NSFAS Act or the Minister.



### Board charter

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

- Adopting strategic plans.
- Monitoring of operational performance and management; and
- Determinating policy processes to ensure the integrity of the public entity risk management and internal controls,

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

### Composition of the Board

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

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

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

As at 31 March 2023, there was one resignation from Ms Lindiwe Matlali.

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

**ERNEST KHOSA****CHAIRPERSON****Area of Expertise**

Research and Governance

Date Appointed **01 Jan 21**Date Resigned **11 Apr 24****Qualifications**

- Higher Diploma in Company Law
- Master of Science (International Development Finance)
- Master of Arts (Development)
- B.A. (Honours)
- B.A. (Humanities)

**Board Directorships (List the entities)**

- Khosa Associates Executive Chairman 2005 – current
- SACAA – Chairman current

**YONKE TWANI****BOARD MEMBER****Area of Expertise**

Student leadership and Governance

Date Appointed **01 Jan 21**Date Terminated **11 Apr 24****Qualifications**

- N6 Public Management
- Tourism Level 4

**Board Directorships (List the entities)**

- Founder & CEO Organisation Masithethe South Africa (MSA) Period 2018 July-Present

**BAMANYE MATIWANE****BOARD MEMBER****Area of Expertise**

Student leadership and Governance

Date Appointed **01 Jan 21**Date Terminated **11 Apr 24****Qualifications**

Bachelor of Arts Honours in Sociology

**JULIE BEYA****BOARD MEMBER****Area of Expertise**

Project Management & Administration  
Internal & external stakeholder relations  
Formulating monitoring and evaluation tools

Date Appointed **01 Jan 21**  
Date Resigned **27 Mar 24**

**Qualifications**

- Postgraduate Diploma in Public & Development Management
- Postgraduate Diploma in Marketing Management
- Bachelor of Social Sciences Degree

**CYRIL MADAIBA****BOARD MEMBER****Area of Expertise**

Banking and financial services industry  
across auditing, investment banking,  
finance and change management

Date Appointed **01 Jan 21**  
Date resigned **04 Mar 24**

**Qualifications**

- BCom Accounting Degree
- BCom Accounting Honours Degree
- Chartered Accountant

**Board Directorships (List the entities)**

- Organisation: Cyril Ramaphosa Foundation  
Period: Nov 2019– Present | Role: Chairperson
- 
- Organisation: The Growth Switch  
Period: Feb 2020 – Present | Role: Founder

**MAX FUZANI****BOARD MEMBER****Area of Expertise**

Project management

Date Appointed **01 Jan 21**  
Date Terminated **11 Apr 24**

**Qualifications**

- BSc Sci Degree (Industrial Sociology and Government and Public Policy)
- Executive Development (NQF level 8)

**PUMELA MSWELI****BOARD MEMBER****Area of Expertise**

Governance and academic leadership

Date Appointed **01 Jan 21**

Date Terminated **11 Apr 24**

**Qualifications**

- PhD - Exeter University
- MPhil Development Finance
- Master's in business administration
- Postgraduate Diploma in Marketing
- Bachelor of Science

**SANELE ZONDI****BOARD MEMBER****Area of Expertise**

Strategy, stakeholder relations and communications

Date Appointed **01 Jan 21**

Date Resigned **25 Oct 23**

**Qualifications**

- Master's in Business Administration, MBA (NQF9)
- Board Leadership Programme Certificate
- Executive Development Programme Certificate
- BA Honours - Public Administration (NQF8)
- BTech Degree in Marketing (NQF7)
- Diploma in Marketing (NQF6)

**Board Directorships (List the entities)**

Umfolozi Technical and Vocational Education and Training College Designation: Chairperson of College Council | 15 November 2018– Currently serving

KZN Gaming and Betting Board Designation: Board Director (Non- Executive) | Period: 13 April 2018– Currently serving

Richards Bay Industrial Development Zone (RBIDZ) Designation: Board Director (Non- Executive) | Period: 15 November 2017–Currently serving

**LINDIWE MATALI****BOARD MEMBER****Area of Expertise**

Planning strategic business objectives and also implementing systems and processes to monitor and report on performance against agreed KPIs across all the business sectors

Date Appointed **01 Jan 21**

Date Resigned **01 Mar 23**

**Qualifications**

- Bachelor of Commerce in Economics and Statistics
- General Management Programme
- Board Leadership Core Programme
- Foundation Programme for Private Equity

**PRETTY MAKUKULE****BOARD MEMBER****Area of Expertise**

Financial Management

Date Appointed **01 Jan 21**Date Resigned **01 Sept 23****Qualifications**

- CA(SA)
- ACMA, CGMA
- MBA
- Post Graduate Diploma in Applied Accounting Science
- Advanced Diploma in Accounting Science
- Bcom

**RESHMA MATHURA****BOARD MEMBER****Area of Expertise**

Financial management, including financial reporting and governance, financial planning and budgeting, cost management, payroll, asset and expenditure management, revenue management, management of accounts receivable and payable, bank and cash management and treasury management.

Date Appointed **01 Jan 21**Date Terminated **11 Apr 24****Qualifications**

- MBA
- BCom (Hons)
- Bcom
- CA(SA)

**LISA SEFTTEL****BOARD CO- OPTED MEMBER****Area of Expertise**

Human resources and public relations

Date Appointed **01 Jan 21**Date Terminated **11 Apr 24****Qualifications**

- Bachelor of Arts
- Honours in Industrial Sociology
- Diploma in Public and Development Management

**MELOSI BALOYI****BOARD CO- OPTED MEMBER****Area of Expertise**

- Actuarial consulting experience
- Actuarial modelling and valuations – micro life insurance and reinsurance

Date Appointed **25 Feb 21**

Date resigned **11 Apr 2024**

**Qualifications**

- Fellow of the Actuarial Society of South Africa (FASSA)
- Fellow of the Actuarial Society of Kenya (FeASK) Microinsurance Practising Certificate holder
- Bsc Actuarial Science (cum laude), University of Pretoria
- Re1 Regulatory Examination: FSPs and Key Individuals in all Categories of FSPs

**Board Directorships (List the entities)**

- Actuarial Society of South Africa: Chairman of the Microinsurance Committee
- Actuaries Iekgotla - Deputy President
- Partner and CEO: Xivoni Actuaries and Consultants: December 2016 - Present
- Co-founder and CEO: Itenity Holdings: December 2019 - Present
- Founder and CEO: Baloyi ML Investment Holdings: December 2019 - Present



### 3.2. Committees

The following Board Committees are currently fully operational:

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

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

| Committee                                           | No. of meetings held | No. of members | Name of members                                                                                                                                                                                                                                                                |
|-----------------------------------------------------|----------------------|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Audit and Risk Committee                            | 8                    | 7              | <ul style="list-style-type: none"> <li>• Mr Bulelani Mahlangu (Chairperson)</li> <li>• Mr Phukuile Jonas Masudubele</li> <li>• Ms Nomahlubi Dube</li> <li>• Mr Alfred Makgato</li> <li>• Mr Reshma Mathura</li> <li>• Dr Len Konar</li> <li>• Adv Simthandile Peter</li> </ul> |
| Finance Committee                                   | 7                    | 5              | <ul style="list-style-type: none"> <li>• Mr Ernest Khosa</li> <li>• Ms Pretty Makukule</li> <li>• Ms Reshma Mathura</li> <li>• Mr Thomas Kgokolo</li> <li>• Ms Khumo Mzosovana</li> </ul>                                                                                      |
| Executive Committee                                 | 5                    | 6              | <ul style="list-style-type: none"> <li>• Mr Ernest Khosa</li> <li>• Ms Pretty Makukule</li> <li>• Mr Bamanye Matiwane</li> <li>• Mr Sanele Zondi</li> <li>• Prof Pumela Msweli</li> <li>• Mr Max Fuzani</li> </ul>                                                             |
| Human Resource Committee                            | 11                   | 3              | <ul style="list-style-type: none"> <li>• Mr Max Fuzani</li> <li>• Ms Julie Beya</li> <li>• Ms Lisa Sefta</li> </ul>                                                                                                                                                            |
| Information and Communications Technology Committee | 5                    | 3              | <ul style="list-style-type: none"> <li>• Mr Sanele Zondi</li> <li>• Ms Lindiwe Matlal</li> <li>• Mr Cyril Madiba</li> </ul>                                                                                                                                                    |
| Operations Committee                                | 11                   | 3              | <ul style="list-style-type: none"> <li>• Prof Pumela Msweli</li> <li>• Mr Yonke Twani</li> <li>• Mr Melusi Baloyi</li> </ul>                                                                                                                                                   |

## Remuneration of Board members

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

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

The National Treasury's circular on Board and committee remuneration provides clarity regarding the remuneration of public officials as employees of the national, provincial and local government or agencies and entities of government.

These members are not entitled to any additional remuneration for serving as Board members or committee members of public entities. The National Treasury's prescribed NSFAS Board remuneration rates determined at category B1 as follows:

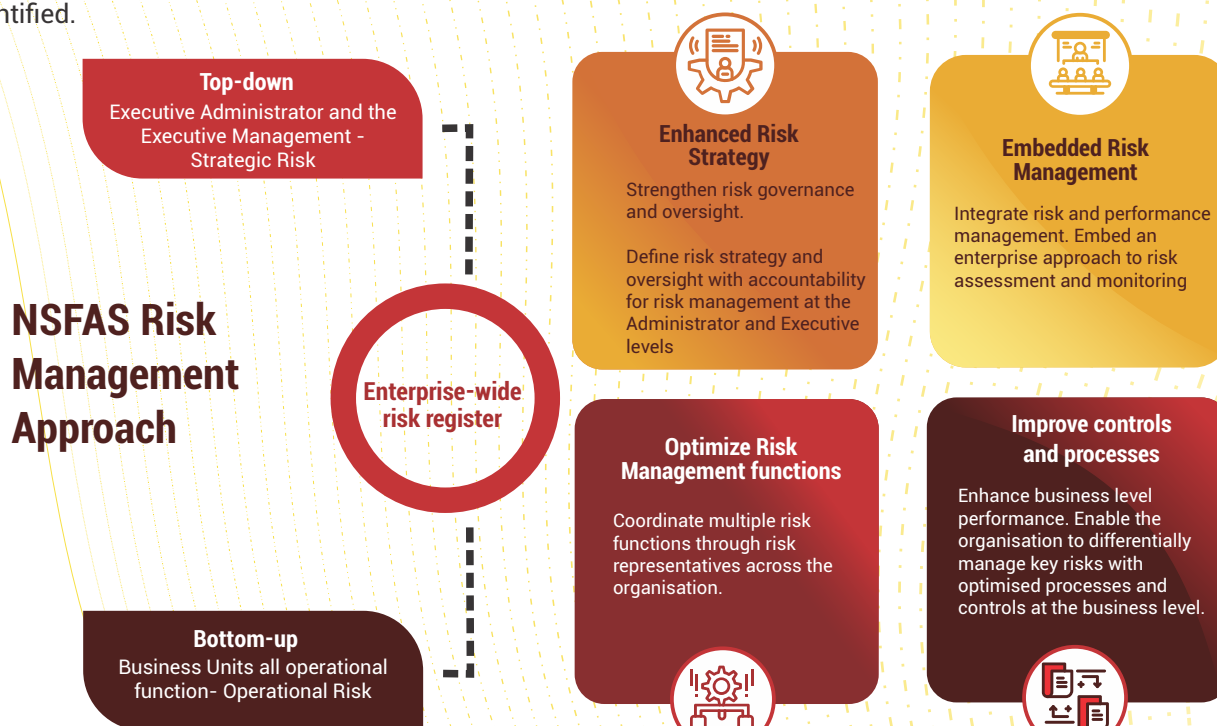
**Board member remuneration (including any fees related to interviews, board events and special board meetings):**

| Name                 | Meeting fee<br>R '000 | Other allowance<br>R'000 |
|----------------------|-----------------------|--------------------------|
| Mr. Ernest Khosa     | 408                   | 1412                     |
| Mr. Yonke Twani      | 155                   | 76                       |
| Mr. Bamanye Matiwane | 202                   | 413                      |
| Ms. Julie Beya       | 108                   | 82                       |
| Mr. Cyril Madiba     | 127                   | 27                       |
| Mr. Max Fuzani       | 160                   | 162                      |
| Prof. Pumela Msweli  | 136                   | 108                      |
| Mr. Sanele Zondi     | 127                   | -                        |
| Ms. Lindiwe Matlali  | 87                    | 13                       |
| Ms. Reshma Mathura   | 144                   | 13                       |
| Mr. Melusi Baloyi    | 106                   | 20                       |

### 3.3. Risk management

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

The Accounting Authority and Management team conducted an organisation strategic session. The purpose of the strategy session also included the alignment of the organisation's strategy to the strategic risks identified.



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

- Continuously providing risk management workshops and training to enable management to make risk-based decisions;
- Conducting quarterly risk management forums with the management team to discuss and prioritise risks;
- Identifying opportunities, matching the risk and the rewards in the organisation;
- Applying consistent risk management practices across the organisation; and

The strategic risks highlighted critical areas of focus and enforce accountability of the management team.

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

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

- Incorporating governance and risk management in the employment contracts of all employees.

The strategic risk profile was conducted and approved by the Accounting Authority. The strategic risks are continuously monitored and assessed for residual risk exposures. The objective of the risk assessment process is to:

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

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

The Audit and Risk Committee advises management on the overall system of risk management, especially the mitigation of unacceptable levels of risk. In addition, the Audit and Risk Committee advises NSFAS on its ongoing risk management and independently monitors the effectiveness of the system of risk management quarterly since the inception of the Audit and Risk Committee on 1 June 2020.

### 3.4. Internal control unit

NSFAS does not have an internal control unit.

### 3.5. Internal audit and audit committees

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

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

#### Objectives

The objectives of the internal audit are:

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

#### Activities

The internal audit's key activities are:

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

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

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

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

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

## Summary of internal audit work completed

During the period April 2022–March 2023, the in-house NSFAS Internal Audit function performed the following audit work in providing assurance to management:

- Two (2) standard audits focusing on the adequacy and effectiveness of controls and internal processes relating to:
  - The student value chain processes (applications); and
  - NSFAS Pre-Funder Relations End-to-End Process Audit.
- Eight limited-scope reviews focusing on specific processes or control deficiencies to assist management in identifying gaps or control breakdowns as well as the root causes for these for effective risk remediation.

## Audit and Risk Committee

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

Members consist of a two representative from DHET, independent members, as per the table below:

| Name                          | Qualifications                                                                                                                                                                | Internal or external                                                         | If internal, position in the public entity | Date appointed | Date Resigned | No. of Meetings attended |
|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|--------------------------------------------|----------------|---------------|--------------------------|
| Mr. Bulelani Mahlangu         | <ul style="list-style-type: none"> <li>• Bcom Accounting</li> <li>• Chartered Accountant (SA)</li> <li>• Msc Finance Management</li> </ul>                                    | Chair (Independent & External)                                               | N/A                                        | 15 May 2020    | N/A           | 8/8                      |
| Mr. Phukuile Jonas Masudubele | <ul style="list-style-type: none"> <li>• Bcom (Acc)</li> </ul>                                                                                                                | Member (Independent & External) (National Treasury Representative)           | N/A                                        | 15 May 2020    | N/A           | 7/8                      |
| MS Nomahlubi Dube             | <ul style="list-style-type: none"> <li>• BCom Honours (Business Management)</li> <li>• Professional Internal Auditor</li> </ul>                                               | Alternate Member (Independent & External) (National Treasury Representative) | N/A                                        | 15 May 2020    | N/A           | 6/8                      |
| Mr. Alfred Makgato            | <ul style="list-style-type: none"> <li>• Bcom (Acc)</li> </ul>                                                                                                                | Member (Independent and external) (DHET representative)                      | N/A                                        | 15 May 202     | N/A           | 8/8                      |
| Ms. Reshma Mathura            | <ul style="list-style-type: none"> <li>• MBA</li> <li>• Bcom (Hons)</li> <li>• B Com Accounting Chartered Accountant (SA)</li> </ul>                                          | Member (Independent and external)                                            | N/A                                        | 1 Feb 2021     | N/A           | 7/8                      |
| Dr. Len Konar                 | <ul style="list-style-type: none"> <li>• Doctor of Commerce</li> <li>• Master of Accounting Sciences</li> <li>• Postgraduate Diploma in Accounting</li> <li>• Bcom</li> </ul> | Member (Independent and external)                                            | N/A                                        | 1 Apr 2022     | N/A           | 8/8                      |
| Adv. Simthandile Peter        | <ul style="list-style-type: none"> <li>• LLB</li> </ul>                                                                                                                       | Member (Independent and external)                                            | N/A                                        | 1 Apr 2022     | N/A           | 7/8                      |

### 3.6. Compliance with laws and regulations

NSFAS remains committed to operating in compliance with all applicable legislations and regulations. Compliance is the outcome of NSFAS meeting its compliance obligations. It remains aligned with the NSFAS overall strategic objectives and the NSFAS Enterprise Risk Management Framework. An NSFAS Compliance Universe is in place to highlight overarching principles and commitment to action for the organisation to achieving compliance.

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

- The Constitution of the Republic of South Africa (Act 108 of 1996)
- Public Finance Management Act (Act 1 of 1999)
- NSFAS Act (Act 56 of 1999)
- The National Credit Act (Act 34 of 2005)
- Protection of Personal Information Act (Act 4 of 2013)
- Treasury regulations for departments, trading entities, constitutional institutions, and public entities

### 3.7. Fraud and corruption

**Fraud Prevention Plans and the progress made in implementing the fraud prevention plan**

We are in the process of compiling the formal prevention plan which will be submitted to the Executive for review. The fraud prevention plan has not been implemented fully as we are mainly focussed on reactive forensic work. The relevant policies are in place and fraud awareness sessions have been held with NSFAS staff during the financial year.

**Reporting pathways for forensic investigations**

Employees within the NSFAS and third parties have various pathways to escalate or bring matters that they would want to report to the attention of the Forensic Unit. The Forensic Unit can receive matters for investigation through the following pathways:

- **Vuvuzela Hotline** – The hotline is administered by an external service provider. Calls are received directly by the external service provider and referred to the Legal Unit who manages the hotline. Matters that appear to be fraudulent and corrupt in nature are referred to the Forensic Unit for investigation.
- **NSFAS management team** – The NSFAS management team may also refer matters of concern that have come to their attention to the Forensic Unit for investigation.

- **Direct referrals to the Forensic Unit** – Matters of concern may be referred directly to the Forensic Unit for further investigation by concerned employees or external stakeholders who may wish to remain anonymous.

#### Prioritisation process

Investigations will be prioritised in consultation with the CGRC and the CEO. Factors that are considered when prioritising cases are as follows:

- The impact of the allegation, if proven true.
- The strength of the case based on preliminary evidence.
- The extent to which the matter has been publicised and bears the risk of reputational damage.
- Legal obligations to investigate a matter.

#### Investigation process

All investigations shall be proportionate to the matter under review. Consideration shall be given to minimising the impact on business in the execution of an investigation without jeopardising the investigation itself. During the execution of the investigation, the forensic investigators may require the NSFAS staff to:

- Cooperate with the investigation by availing themselves for consultations with the forensic investigators.
- Provide forensic investigators with any records, information or data within the possession and control of staff.

The forensic investigators may also consult with external service providers and stakeholders relevant to the investigation.

After an investigation, a forensic investigation report accompanied by exhibits and annexures will be issued to relevant stakeholders.

## Preliminary investigation

Upon receipt of a reported matter the Forensic Unit will engage the reporter of the matter to gain an understanding of the issue that has been reported. During this stage the forensic investigator will:

- Assess the information presented and request any additional information necessary to ascertain whether further investigative work is required.
- The outcome of the findings of the forensic investigator's preliminary work that has been done will be discussed with the Lead: Forensic Investigator and CGRC.
- Once further confirmatory evidence is found that points to possible wrongdoing a full investigation will then be executed.

## Scoping of the investigation

Upon completion of the preliminary investigative work of the reported matter, the forensic investigators will establish the nature of the investigation and discuss this with the CGRC to determine the scope of the investigation.

The scope of the investigation must be identified and described for each investigation. The forensic investigator must assess and record as a minimum the following requirements for the forensic investigation:

- The allegation.
- Identify implicated individuals and departments.
- Geographic and business locations.
- Technical, data and other resource requirements.
- Potential risks and restrictions.
- Identify other individuals with knowledge who may not be implicated.
- The period to be covered by the investigation.

## Planning of the investigation

Once the scope of the investigation is established, the forensic investigators should proceed to plan the execution of the forensic investigation.

The details of the investigation plan will be discussed with the Manager: Forensic investigator, Lead: Forensic Investigator and CGRC. The various roles and responsibilities of team members within the investigation should be clearly identified.

The investigation plan should be shared with all team members and should be revisited throughout the investigation for relevance.

## Execution of forensic investigations

Various investigation procedures will be followed to ensure that evidence that is relevant to the investigation is obtained and managed accordingly.

## Reporting

The outcome of a forensic investigation must be reported to the relevant stakeholders and can be either written, or verbal or both.

## Post investigation requirements

Following the completion of the forensic investigation, the forensic investigator may be required to assist during any litigation process whether civil or criminal or any internal process.

- NSFAS HR department
- The state or
- Any other NSFAS legal counsel

## 3.7. Minimising conflict of interest

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

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

For the 2022-2023 financial year, no conflicts of interest were identified.

## 3.8. Code of Conduct

The primary purpose of the Code is to promote exemplary conduct. Due to the nature of the business of the organisation, confidentiality is always expected from employees and any breach is addressed properly. Employees are expected to adhere to the organisational policies and procedures. Notwithstanding this, an employee shall be guilty of misconduct and may be dealt with in accordance with the relevant legislation or collective agreements if they contravenes any provision of the Code of Conduct or fails to comply with any provision thereof.

### 3.9. Health, safety and environmental Issues

No health, safety or environmental issues were identified during the year under review.

### 3.10. Social responsibility

No social responsibility projects in the financial year under review were initiated.

### 3.11. Audit Committee report

#### Appointment of the Audit and Risk Committee (ARC)

The NSFAS Board appointed the current ARC effective 1 April 2022, and it operates under formally approved terms of reference.

#### Membership

The ARC is required to meet a minimum of 4 times per year as per its approved terms of reference. During their term, the following meetings were held:

| Member                               | Number of Meetings Attended |
|--------------------------------------|-----------------------------|
| Mr. B Mahlangu (Chairperson)         | 8/8                         |
| Dr. Len Konar                        | 8/8                         |
| Adv. Simthandile Peter-Gugwini       | 7/8                         |
| Ms. R Mathura (Board)                | 7/8                         |
| Mr. A Makgato (D HET)                | 8/8                         |
| Mr. P Masudubele (National Treasury) | 6/8                         |

The Chairperson of the ARC reports to the Accounting Authority quarterly, about the ARC's deliberations, decisions, recommendations, and approvals per its terms of reference.

#### Audit and Risk Committee responsibility

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

#### The effectiveness of internal control

Section 51(1)(a)(i) of the PFMA states that the Accounting Authority must ensure that a public entity has and maintains effective, efficient, and transparent systems of financial and risk management and internal control.

The NSFAS has an internal audit function that operates in terms of an approved Internal Audit Charter, and the ARC was satisfied that it operated independently of management. The ARC was also satisfied with the quality of the internal audit reports received during the year; the overall assessment of each engagement is set out in the table below.

The ARC was responsible for ensuring that the organisation's internal audit function is independent and has the necessary resources, skills, standing, and authority within the organisation to enable it to discharge its responsibilities effectively. The Internal Audit function has unrestricted access to the ARC.

The ARC reviewed and approved the Internal Audit Plan. Internal audit activities are measured against the approved internal audit plan and the Head: Internal Audit tables progress reports in this regard to the ARC.

The Internal Audit Unit was responsible for reviewing and providing assurance on the adequacy and effectiveness of the internal control environment across all of the significant areas of the organisation's operations. The Internal audit function is currently capacitated through a co-sourced model.

The following reports were issued by Internal Audit during the year:

| NAME OF THE AUDIT                                                                                             | CONTROL ENVIRONMENT ASSESSMENT |
|---------------------------------------------------------------------------------------------------------------|--------------------------------|
| <b>STANDARD AUDITS</b>                                                                                        |                                |
| The NSFAS 2021 Pre-Funder Relations End-to-End Process Audit                                                  | Poorly Controlled              |
| Applications 2022 – TVETs & Universities (Applications, Data Management, Case Management & Student Selection) | Unsatisfactory                 |
| <b>LIMITED SCOPE REVIEWS</b>                                                                                  |                                |
| Q4 2021/22 Annual Performance Plan Review                                                                     | Needs Improvement              |
| Tuition Cost Breakdown at Institutional Level – Factual Finding Review (TVET's)                               | Satisfactory                   |
| Tuition Cost Breakdown at Institutional Level – Factual Finding Review (UNIV)                                 | Needs Improvement              |
| 2021/22 Fruitless and Wasteful Expenditure – Factual Findings Review                                          | Needs Improvement              |
| Student Accommodation Verification & Inspection Review at the University of the Free State – QwaQwa Campus    | Unsatisfactory                 |
| Q1 2022/23 Annual Performance Plan Reporting Review                                                           | Needs Improvement              |
| Q2 2022/23 Annual Performance Plan Reporting Review                                                           | Needs Improvement              |
| Q3 2022/23 Annual Performance Plan Reporting Review                                                           | Needs Improvement              |

The findings listed above and in the previous audit, are consistent with the findings of the AGSA and point to a very weak and ineffective control environment at the NSFAS.

The general ICT control environment remains weak and significant shortcomings were identified in the area of data management, in terms of data accuracy, data extraction, data integrity, and data completeness.

The ARC has consistently raised the issue of lack of capacity, the absence of fit for purpose systems, and data integrity-related challenges. For example, at the time of writing this report, the CIO position has been vacant for more than a year. The ARC is not assured of the alignment of ICT governance to organisational decisions, regulatory requirements, and other ethical obligations of NSFAS.

The ARC is satisfied that adequate, objective internal audit policies and procedures exist and are being developed within the organisation and that the organisation's Internal Audit function has complied with the internal audit standards, and the required legal, regulatory, and other responsibilities as stipulated in its charter during the period under review.

### Risk and Compliance Management

The ARC was responsible for overseeing risk management and reviewing the internal controls, as such independent reviews on the effectiveness of the internal controls were conducted by the internal audit function, and they covered areas of financial, operational, compliance, and risk management.

The ARC has reviewed the risk register and the reports from management and is generally satisfied with the maturity of the risk management process.

Risk management interventions in general were minimal due to a lack of capacity; however, with the appointment of the Chief Risk Officer (CRO) in April 2023, we expect the situation to improve in the future.

Forensic and legal matters were consistently reported on, and the reports were comprehensive and acted upon.

Regarding fraud-related issues, there were approximately 50 matters that were reported to the Forensic Unit during the year under review, and as at 31 March 2023, 39 had been finalised, two were active, and nine were undergoing ongoing investigations. The ARC has urged the Unit to develop a comprehensive fraud prevention plan, amongst other interventions to address the shortcomings.

We note and appreciate the positive impact the SIU has had in terms of recovering some of the funds from the institutions that received funds in excess of their entitlement.

#### **In-Year Management and Quarterly Report**

NSFAS has been reporting quarterly to the National Treasury and the DHET, as required by the PFMA.

The ARC consistently flagged the issue of the financial sustainability of the NSFAS and agreed with the Internal Audit Unit on the concerns about inappropriate formulation and measurability of some of the KPIs. Data integrity has consistently been a problem and a challenge.

What further complicated the committee's governance and oversight responsibilities was that the adjusted APP for the year was approved just a few months before year-end.

#### **Evaluation of Financial Statements**

During the reporting period, the ARC reviewed the Annual Financial Statements and is satisfied that the Annual Financial Statements have been prepared in terms of GRAP and the PFMA.

The Annual Financial Statements were reviewed, with the following focus:

- Significant financial reporting judgements and estimates contained in the Annual Financial Statements.
- Clarity and completeness of disclosure and whether disclosures made have been set properly in context, including matters relating to any irregular, fruitless, and wasteful expenditure.
- Changes in the Accounting Policies and Practices.
- Significant adjustments resulting from the audit.
- Compliance with accounting standards and legal requirements.
- Explanation of the accounting treatment adopted.
- Reasons for year-on-year fluctuations.
- Asset valuations; and
- The basis for the going concern assumption.

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

- Reviewed and disclosures of the audited financial statements included in the annual report;
- Reviewed the AGSA Management Report and management's responses thereto;
- Reviewed the information on predetermined objectives included in the annual report; and
- Reviewed the significant adjustments resulting from the audit.

Significant progress has been made in terms of the close-out project; however, incomplete submissions by some of the institutions resulted in the NSFAS management not being able to conclude on the final amounts as at year-end.

#### **Programme Performance Information Management**

The ARC has noted the content and quality of management and quarterly reports prepared and issued during the year under review in compliance with the statutory framework.

During the period under review, quarterly reports were presented by management to enable the ARC to:

- Review and comment on compliance with statutory requirements and programme performance information best practices and standards.
- Review and comment on the alignment of the APP, budget, strategic plan, corporate plan, and APPs.
- Review and comment on the relevance of indicators to ensure that they are measurable and relate to services performed by the public entity.
- Review of reported non-compliance with legislation.
- Review of compliance with in-year reporting requirements.
- Assess internal audit reports on reviews carried out on quarterly performance reports.

The ARC reviewed the quarterly and annual reports of the organisation and the organisation's performance against predetermined objectives.

The ARC is satisfied that the annual performance report has been prepared in terms of the PFMA, the Treasury Regulations, and any other related regulatory requirements for reporting programme performance information.

### Material post year-end events

The ARC was particularly concerned about the emergence of the reports to the effect that the SCM processes had been greatly compromised during the reporting period. It has urged the Administrator to fully implement the recommendations of the investigations completed.

### Auditor's management report and auditor's report

Although some improvements have been observed by the AGSA within the NSFAS, the ARC notes the seriousness of the AGSA's findings, especially the repeat findings.

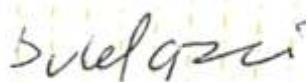
Management has attempted to address the findings related to the reported Material Irregularities. The ARC also appreciates the seriousness of these findings and the importance of resolving them speedily.

The ARC accepts and concurs with the conclusions of the AGSA on the annual financial statements.

The ARC is urging management to establish sufficient and appropriate capacity in order to deal with all the concerns identified by the AGSA and Internal Audit and reviewed by the ARC.

The ARC confirms that it has been actively involved throughout the audit process and has been thoroughly informed of the issues giving rise to the audit opinion.

The external audit function, performed by the AGSA, is independent of the organisation. The ARC has met with the external auditors to ensure that there are no unresolved issues.



Bulelani Mahlangu

Chairperson of the Audit and Risk Committee  
NSFAS

1 October 2024

### 3.13. B-BEEE compliance performance information

Has the entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1- 8) with regards to the following

| Criteria                                                                                                                                               | Response (Yes/No) | Discussion                                                                  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-----------------------------------------------------------------------------|
| Determine qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of the law? | N/A               |                                                                             |
| Developing and implementing a preferential procurement policy?                                                                                         | Yes               | It is included in the Supply Chain Management that was approved during 2023 |
| Determining qualification criteria for the sale of state-owned enterprises?                                                                            | N/A               |                                                                             |
| Developing criteria for entering into partnerships with the private sector?                                                                            | N/A               |                                                                             |
| Determining criteria for the awarding of incentives, grants, and investment schemes in support of Broad Based Black Economic Empowerment               | N/A               |                                                                             |



A photograph of four diverse students sitting on a set of stairs, engaged in a study session. In the foreground, a young man with glasses and a red jacket is smiling while looking at a book. Behind him, a young woman with curly hair is looking at a smartphone. To her right, a young man with curly hair is looking down at a book. In the background, another young man with a red beanie and glasses is smiling. The image is overlaid with a large, semi-transparent circular graphic with orange and yellow borders. The text 'PART D HUMAN RESOURCES MANAGEMENT' is written in bold, dark red capital letters within this graphic.

**PART D**  
**HUMAN**  
**RESOURCES**  
**MANAGEMENT**

## PART D

### 4. Human resources management

#### 4.1. Introduction

##### Overview of human resource matters at the public entity

The entity experienced major change during this period in the form of return-to-work post COVID as well as the introduction of a new organisational structure. Efforts were focused on the socialisation of the new organisational structure as well as change management pertaining to the matching and placing exercise. A centre of excellence approach was introduced to various service centres which were further capacitated with specialist and managerial positions.

##### Set human resource priorities for the year under review and the impact of these priorities

The human resources department embarked on a change management drive in order to socialise the new organisational structure to all departments. Improvements to the job design were concluded and a matching and placing exercise ensued where employees were aligned to roles at similar levels.

Outstanding job profiling will be conducted in the following year together with job evaluation once a service provider is procured. Labour as well as management will be trained on job evaluation in order to participate in the panel review sessions.

##### Status of the remuneration framework

These services are outsourced to 21ST Century. 21ST Century is tasked to develop a competitive remuneration framework for NSFAS.

The year under review saw a focus on management development, with coaching and mentoring for senior Managers being implemented. The NSFAS has engaged Executive management to prioritize the mentoring and coaching programmes for aim of developing dynamic leadership skills for the betterment of the individual leaders and their teams.

The coaching and mentoring programme are an extensive project that supports managers in the conscious career development, developing self-awareness and support them in continues attainment and improvement of leadership.

##### Employee performance management framework

The NSFAS utilises a performance management framework (PMF) to formalise the planning and management of individual performance. Individual and organisational performance management are integrated through the process of cascading organisational goals and objectives. In terms of the PMF, employees are required to complete a formal Individual Performance Contract (IPC) and four Individual Performance Reviews (IPRs) for the performance year. Given the amendment and approval of a new performance management policy during the first quarter of the financial year, a decision was taken to adjust the IPR submission requirement from four to three IPRs for the review period.

A significant improvement in performance management compliance has been achieved in the year under review, compared to the previous financial year. A total of 83.97% of staff concluded IPCs for the financial year, with 58.02% completing at least three IPRs for the performance cycle. Internal communications regarding the submission of IPCs and IPRs contributed to the year-on-year increase in submissions. Training refresher sessions were also conducted throughout the year to assist employees and line managers during the contracting and review periods. Moderation of performance scores for the 2022/2023 financial year will be conducted in the first quarter of the new financial year, to determine the applicability of performance-based rewards.

A breakdown of IPC and IPR submission is provided in the table hereunder:

| Department         | Headcount  | IPC submitted | IPR submitted | % IPC submitted | % IPR submitted |
|--------------------|------------|---------------|---------------|-----------------|-----------------|
| Corporate Services | 131        | 105           | 85            | 80.15%          | 64.89%          |
| Office of the CEO  | 8          | 0             | 0             | 0.00%           | 0.00%           |
| Operations         | 97         | 82            | 51            | 84.54%          | 52.58%          |
| Finance            | 49         | 48            | 30            | 97.96%          | 61.22%          |
| ICT                | 38         | 33            | 19            | 86.84%          | 50.00%          |
| GRC                | 8          | 8             | 3             | 100.00%         | 37.50%          |
| Human Resources    | 12         | 12            | 11            | 100.00%         | 91.67%          |
| <b>Total</b>       | <b>343</b> | <b>288</b>    | <b>199</b>    | <b>83.97%</b>   | <b>58.02</b>    |

#### Contractual Studies (BV)

NSFAS opened the contractual studies application period for employees to participate on the 20th of June to 7th October 2022 as we have done on previous years.

The organisation approved 52 employees for contractual studies for the year 2022-23. These applications included first applicants for first qualification, continuing students and additional postgraduate qualifications.

#### Talent acquisition

Given the prioritisation of finalising the organisation redesign programme and creating a fit for purpose structure, the acquisition of new talent was placed on hold. Only two positions were filled for the year under review. Plans are being developed to commence with the filling of vacancies that will be created upon completion of the new structure.

#### Process flow for both the bargaining unit and non-bargaining unit mandate-taking

The organisation embarked on a concerted effort to improve the relationship between management and employees, both represented and unrepresented employees. It was a deliberate decision with the aim of ensuring that the engaged workforce would be able to improve the delivery of the services to students. In the light thereof, there were engagements held in the National Bargaining Forum (NBF) on matters that required consultation or bargaining. A wage settlement was entered into after protracted engagements. It was ultimately implemented by the management.

#### Employee wellness programmes

The entity conducted an organisation-wide wellness day during the period under review. The wellness day included comprehensive wellness interventions such as health check screenings, financial planning and advisory services, and fitness and health-related activities. The entity also established a men's forum as a vehicle to address social issues affecting males in the workplace. A high tea was held for female employees to celebrate Women's Month. This initiative was instituted through the women's forum within the entity.

#### Policy development

The philosophy is to attract, retain, and enable high performance by ensuring that policies conform to supporting business and HR strategies which must be legislatively compliant, internally integrated, consistent across topics and disciplines and aligned to market best practice.

The following policies were approved by the Board during the financial year:

| HR Policy Name                                      | Existing | Date   |
|-----------------------------------------------------|----------|--------|
| Cell Phone and Data                                 | Yes      | Nov-22 |
| Conditions of Service                               | Yes      | Nov-22 |
| Declaration of Interest                             | Yes      | Nov-22 |
| Disciplinary                                        | Yes      | Jun-22 |
| Disciplinary Policy Annexure: Disciplinary Measures | Yes      | Jun-22 |
| Dress Code                                          | Yes      | Nov-22 |
| Employee Health and Wellness                        | Yes      | Nov-22 |
| Employee Position Movement                          | Yes      | Jun-22 |
| Employment Equity                                   | Yes      | Nov-22 |
| Grievance                                           | Yes      | Nov-22 |
| Harassment                                          | Yes      | Nov-22 |
| Internship                                          | Yes      | Nov-22 |
| Leave                                               | Yes      | Jun-22 |
| Performance Management                              | Yes      | Jun-22 |
| Recruitment and Selection                           | Yes      | Nov-22 |
| Relocation                                          | Yes      | Nov-22 |

#### Challenges faced by the public entity

After extensive work conducted by NSFAS Management, the new structure was approved by the Board at the commencement of the period under review. However, there have been challenges with the implementation of the new organisation structure. Delays in the finalisation of redesigned job descriptions, linked to the new structure, negatively impacted the job evaluation process. This, in turn, impacted the matching and placing exercise, where employees were to be migrated from the old structure to the new, Board-approved structure. Inefficiencies in the process negatively impacted the management – labour relationship, creating further challenges in the implementation of the new structure.

While the entity improved significantly in performance management compliance, moderation of performance scores revealed challenges in the quality of performance reviews conducted across the organisation.

Inefficiencies in the implementation of the new structure impacted the filling of existing vacancies. This was compounded by the additional vacancies brought about by the increase in headcount related to the new structure. The entity also saw a 20% termination rate at top and senior management levels, which is above the industry benchmark of 10%.

## 4.2. Human resources oversight statistics

### Personnel cost by programme / activity/ objective

| Programme/<br>activity / objective | Total expenditure<br>for the entity<br>R'000 | Total Personnel<br>Expenditure<br>R'000 | Personnel exp as a<br>% of total | Number of<br>Employees | Average Personnel<br>Expenditure per<br>employee<br>R'000 |
|------------------------------------|----------------------------------------------|-----------------------------------------|----------------------------------|------------------------|-----------------------------------------------------------|
| Salary Cost                        | 41 522 949                                   | 187 935                                 | 0,45%                            | 361                    | 520,596                                                   |

### Personnel Cost by Salary Band

| Level                    | Personnel<br>Expenditure | % of. Personnel<br>Expenditure to total<br>personnel<br>Expenditure | Number of<br>Employees | Average Personnel<br>Expenditure per<br>occupational level |
|--------------------------|--------------------------|---------------------------------------------------------------------|------------------------|------------------------------------------------------------|
| Top Management           | 10 710 694               | 5.7%                                                                | 5                      | 2 142 139                                                  |
| Senior Management        | 31 175 360               | 16.6%                                                               | 27                     | 1 154 643                                                  |
| Professionally qualified | 39 162 848               | 20.8%                                                               | 50                     | 783 257                                                    |
| Skilled Technical        | 49 352 520               | 27.2%                                                               | 92                     | 536 440                                                    |
| Semi-Skilled             | 55 815 855               | 29.7%                                                               | 187                    | 298 480                                                    |
| <b>TOTAL</b>             | <b>186,217,000</b>       | <b>100%</b>                                                         | <b>361</b>             | <b>515,836</b>                                             |

### Performance rewards

| Level                    | Personnel<br>Expenditure | Performance Rewards  | % of Performance<br>Rewards to Total |
|--------------------------|--------------------------|----------------------|--------------------------------------|
| Top Management           | R10 710 694              | R45 000.00           | 1.5%                                 |
| Senior Management        | R31 175 360              | R225 000.00          | 7.4%                                 |
| Professionally qualified | R39 162 848              | R399 500.00          | 13.2%                                |
| Skilled Technical        | R51 070 520              | R782 000.00          | 25.8%                                |
| Semi-Skilled             | R55 815 855              | R1 581 000.00        | 52.1%                                |
| <b>TOTAL</b>             | <b>R187,935,278</b>      | <b>R3,032,500.00</b> | <b>100%</b>                          |

## Training Costs

| Programme/ activity / objective | Training Expenditure R | Number of employees trained | Average training cost per employee R |
|---------------------------------|------------------------|-----------------------------|--------------------------------------|
| Coaching and Mentoring          | R283 645.56            | 28                          | R10 130.10                           |
| PDP                             | R1 540 065.44          | 106                         | R14 529.91                           |
| <b>TOTAL</b>                    | <b>R1 823 711</b>      | <b>134</b>                  | <b>R24 660</b>                       |



## Employment and vacancies

| Programme/ activity / objective | 2022/2023 Number of employees | 2022/2023 Approved posts | 2022/2023 Number of employees appointed | 2022/2023 Vacancies | % of Vacancies to Approved Posts |
|---------------------------------|-------------------------------|--------------------------|-----------------------------------------|---------------------|----------------------------------|
| Top Management                  | 5                             | 9                        | -                                       | 4                   | 1%                               |
| Senior Management               | 25                            | 46                       | -                                       | 21                  | 5%                               |
| Professionally qualified        | 47                            | 130                      | 1                                       | 82                  | 18%                              |
| Skilled Technical               | 92                            | 125                      | -                                       | 33                  | 7%                               |
| Semi-Skilled                    | 187                           | 145                      | 1                                       | -41                 | (9%)                             |
| Unskilled                       | -                             | -                        | -                                       | -                   | -                                |
| <b>TOTAL</b>                    | <b>356</b>                    | <b>455</b>               | <b>-</b>                                | <b>99</b>           | <b>22%</b>                       |

## Employment changes

| Salary Band              | Employment at beginning of period | Appointments | Terminations | Employment at end of period |
|--------------------------|-----------------------------------|--------------|--------------|-----------------------------|
| Top Management           | 5                                 | -            | 1            | 4                           |
| Senior Management        | 25                                | -            | 5            | 20                          |
| Professionally qualified | 47                                | 1            | 6            | 42                          |
| Skilled Technical        | 92                                | -            | -            | 92                          |
| Semi-Skilled             | 187                               | 1            | 9            | 179                         |
| Unskilled                | -                                 | -            | -            | -                           |
| <b>TOTAL</b>             | <b>356</b>                        | <b>2</b>     | <b>21</b>    | <b>337</b>                  |

## Reason for staff leaving

| Termination reason | Termination | % of total no. of staff leaving |
|--------------------|-------------|---------------------------------|
| Resignation        | 20          | 95,24                           |
| Dismissal          | 1           | 4,76                            |
| <b>TOTAL</b>       | <b>21</b>   | <b>100.00</b>                   |

## Trends per occupational level

Headcount at the end of 2020 (Jan-Dec) was 474 in comparison to headcount at the end of 2023 which was 347 with average turnover being 22%. This is significantly higher than the recommended benchmark of 10%.

25% of top management resigned over a four-year period. The highest resignation rates within the entity are amongst senior managers and Professionals. An average of 8 senior managers resigned over a 4-year period, followed by an average of 4 Professionals. Recruitment efforts are geared toward replacements at these levels.

The entity experienced a high turnover of senior managers during the COVID period.

## Labour Relations: Misconduct and Disciplinary Action

| Nature of Disciplinary Action | Number   |
|-------------------------------|----------|
| Verbal Warning                | -        |
| Written Warning               | -        |
| Final Written Warning         | -        |
| Dismissal                     | 1        |
| <b>TOTAL</b>                  | <b>1</b> |

## Equity Target and Employment Equity Status

| LEVEL                  | Male      |          |           |          |          |          |          |          |
|------------------------|-----------|----------|-----------|----------|----------|----------|----------|----------|
|                        | African   |          | Coloured  |          | Indian   |          | White    |          |
|                        | Current   | Target   | Current   | Target   | Current  | Target   | Current  | Target   |
| Top Management         | 3         | -        | -         | -        | -        | -        | -        | -        |
| Senior Management      | 10        | -        | 1         | -        | 5        | -        | 1        | -        |
| Professional qualified | 12        | -        | 9         | -        | 3        | -        | 4        | -        |
| Skilled Technical      | 23        | -        | 1         | -        | -        | -        | -        | -        |
| Semi-Skilled           | 28        | -        | 12        | -        | -        | -        | -        | -        |
| <b>Total</b>           | <b>76</b> | <b>-</b> | <b>23</b> | <b>-</b> | <b>8</b> | <b>-</b> | <b>5</b> | <b>-</b> |

No targets were in place during this period

| LEVEL                    | Female     |          |           |          |          |          |          |          |
|--------------------------|------------|----------|-----------|----------|----------|----------|----------|----------|
|                          | African    |          | Coloured  |          | Indian   |          | White    |          |
|                          | Current    | Target   | Current   | Target   | Current  | Target   | Current  | Target   |
| Top Management           | 2          | -        | -         | -        | -        | -        | -        | -        |
| Senior Management        | 6          | -        | 2         | -        | 1        | -        | 1        | -        |
| Professionally qualified | 14         | -        | 7         | -        | -        | -        | 1        | -        |
| Skilled Technical        | 46         | -        | 22        | -        | -        | -        | -        | -        |
| Semi-Skilled             | 102        | -        | 43        | -        | -        | -        | 2        | -        |
| <b>Total</b>             | <b>170</b> | <b>-</b> | <b>74</b> | <b>-</b> | <b>1</b> | <b>-</b> | <b>4</b> | <b>-</b> |

No targets were in place during this period

| LEVEL                    | Disabled Staff |        |         |        |
|--------------------------|----------------|--------|---------|--------|
|                          | Male           |        | Female  |        |
|                          | Current        | Target | Current | Target |
| Top Management           | -              | -      | -       | -      |
| Senior Management        | -              | -      | -       | -      |
| Professionally qualified | -              | -      | -       | -      |
| Skilled Technical        | -              | -      | 1       | -      |
| Semi-Skilled             | 1              | -      | 2       | -      |
| Total                    | 1              | -      | 3       | -      |





**PART E**  
**PFMA**  
**COMPLIANCE**  
**REPORT**

## PART E

### 5. PFMA compliance Report

#### 5.1. Information on irregular expenditure

##### Reconciliation of irregular expenditure

| Description                           | 2022/23<br>R   | 2021/22<br>R   |
|---------------------------------------|----------------|----------------|
| Opening balance                       | 84 328 598 315 | 82 397 245 315 |
| Add: Expenditure for the current year | 136 530 322    | 1 931 353 000  |
| Closing balance                       | 84 465 128 637 | 84 328 598 315 |

#### 5.2. Information on fruitless and wasteful expenditure

No fruitless and wasteful expenditure was reported for the year under review.

#### 5.3. Material losses

#### 5.4. Information on supply chain management

##### Contract entered into by "other means"

Tabled below are details of contracts entered into by "other means":

##### Contract variations and expansions

| Project description                                | Name of the supplier | Type of procurement by other means | Contract number | Value of the Contract R'000 |
|----------------------------------------------------|----------------------|------------------------------------|-----------------|-----------------------------|
| Caseware licences                                  | Adapt IT (Pty) Ltd   | Sole supplier                      | N/A             | R88,314                     |
| Caseware training                                  | Adapt IT (Pty) Ltd   | Sole supplier                      | N/A             | R6,307                      |
| OpenText Licence, Support and Maintenance services | OpenText SA (Pty)    | Sole supplier                      | N/A             | R2,514,053                  |

**Contract variations and expansions**

Tabled below are details of contract variations and expansions

| Project description                                                                             | Name of the supplier                                  | Contract modification type (expansion or variations) | Contract number | Original contract values | Value of previous contract expansion/s or variation/s (if applicable) | Value of the contract R'000 |
|-------------------------------------------------------------------------------------------------|-------------------------------------------------------|------------------------------------------------------|-----------------|--------------------------|-----------------------------------------------------------------------|-----------------------------|
| SAGE Accpac license and maintenance for 12 months.                                              | Adinga (Pty) Ltd                                      | Expansion                                            | RFQ 0135/2020   | R499 767                 | N/A                                                                   | N/A (time-based extension)  |
| Office lease premises for 5 years (additional fit-out cost for furniture and joinery services). | Dynamic SA (Pty) Ltd                                  | Variation                                            | SCMN 015/2021   | R154 282 347             | R15 000 000                                                           | R8 140 540                  |
| Provision of ServiceNow licenses for 12 months.                                                 | Quintica South Africa (Pty) Ltd                       | Variation                                            | RFQ071/2022     | R994 903                 | N/A                                                                   | R9 660                      |
| Data Centre Hosting Services for 3 years.                                                       | Liquid Telecommunications SA (Pty) Ltd                | Expansion                                            | SCMN 001/2019   | R7 406 280               | N/A                                                                   | R771 488                    |
| Infrastructure and Disaster Recovery Services for 3 years.                                      | Dimension Data (Pty) Ltd                              | Expansion                                            | SCMN 003/2019   | R15 102 659              | N/A                                                                   | R2 201 888                  |
| Provision of catering services for 12 months.                                                   | Fatima Ashraf Caterers CC                             | Expansion                                            | RFQ091/2021     | R400 000                 | N/A                                                                   | N/A (time-based extension)  |
| Provision of Physical Security Services for 12 months.                                          | Bokwe's Security Services                             | Variation                                            | RFQ064/2022     | R444 857                 | N/A                                                                   | R50 145                     |
| Supply of Groceries and consumables for 12 months.                                              | Parkerson Thomas Technologies t/a Office Technologies | Variation                                            | RFQ007/2022     | R299 000                 | N/A                                                                   | N/A                         |
| Leadership Coaching and Mentoring Programme.                                                    | Peas In A Pod (Pty) Ltd                               | Variation                                            | RFQ031/2022     | R818 644                 | N/A                                                                   | R114 610                    |
| Audit Findings Closure Assistance (Request from Finance Management Panel – SCMN009/2021).       | Ernst and Young Advisory Services (Pty) Ltd           | Variation                                            | SCMN 009/2021   | R1 522 781               | N/A                                                                   | N/A                         |
| Board Training Services.                                                                        | Peakfords Management Consultants                      | Expansion                                            | RFQ017/2022     | R499 999                 | N/A                                                                   | N/A (time-based extension)  |
| Provision of minute taking services for NSFAS Board Committees.                                 | Inkserv (Pty) Ltd                                     | Variation                                            | RFQ028/2022     | R435 500                 | N/A                                                                   | N/A                         |
| <b>Total</b>                                                                                    |                                                       |                                                      |                 |                          |                                                                       | <b>R11 288 331</b>          |



**PART F**

**FINANCIAL  
INFORMATION**

13,190.15

+0.98%

-0.63%

23,200.63

-0.39%

28,331.92

## PART F

### 6. Financial Information

#### 6.1. Accounting Authority Statement of Responsibilities and Approval

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999) to maintain adequate accounting records and 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 Accounting Authority to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

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

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

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

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

Financial statements are based upon appropriate accounting policies consistently applied and

supported by reasonable and prudent judgements and estimates.

The entity has disclosed irregular expenditure in note 36. It should be noted that most of the irregular expenditure was incurred in the prior periods, it was identified as part of the process to address the AGSA findings and part of a management clean-up exercise. Where possible and appropriate the Accounting Authority will institute consequence management. The entity will also initiate a process of applying to National Treasury for condonement of this irregular expenditure.

The Accounting Authority has reviewed the entity's cash flow forecast for the year ended 31 March 2023 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 AGSA is responsible for independently auditing and reporting on the entity's annual financial statements. The annual financial statements set out on pages 97 to 165, which have been prepared on the going concern basis, were approved by the Board and signed on its behalf by the Administrator on 30 September 2024.



Mr, Sithembiso Freeman Nomvalo Administrator

## 6.2. Report of the Auditor - General to Parliament on the National Student Financial Aid Scheme

### 6.2.1. Report on the audit of the financial statements

#### Adverse opinion

1. I have audited the financial statements of the National Student Financial Aid Scheme (NSFAS) set out on pages 97 to 165, which comprise the statement of financial position as at 31 March 2023, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, because of the significance of the matters described in the basis for adverse opinion section of this auditor's report, the financial statements do not present fairly, in all material respects, the financial position of the NSFAS as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

#### Basis for adverse opinion

##### Amounts owing by institutions, amounts due to institutions, amounts owing by students and amounts due to students

3. The entity did not reliably present assets and liabilities, linked to higher education institutions and students, in accordance with GRAP 1, Presentation of financial statements. The entity did not accurately reconcile cost of study records provided by institutions to the entity's own disbursement records. Amounts owing by institutions, amounts due to institutions and amounts due to students were overstated and amounts owing by students were understated. In addition, some higher education institutions did not submit evidence of student study records for some financial years. Consequently, I could not determine the value of these misstatements as it was impracticable to do so. There was a consequential impact on prepayments to institutions, student loans (current and non-current), deferred income from non-exchange transactions, accumulated surplus, bursaries – TVET colleges, bursaries – universities, related disclosure notes, note 35 prior-year adjustments, note 36 irregular expenditure, note 40 accounting by principals and agents, note 43 going concern and note 44 segment information. These misstatements are considered material and pervasive to the financial statements as a whole.

4. The entity did not assess at the end of the reporting period, and for the prior year, whether there was objective evidence that the balances owed by eligible students should be impaired in accordance with GRAP 104, Financial instruments. The entity did not consider the historic loss experienced for assets with similar credit risk profile and as such to impair the balance. Consequently, amounts owing by students are overstated and impairment loss understated for the current and the prior year. I could not determine the value of the misstatement as it was impracticable to do so.

##### Receivables from non-exchange transactions

5. The entity did not reliably present receivables linked to the funding of students, in accordance with GRAP 1, Presentation of financial statements. The entity did not correctly apply the criteria to only recognise valid unfunded students related to the current and prior years. Consequently, receivables from non-exchange transactions is overstated by R1 230,4 million (2022: R1 013,3 million), accumulated surplus is overstated by R1 013,3 million and bursary expenditure is understated by R217,1 million.
6. The entity did not assess at the end of the reporting period, and for the prior year, whether there was objective evidence that unfunded students were impaired in accordance with GRAP 104, Financial Instruments. The entity did not consider the historic loss experienced for assets with similar credit risk profile to impair the unfunded student balance. Consequently, receivables from non-exchange transactions is overstated and impairment loss understated for the current as well as the prior year. I could not determine the value of the misstatement as it was impracticable to do so.

##### Deferred income from non-exchange transactions

7. I was unable to obtain sufficient appropriate audit evidence for the deferred income balances due to the status of accounting records not configured to provide sufficient details per pre-funder. I was unable to confirm deferred income by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the closing balance stated at R2 883,8 million (2022: R2 765,3 million) in note 16 to the financial statements

**Trade and other payables**

8. I was unable to obtain sufficient appropriate audit evidence for the NSFAS Wallet – unutilised vouchers balance, as the entity did not provide supporting listings and schedules supporting the balance. I was unable to confirm these liabilities by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the NSFAS wallet – unutilised vouchers stated at R658,6 million in note 17 to the financial statements.

**Grants received for student awards**

9. The entity did not reliably the grants received from student awards in accordance with GRAP 1, Presentation of Financial Statements. The deferred income movement disclosed in note 24 did not agree to the underlying accounting records. Consequently, grants received for student awards is understated by R839,8 million (2022: overstated by R545,7 million), and bursary expenditure – universities is understated (2022: overstated) by the same amounts.

**Net cash flow from operating activities**

10. Net cash flows from operating activities was not correctly prepared and presented as required by Standards of GRAP 2, Cash flow statements. This was due to multiple errors made in determining cash flows from operating activities. I was not able to determine the full extent of the errors in the net cash flows from operating activities as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to cash flows from operating activities as stated at R2 659,0 million (2022: -R831,0 million) in the financial statements were necessary.

**Statement of comparison of budget and actual amounts**

11. The statement was not correctly prepared and presented as required by GRAP 24, Presentation of budget information in financial statements. This was due to multiple errors in various accounts in the statement of Comparison of Budget and Actual Amounts. Consequently, I was not able to determine the full extent of the errors in the statement, as it was impracticable to do so.

**Bursary expenditure**

12. The disclosure of bursary expenditure amounts in note 27 of the financial statements did not agree to the bursaries – universities per the statement of financial performance stated at R35 817,8 million (2022: R31 785,4 million), as required by GRAP 1, Presentation of financial statements. Consequently, note 27 to the financial statements, stated at R38 250,0 million (2022: R33 846,8 million), are overstated by R2 432,2 million (2022: R2 061,3 million).

**Prior-year adjustments**

13. The entity did not adequately include in the financial statement the prior year adjustment related to future student funding, as required by GRAP 3, Accounting Policies, Changes in Accounting Estimates and Errors, in note 35.15 stated at R2 471,5 million. Consequently, note 35.15 was understated by R61 722,0 million.

**Irregular expenditure**

14. The entity did not present irregular expenditure, in accordance with GRAP 1, Presentation of financial statements, because of continuing university students not meeting academic eligibility due to having not passed the minimum number of courses required. Consequently, irregular expenditure was understated. In addition, I was unable to confirm that all irregular expenditure was included in note 36 to the financial statements for both the current and prior year, as required by section 55(2)(b)(i) of the PFMA, as sufficient appropriate audit evidence was not provided to confirm that students met the applicable eligibility criteria for funding or that contracts existed. I was unable to confirm this by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the irregular expenditure incurred during the financial year stated at R136,5 million (2022: R1 931,4 million) in note 36 to the financial statements.
15. Furthermore, the narrative disclosures are not complete as they do not describe the circumstances of the non-compliance which resulted in the amounts incurred for the year. In addition, narrative disclosures under administrative matters in note 36 to the financial statements incorrectly included the disclosure of irregular expenditure relating to the overspending on bursaries to universities of R825,8 million. This narrative is an error as the budget on bursaries was not overspent.

16. The entity, in the prior year, used incorrect calculation data to calculate irregular expenditure related to a subset amount, named Amounts above the contract amount, which relates to instances where total disbursements to a student exceeds the maximum cap amount stipulated on the student's signed agreement. The data used did not agree to the signed agreements. Consequently, the irregular expenditure corresponding figure in note 36 to the financial statements was overstated by R780,2 million.

### Contingencies: Future student funding

17. The entity did not reliably disclose the sensitivity impact resulting from the assumptions for the contingent liability included in note 38.8 as required by GRAP 19, Provisions, Contingent Liabilities and Contingent Assets. Consequently, the change of 5% increase in the take-up rate or enrolment of continuing students as disclosed in the sensitivity analysis for contingent liabilities of future student funding, included in note 38.8 stated at R17 431,2 million was overstated by R790,2 million.

### Risk management

18. The entity did not disclose the summary quantitative data about its exposure to credit risk on amounts owing by students and receivables from non-exchange transactions and their credit quality, as required by GRAP 104, Financial instruments, in note 39. Consequently, the financial statements did not include information relating to the nature of all the disclosures requirements.

### Accounting for principals and agents

19. The entity did not appropriately disclose the agency fees earned from principal-agent arrangements, as required by GRAP 109, Accounting by principals and agents, in note 40 stated at R520,2 million. Consequently, note 40 was overstated by R482,6 million.
20. The disclosures made in note 40 were inconsistent with accounting policy note 1, as the values were not rounded to the nearest thousand. Consequently, the understandability of note 40 is impacted.
21. The entity did not disclose all its principal-agent arrangements in note 40, as is required by GRAP 109, Accounting by principals and agents. Consequently, the financial statements did not include all the disclosures required. Context for opinion.

### Context for opinion

22. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
23. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
24. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

### Responsibilities of the accounting authority for the financial statements

25. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the PFMA; and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
26. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

### Responsibilities of the auditor-general for the audit of the financial statements

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

28. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

### 6.2.2. Report on the audit of the annual performance report

29. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected programmes presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.
30. I selected the following programme presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected a programme that measures the entity's performance on its primary mandated functions and that is of significant national, community or public interest.

| Programme                          | Page numbers    | Purpose                                                                                                                                                                                                                                |
|------------------------------------|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Programme 2: Student-centred model | 27-31 and 35-38 | To increase access to funding for eligible students by raising funds, maximising loan recoveries and creating a student-centred bursaries model through improved communication support for students and a central application process. |

31. I was engaged to evaluate the reported performance information for the selected objective against the criteria developed from the performance management and reporting framework, as defined in the general notice. An annual performance report prepared using this criterion provides useful and reliable information and insights to the user of the report on the public entity's planning and delivery on their mandate and planned objectives.
32. The material findings on the performance information of the selected programme are as follows:

### Programme 2: Student-centred model

#### Various indicators

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

| Indicator                                                                                                                                                                                 | Planned annual target | Actual achievement |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------|
| 3.2 Percentage of continuing students where provisional funding process is completed within 10 days of receipt of academic progression or academic results from institutions or the DHET. | 90%                   | 5.86%              |
| 3.4 Percentage of funded university students for which the instalments of tuition and allowances to institutions are paid on the 25th day of every second month.                          | 90%                   | 77,1%              |
| 3.5 Percentage of TVET funded students for which the instalments of tuition and allowances (where NSFAS disburses directly to students or Institutions) are paid monthly (30 days).       | 90%                   | 61,9%              |

34. I could not determine if the reported achievements were correct as adequate supporting evidence was not provided for auditing. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved for the listed indicators based on the re-tabled annual performance plan.

| Indicator                                                                                                                                                                                                                                             | Planned annual target | Actual achievement |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------|
| 2.1 Amount of money recovered (rand value) from NSFAS debtors.                                                                                                                                                                                        | R388 500 000          | R199 790 276       |
| 3.1 Percentage of all valid applications for the current academic year received in the previous academic year, where provisional funding decisions are communicated to applicants by 6 February.                                                      | 90%                   | 52,3%              |
| 3.3 Percentage of DHET-funded students with disabilities for which assistive devices are disbursed to the institution within 30 working days of the receipt of valid registration data, including an assistive device claim, being received by NSFAS. | 90%                   | 33%                |

35. The below reported indicators were included in the approved annual performance plan but then not clearly defined during planning processes. It was also not determined how the related targets would be measured and what evidence would be needed to support the achievements. Consequently, the information might be less useful for measuring performance. Furthermore, I could not determine if the reported achievements were correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved for the listed indicators based on the re-tabled annual performance plan.

| Indicator                                                                                                                                                                                     | Planned annual target | Actual achievement |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------|
| 3.2 Percentage of all continuing students for the current academic year, where provisional funding decisions are communicated to applicants within 30 working days.                           | 90%                   | 90%                |
| 3.4 Percentage of continuing students where provisional funding process is completed within 30 working days of receipt of academic progression or academic results from Institutions or DHET. | 90%                   | 90%                |
| 3.5 Percentage of DHET allocated bursary funds received and disbursed to funded students within each quarter.                                                                                 | 90%                   | 89%                |

**Indicator: 1.1 Amount of funds (rand value) raised in the financial year under review from funders other than DHET for eligible students**

36. The indicator was included in the re-tabled annual performance plan not clearly defined during planning processes. It was also not determined how the related target would be measured and what evidence would be needed to support the achievement. Consequently, the information might be less useful for measuring performance.
37. Additionally, the reasons for the over achievement of the reported achievement of R56,9 million against the planned target of R48,3 million were not reported in the annual performance report based on planned indicators from the re-tabled annual performance plan.

**Other matter**

38. I draw attention to the matter below.

**Material misstatements**

39. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of the student-centred model. Management did not correct the misstatements, and I reported material findings in this regard.

**6.2.3. Report on compliance with legislation**

40. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.
41. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
42. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
43. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

**Annual financial statements**

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

## Revenue management

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

## Strategic planning

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

## Procurement and contract management

48. A competitive bid was adjudicated by a bid adjudication committee that was not composed in accordance with the policies of the entity, as required by Treasury Regulation 16A6.2(b).
49. A contract was awarded to a bidder based on evaluation/adjudication criteria that were not stipulated and/or differed from those stipulated in the original invitation for bidding as required by Treasury Regulation 16A6.3(a) and (b).

### 6.2.4. Other information in the annual report

50. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and the selected programme presented in the annual performance report that has been specifically reported on in this auditor's report.
51. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
52. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
53. I am unable to conclude whether the other information is materially misstated relating to the reported performance information because I was unable to obtain sufficient appropriate audit evidence for Programme 2: Student-centred model.
54. I did not receive the other information prior to the date of this auditor's report. When I do receive and

read the other information relating to the financial statements and compliance with legislation, and I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

### 6.2.5. Internal control deficiencies

55. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
56. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the adverse opinion, the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
57. Throughout the majority of the year under review, the organisation faced leadership instability and sustained vacancies in critical positions. Additionally, NSFAS lacked the requisite capacity and expertise within its finance and performance reporting units to effectively manage the intricate reporting demands encountered by the entity. The insufficient allocation of resources and staffing contributed to inefficiencies within the IT department, resulting in delayed issue resolution. Moreover, the resource constraints in the IT department created instability, compelling management to prioritise operational continuity over the formalisation of policies and procedures.
58. The NSFAS lacks sufficient information technology (IT) systems supporting its mandate. The lack of an integrated IT system between the entity and the institutions creates a large amount of manual effort, which is prone to errors with regard to the close-out process (COP), and also resulted in a lack of audit trail, due to institutions not providing final cost of study accounts and information within a reasonable time to test and confirm the inputs into the COP.
59. The NSFAS encountered significant challenges stemming from outdated and legacy IT systems that were no longer suitable for supporting key business operations. The existing infrastructure is inefficient and outdated, struggling to handle the current volume of applications and transactions. This has led to inaccurate and incomplete data, causing delays and errors in verifying student information and funding disbursements.

60. Although audit actions plans might have been developed, these actions were not sufficient or inadequately implemented to prevent the reoccurrence of findings raised in prior years during the review period of 2022-23.

61. Significant effort was expended by NSFAS to enhance the close-out process and improve associated processes. However, other issues related to the financial statements did not receive the necessary attention and persisted in the 2022-23 financial statements submitted for audit. As a result, the recurrence of similar findings has contributed to our modified audit opinion.

62. The same applies to the findings on the annual performance report, specifically regarding the usefulness of key performance indicators. The action plans did not adequately address the underlying root causes, which led to repeat findings related to usefulness of performance indicators.

63. Compliance findings reoccurred as controls and processes were not adequately implemented to prevent similar findings. Preventative controls were lacking resulting in non-compliance in the procurement process.

#### 6.2.6. Material irregularities

64. In accordance with the PAA and the Material Irregularity (MI) Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report.

#### Material irregularities identified during the audit

65. The material irregularities identified are as follows:

#### Annual financial statements not submitted for auditing (2023-24)

66. The annual financial statements for the financial year ending 31 March 2024 was not submitted for auditing by 31 May 2024, as required by section 55(1)(c) of the PFMA and resulted in delays in the following legislative processes being complied with for the financial year ending 31 March 2024:

- The auditing of the financial statements by the auditor-general;
- Submission of the audited financial statements and annual report to the executive authority responsible for the public entity
- The submission and tabling of the annual report in Parliament for oversight.

67. The non-compliance is likely to result in substantial harm to the public entity, as there are a lack of accountability and transparency for the fiscal and financial affairs.

68. I notified the NSFAS administrator of the material irregularity on 8 August 2024 and invited him to make a written submission on the actions that have been taken and/or that will be taken to address the non-compliance. The NSFAS administrator plan to submit the 2023-24 financial statements for auditing on 30 October 2024.

69. I will follow up on the implementation of the planned actions during my next audit.

#### Annual financial statements not submitted for auditing (2022-23)

70. The annual financial statements for the financial year ending 31 March 2023 was not submitted for auditing by 31 May 2023, as required by section 55(1)(c) of the PFMA and resulted in delays in the following legislative processes being complied with for the financial year ending 31 March 2023:

- The auditing of the financial statements by the auditor-general;
- Submission of the audited financial statements and annual report to the executive authority responsible for the public entity;
- The submission and tabling of the annual report in parliament for oversight.

71. The non-compliance was likely to result in substantial harm to the public entity, as there was a lack of accountability and transparency for the fiscal and financial affairs.

72. I notified the accounting authority of the material irregularity on 6 February 2024 and invited them to make a written submission on the actions that have been and/or that will be taken to address the matter.

73. On 3 June 2024, the annual financial statements for the year ended 31 March 2023 was received and the matter was resolved.

#### Status of previously reported material irregularities

##### Disbursement in excess of contract amount

74. The entity disbursed tuition fees and allowances to students above the maximum amounts stipulated in written agreements with the respective students. In some cases, this was due to the written agreements being incorrectly generated with erroneously low amounts, while in other cases this was because the entity disbursed more than the total cost of study for the students.

75. The over-disbursements occurred in the 2017-18 financial year. Effective internal controls as required by section 51(1)(a)(i) of the PFMA were not in place to prevent the over-disbursements.

76. The non-compliance is likely to result in a material financial loss if the over disbursements are not recovered from students and tertiary institutions.
77. I notified the NSFAS administrator (accounting authority at the time) of the material irregularity on 15 October 2020 and invited him to make a written submission on the actions that have been and/or that will be taken to address the matter.
78. The former accounting authority enlisted an external service provider on 16 March 2023, to assist with a full investigation to quantify all errors and to assist with the resolution of all scenarios where over-disbursements had occurred. This was termed the close-out project. The former accounting authority did not accurately quantify the cumulative over-disbursement as at 31 March 2022 and, I notified the former accounting authority on 4 November 2022 of the following recommendations, which had to be implemented by 4 August 2023:
- The financial loss relating to disbursements in excess of contract amount should be quantified. The quantification should focus exclusively on loan agreements and should consider the latest available information, including the results of the close-out project.
  - Appropriate action should be taken to obtain legal advice on the process to be followed to recover the money (disbursements in excess of contract amounts). Based on the legal advice, the feasibility and cost effectiveness of recovering the money should be determined. If it is determined that such recovery is feasible and cost effective, such money should be recovered.
79. The former accounting authority requested an extension for the implementation of the recommendations up to 30 August 2024, which was duly considered. An extension was granted up to 30 June 2024 for the implementation of the recommendation on condition that progress reports must be submitted on 31 January 2024 and 30 April 2024 detailing the progress that has been made in implementing the recommendations. The progress reports were submitted and duly assessed and feedback provided to the entity on the aspects that had to be addressed at the revised implementation date.
80. In June 2024, the NSFAS administrator requested a further extension for the implementation of the recommendation to 31 July 2025, which was duly considered and granted on condition that progress reports must be submitted on 30 November 2024 and 31 March 2025 detailing the progress that has been made with the close-out project and the assessment of the options available for recovering the financial loss suffered, as outlined in a legal opinion that was obtained.
81. I will follow up on the implementation of the recommendations at the revised due date.
- Collection of money owed by tertiary institutions.**
82. The entity is owed money by tertiary institutions (universities and TVET colleges) for monies not used by students due to students deregistering or being awarded bursaries from other donors, or due to disbursements exceeding the student's total cost of study. In such circumstances, the funds disbursed by the entity must be repaid. In the past, institutions declared the amounts as owing to the NSFAS through a process referred to as "final reporting". This process has not taken place for the vast majority of institutions for at least the past five financial reporting periods. The monies were not declared by the respective institutions and were thus not recorded in the accounting records and collected by the entity.
83. The above resulted in non-compliance with section 51(1)(a)(i) of the PFMA. The period for which the final reporting was not completed stretched from 1 April 2017 to 31 March 2022.
84. The non-compliance is likely to result in a material financial loss for the entity if the undeclared credits are not recovered from the relevant tertiary institutions.
85. I notified the former NSFAS administrator (accounting authority at the time) of the material irregularity on 4 November 2020 and he was invited to make a written submission on the actions that have been and/or that will be taken to address the matter.
86. The former accounting authority enlisted an external service provider on 16 March 2023, to assist with the reconciliation process between NSFAS data and institutions' data at a student level for the 2017, 2018, 2019, 2020 and 2021 academic years, as part of the close-out project. The former accounting authority did not accurately quantify the extent of over-disbursement and I notified the former accounting authority on 4 November 2022 of the following recommendations, which had to be implemented by 4 August 2023:
- The financial loss quantification for the 2017 to 2021 academic years relating to money owed by tertiary institutions should be re-performed. The quantification should consider the latest available information, including the results of the close-out project.
  - Appropriate action should be taken to recover the money owed by tertiary institutions. The recovery process should not be unduly delayed.
  - Reasonable steps should be taken to implement internal controls to detect money owed by tertiary institutions. The controls

should, at a minimum include:

- Regular reconciliations between the cash payments to institutions and the total of detailed disbursement schedules to determine if any excess payments exist.
  - Annual reconciliations between NSFAS, tertiary institutions and Higher Education Management Information System (HEMIS) data for each academic year.
- d. The current agreements between the NSFAS and the tertiary institutions should be revised. The revised agreements should, at a minimum include:
- The roles and responsibilities of both the NSFAS and the tertiary institutions in relation to performing the necessary reconciliations.
  - The necessary information tertiary institutions will be required to provide, and by when such information should be provided, to enable the reconciliations to be performed in a timely manner.
87. The former accounting authority requested an extension for the implementation of the recommendations up to 30 August 2024, which was duly considered. An extension was granted up to 30 June 2024 for the implementation of the recommendation on condition that progress reports must be submitted on 31 January 2024 and 30 April 2024 detailing the progress that has been made in implementing the recommendations. The progress reports were submitted and duly assessed and feedback provided to the entity on the aspects that had to be addressed at the revised implementation date.
88. In June 2024, the NSFAS administrator requested a further extension for the implementation of the recommendation to 31 July 2025, which was duly considered and granted on condition that progress reports must be submitted on 30 November 2024 and 31 March 2025 detailing the progress that has been made with the close-out project and the assessment of the options available for recovering the financial loss suffered, as outlined in a legal opinion that was obtained.
89. I will follow-up on the implementation of the recommendations at the revised due date.
91. Effective and appropriate steps to record and collect interest revenue were not taken as required by section 51(1)(b)(i) of the PFMA. The non-compliance is likely to result in a material financial loss if the interest is not recovered from loan recipients.
92. I notified the former NSFAS administrator (accounting authority at the time) of the material irregularity on 4 November 2020 and he was invited to make a written submission on the actions that have been and/or that will be taken to address the matter.
93. The former accounting authority enlisted an external service provider on 16 March 2023, to investigate the root causes, calculate the estimated interest loss and carry out a phased-in approach to correct the affected records, as part of the close-out project. The former accounting authority did not accurately quantify the interest and, I notified the former accounting authority on 4 November 2022 of the following recommendations, which had to be implemented by 4 August 2023:
- a. The financial loss relating to the interest not charged should be quantified, taking into account the latest available information, including the results of the close-out project.
  - b. Appropriate action should commence to recover all the interest not charged in accordance with the policies of the NSFAS. The recovery process should not be unduly delayed.
  - c. Reasonable steps should be taken to ensure that internal controls exist to verify that interest is charged on the loan management system in accordance with the policies of the NSFAS.
94. The former accounting authority requested an extension for the implementation of the recommendations up to 30 August 2024, which was duly considered. An extension was granted up to 30 June 2024 for the implementation of the recommendation on condition that progress reports must be submitted on 31 January 2024 and 30 April 2024 detailing the progress that has been made in implementing the recommendations. The progress reports were submitted and duly assessed and feedback provided to the entity on the aspects that had to be addressed at the revised implementation date.
95. In June 2024, the NSFAS administrator requested a further extension for the implementation of the recommendation to 31 July 2025, which was duly considered and granted on condition that progress reports must be submitted on 30 November 2024 and 31 March 2025 detailing the progress that has been made with the close-out project and the assessment of the options available for recovery of the financial loss suffered, as outlined in a legal opinion that was obtained.

### Interest not charged on student loan accounts

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

96. I will follow up on the implementation of the recommendations at the revised due date.

#### 6.2.7. Other reports

97. I draw attention to the following engagements conducted by other parties. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

98. The Special Investigation Unit (SIU) was issued with a presidential proclamation (R88 of 2022) to investigate the affairs of NSFAS relating to alleged mal-administration in relation to the management of the entity's finances as well as the allocation of loans, bursaries and any other funding payable to students in terms of the provisions of the National Student Financial Aid Scheme Act 56 of 1999. The investigation is still ongoing at the date of this report.

99. The former accounting authority appointed a law firm to investigate the allegations of irregularities relating to the appointment of direct payment service providers. It relates to an award made during the 2022/23 financial year and was tabled in a meeting of the former accounting authority on 18 October 2023. The investigation impacted irregular expenditure, and the non-compliance reported.

*Auditor-General*

Cape Town

30 September 2024



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



## 6.2.8. Annexure to the auditor's report

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

### Auditor-general's responsibility for the audit

#### Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programme and on the public entity's compliance with selected requirements in key legislation.

#### Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements.

My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

#### Communication with those charged with governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats

## Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

| Legislation                                                                                                  | Sections or regulations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|--------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Public Finance Management Act 1 of 1999 (PFMA)                                                               | Section 51(1)(a)(iv); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii)<br>Section 53(4)<br>Section 54(2)(c); 54(2)(d)<br>Section 55(1)(a); 55(1)(b); 55(1)(c)(i)<br>Section 56(1); 56(2) Section 57(b)<br>Section 66(3)©; 66(5)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR) | Treasury Regulation 8.2.1; 8.2.2<br>Treasury Regulation 16A 3.1; 16A 3.2; 16A 3.2(a); 16A 6.1;<br>16A6.2(a) & (b); 16A6.2(e); 16A<br>6.3(a); 16A 6.3(a)(i); 16A 6.3(b); 16A 6.3(c); 16A<br>6.3(d); 16A 6.3(e); 16A 6.4; 16A 6.5; 16A 6.6;<br>TR 16A.7.1; 16A.7.3; 16A.7.6; 16A.7.7; 16A<br>8.2(1); 16A 8.2(2); 16A 8.3; 16A 8.3(d); 16A 8.4;<br>16A9.1; 16A9; 16A9.1(b)(ii); 16A9.1(c); 16A<br>9.1(d); 16A 9.1(e); 16A9.1(f); 16A 9.2; 16A<br>9.2(a)(ii); TR 16A 9.2(a)(iii)<br>Treasury Regulation 30.1.1; 30.1.3(a); 30.1.3(b); 30.1.3(d);<br>30.2.1<br>Treasury Regulation 31.1.2(c)<br>Treasury Regulation 31.2.1; 31.2.5; 31.2.7(a)<br>Treasury Regulation 31.3.3<br>Treasury Regulation 32.1.1(a); 32.1.1(b); 32.1.1(c)<br>Treasury Regulation 33.1.1; 33.1.3 |
| Public Service Regulation                                                                                    | Public service regulation 13(c); 18; 18 (1) and (2);                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Prevention and Combating of Corrupt Activities Act 12 of 2004 (PRECCA)                                       | Section 34(1)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA)                                              | Section 1(l); 2.1(a); 2.1(b); 2.1(f)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| PPR 2017                                                                                                     | Paragraph 4.1; 4.2<br>Paragraph 5.1; 5.3; 5.6; 5.7<br>Paragraph 6.1; 6.2; 6.3; 6.5; 6.6; 6.8<br>Paragraph 7.1; 7.2; 7.3; 7.5; 7.6; 7.8<br>Paragraph 8.2; 8.5<br>Paragraph 9.1; 9.2<br>Paragraph 10.1; 10.2<br>Paragraph 11.1; 11.2<br>Paragraph 12.1 and 12.2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| PPR 2022                                                                                                     | Paragraph 3.1<br>Paragraph 4.1; 4.2; 4.3; 4.4<br>Paragraph 5.1; 5.2; 5.3; 5.4                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

## Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

| Legislation                                    | Sections or regulations                                                                          |
|------------------------------------------------|--------------------------------------------------------------------------------------------------|
| PFMA SCM Instruction No. 09 of 2022-23         | Paragraph 3.1; 3.3(b); 3.3©; 3.3(e); 3.6                                                         |
| National Treasury Instruction No.01 of 2015-16 | Paragraph 3.1; 4.1; 4.2                                                                          |
| NT SCM Instruction Note 03 2021-22             | Paragraph 4.1; 4.2(b); 4.3; 4.4; 4.4 (a); 4.4(c)-(d); 4.6<br>Paragraph 5.4<br>Paragraph 7.2; 7.6 |
| NT SCM Instruction 4A of 2016-17               | Paragraph 6                                                                                      |
| NT SCM Instruction Note 11 2020-21             | Paragraph 3.1; 3.4(a) and (b); 3.9; 6.1; 6.2; 6.7                                                |
| NT SCM Instruction Note 2 of 2021-22           | Paragraph 3.2.1; 3.2.2; 3.2.4(a) and (b); 3.3.1; 3.2.2<br>Paragraph 4.1                          |
| PFMA SCM Instruction 04 of 2022-23             | Paragraph 4(1); 4(2); 4(4)                                                                       |
| PFMA SCM Instruction 08 of 2022-23             | Paragraph 3.2<br>Par. 4.3.2; 4.3.3                                                               |
| Competition Act 89 of 1998                     | Section 4(1)(b)(ii)                                                                              |
| NT instruction note 4 of 2015-16               | Paragraph 3.4                                                                                    |
| Practice note 7 of 2009-10                     | Paragraph 4.1.2                                                                                  |
| Practice note 11 of 2008-9                     | Paragraph 3.1 Paragraph 3.1(b)                                                                   |
| NT Instruction Note 1 of 2021-22               | Paragraph 4.1                                                                                    |
| Public Service Act 103 of 1994                 | Section 30(1)                                                                                    |
| Employment of Educators Act 76v of 1998        | Section 33(1)                                                                                    |

## NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

### General Information

#### Country of incorporation and domicile

South Africa

#### Nature of business and principal activities

The nature of the activities of NSFAS is to provide financial assistance in the form of loans or bursaries to eligible students at Public Universities and Technical and Vocational Education and Training (TVET) colleges, and to administer such loans and bursaries. Following the pronouncement of the bursary funding programme by the former President of the Republic of South Africa in December 2017, financial assistance from the Department of Higher Education and Training (and certain other funders) to all eligible students is now in the form of bursaries from the 2018 academic year onwards. For students commencing studies prior to the 2018 academic year, and where financial assistance was provided in the form of loans, NSFAS is required to recover the loans from the students once they are employed and earning above R30 000 per annum.

#### Non-Executive Directors

|                                       |                             |
|---------------------------------------|-----------------------------|
| Ernest Khoza (Chairperson)            | Resigned on 11 April 2024   |
| Bamanye Matiwane (Board Member)       | Terminated on 11 April 2024 |
| Yonke Twani (Board Member)            | Terminated on 11 April 2024 |
| Jullie Beya (Board Member)            | Terminated on 11 April 2024 |
| Lindiwe Matlali (Board Member)        | Resigned on 1 March 2023    |
| Cyril Madiba (Board Member)           | Resigned on 4 March 2024    |
| Max Fuzani (Board Member)             | Terminated on 11 April 2024 |
| Pumela Msweli (Board Member)          | Terminated on 11 April 2024 |
| Sanele Zondi (Board Member)           | Resigned on 25 October 2023 |
| Pretty Makukule (Board Member)        | Resigned 1 September 2023   |
| Reshma Mathura (Board Member)         | Terminated on 11 April 2024 |
| Lisa Seftel (Board Co-opted Member)   | Terminated on 11 April 2024 |
| Melosi Baloyi (Board Co-opted Member) | Terminated on 11 April 2024 |

#### Administrator

Sithembiso Freeman Nomvalo

#### Registered office

The Halyard  
4 Christiaan Barnard Street  
Cape Town City Centre  
Cape Town  
8000

#### Business address

The Halyard  
4 Christiaan Barnard Street  
Cape Town City Centre  
Cape Town  
8000

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## General Information

---

**Postal address**

Private Bag X1  
Plumstead  
Cape Town  
7801

**Bankers**

FNB Corporate Bank (Cape Town), a division of FirstRand Bank Limited

**Auditors**

Auditor-General South Africa

**Website**

[www.nsfas.org.za](http://www.nsfas.org.za)

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Index

|                                                                                                                 | Page      |
|-----------------------------------------------------------------------------------------------------------------|-----------|
| Accounting Authority Statement of Responsibilities and Approval                                                 | 92        |
| Accounting Authority's Report                                                                                   | 93 - 96   |
| Statement of Financial Position                                                                                 | 97        |
| Statement of Financial Performance                                                                              | 98        |
| Statement of Changes in Net Assets                                                                              | 99        |
| Cash Flow Statement                                                                                             | 100       |
| Statement of Comparison of Budget and Actual Amounts                                                            | 101       |
| Accounting Policies                                                                                             | 102 - 119 |
| Notes to the Annual Financial Statements                                                                        | 120 - 165 |
| The following supplementary information does not form part of the annual financial statements and is unaudited: |           |
| General expenses                                                                                                | 166       |

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Accounting Authority Statement of Responsibilities and Approval

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and 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 Accounting Authority to ensure that the annual financial statements fairly present the state of affairs of the entity at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

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

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

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

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

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

The entity has disclosed irregular expenditure in note 36. It should be noted that most of the irregular expenditure was incurred in the prior periods, it was identified as part of the process to address the AGSA findings and part of a management clean-up exercise. Where possible and appropriate the Accounting Authority will institute consequence management. The entity will also initiate a process of applying to the National Treasury for the condonement of this irregular expenditure.

The Accounting Authority has reviewed the entity's cash flow forecast for the year ended 31 March 2023 and, in the light of this review and the current financial position, it is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The annual financial statements set out on pages 97 to 165, which have been prepared on a going concern basis, were approved by the Administrator on 30 September 2024.



**Sithembiso Freeman Nomvalo**  
Administrator

## Accounting Authority's Report

The members submit their report for the year ended 31 March 2023.

### 1. Review of activities

#### Main business and operations

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

#### Performance highlights

- 238 287 students were assisted at 50 TVET Colleges in the 2022 academic year and 270 134 in the 2021 academic year.
- 572 089 students were assisted at 26 public universities in the 2022 academic year compared to 555 950 in the 2021 academic year.
- For the 2022/23 financial year a total of R41.9bn was disbursed as compared to 2021/22 where a total of R36.6bn was disbursed. This includes:
  - R5.3bn (2022: R4.8bn) to TVET colleges.
  - R36.6bn (2022: R31.8bn) to universities.
- Total disbursements since inception amount to R255.8bn.
- Nominal value of loan balances: R42.3bn (2022: R41.06bn).
- Carrying value of loan balances: R4.8bn (2022: R5.1bn).
- Loan collections (repayments received) fell by 21 percent to R239 million after falling by 22 percent in the prior financial year.

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

| Results (Figures in R'000)                     | 2023         | 2022         |
|------------------------------------------------|--------------|--------------|
| New grants for student loans and bursaries (I) | 44 702 214   | 42 091 504   |
| Bursaries awarded                              | (41 096 333) | (36 567 434) |
| Operational expenses (II)                      | (412 200)    | (354 710)    |
| University bursaries (III)                     | (35 817 853) | (31 785 450) |
| TVET Colleges 100% bursaries (III)             | (5 278 480)  | (4 781 984)  |

- I. During the period under review grants were received from the South African Government via the Department of Higher Education and Training (DHET), the Department of Basic Education, the Department of Agriculture, Forestry and Fisheries, the Department of Defence and Military Veterans, the National Skills Fund, the Department of Justice and Constitutional Development, the Department of Social Development, KwaZulu-Natal Premier's Office, Chemical Industries and Training Authority, Fibre Processing and Manufacturing SETA, Food and Beverage SETA, Health and Welfare SETA, Insurance Sector Education and Training Authority, Safety and Security SETA, Services SETA, Wholesale and Retail SETA and various other donors.
- II. Operational expenses comprise personnel costs, consulting and professional fees, audit fees and general expenses.
- III. 100% Bursaries (bursaries awarded to University and TVET College students) less credit balances due to NSFAS by institutions.

### 2. Going concern

We draw attention to the fact that at 31 March 2023, the entity had an accumulated surplus (deficit) of R4 476 654 and that the entity's total assets exceeded its liabilities by R22 656 309.

The annual financial statements have been prepared based on 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. Nature of activities

NSFAS is mandated to provide financial assistance in the form of loans and bursaries to eligible students at public higher education institutions. NSFAS also disburses bursaries to students at Technical and Vocational Education and Training (TVET) colleges.

The activities include the administration of student loans and bursaries and the recovery of loans from students once they are employed and earning in excess of R30 000 per annum. Up to 40% of a student loan awarded in a particular year can be converted into a bursary dependent upon the number of courses a student passes in that year of study.

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

#### Repayment of student loans

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

#### Bursary programme

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

### 4. Effectiveness of internal controls

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

### 5. Assumption set used in the loan valuation model

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

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

#### Assumption setting history:

In the current year under review the assumptions were not changed materially but were reviewed to include experience for the 2022/23 financial year. In addition to this the payer definition was amended to only include debtors who had made payments in the preceding 2 years. The classification of student and debtor was also reconsidered to use externally available data (HEMIS) to determine this.

All the valuation effects have been accounted for appropriately.

### 6. Accounting Authority

The Minister of Higher Education and Training ordered the dissolution of the Board on 11 April 2024 in terms of section 17A (3) (a) of the National Student Financial Aid Scheme (NSFAS) Act (Act 56 of 1999), as amended. Mr. Sithembiso Freeman Nomvalo was appointed by the Minister in terms of sections 17A to 17D of the NSFAS Act as Administrator effective from the day that the Board was dissolved.

## Accounting Authority's Report

### 7. Non-Executive Directors

The Board Chairperson and Board Members of the entity during the 2022/2023 financial year were as shown below and their services were terminated on the 11 April 2024 when the entity was placed under administration.

| Name                                  | Resignation/Termination Dates |
|---------------------------------------|-------------------------------|
| Ernest Khoza (Chairperson)            | Resigned on 11 April 2024     |
| Bamanye Matiwane (Board Member)       | Terminated on 11 April 2024   |
| Yonke Twani (Board Member)            | Terminated on 11 April 2024   |
| Jullie Beya (Board Member)            | Terminated on 11 April 2024   |
| Lindiwe Matlali (Board Member)        | Resigned on 1 March 2023      |
| Cyril Madiba (Board Member)           | Resigned on 4 March 2024      |
| Max Fuzani (Board Member)             | Terminated on 11 April 2024   |
| Pumela Msweli (Board Member)          | Terminated on 11 April 2024   |
| Sanele Zondi (Board Member)           | Resigned on 25 October 2023   |
| Pretty Makukule (Board Member)        | Resigned on 1 September 2023  |
| Reshma Mathura (Board Member)         | Terminated on 11 April 2024   |
| Lisa Seftel (Board Co-opted Member)   | Terminated on 11 April 2024   |
| Melosi Baloyi (Board Co-opted Member) | Terminated on 11 April 2024   |

### 8. Corporate governance

#### General

The Accounting Authority exercises effective control over the entity, plans its strategy, and acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency, and effective communication both internally and externally by the entity under the NSFAS Act, as amended.

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

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

## Accounting Authority's Report

### 9. Student awards and repayments

| Figures in Rand thousand | Academic Year 2022 |                    | Academic Year 2021 |                    |
|--------------------------|--------------------|--------------------|--------------------|--------------------|
|                          | R'000              | Number of students | R'000              | Number of students |
| Universities             | (35 817 853)       | 572 089            | (31 785 450)       | 555 950            |
| TVET Colleges            | (5 278 480)        | 238 287            | (4 781 984)        | 270 134            |
|                          | (41 096 333)       | 810 376            | (36 567 434)       | 826 084            |

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

Since its inception in 1991, the entity has awarded approximately R255.8b (2021: R212.0b) in loans and bursaries to students, with a total of 6 185 537 students assisted (3 676 356 university students, 2 509 181 TVET students and 1 986 other institution students). For the year under review, the entity assisted 810 376 (2021: 826 084) students with awards.

Loan repayments excluding credits on fee accounts were at a monthly average of R19.9 million (2022: R28.4 million). The net amount recovered from debtors of R239 242 241 was 38% below the collections target of R388 500 000.

| Figures in Rand thousand                  | Academic Year 2022 |                    | Academic Year 2021 |                    |
|-------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                           | R'000              | Number of students | R'000              | Number of students |
| General / returning student allocation    | 24 502 977         | 391 487            | 1 991 154          | 72 974             |
| First time entrants                       | 11 913 305         | 162 807            | 30 202 611         | 463 589            |
| Students with disabilities                | 126 374            | 1 807              | 136 365            | 1 804              |
| National Skills Fund                      | 120 504            | 349                | 301 708            | 3 873              |
| SAICA partnership - Thuthuka Fund         | 50 290             | 722                | 61 633             | 771                |
| TVET bursaries                            | 5 278 480          | 238 287            | 4 628 875          | 270 134            |
| Funza Lushaka teacher bursaries           | 1 209 777          | 12 572             | 1 177 323          | 11 487             |
| Sector Education and Training Authorities | 9 851              | 76                 | 732                | 12                 |
| Other funding categories (I)              | 314 970            | 2 269              | 128 351            | 1 440              |
| Subtotal                                  | 43 526 528         | 810 376            | -                  | -                  |
| <b>Total</b>                              | <b>43 526 528</b>  | <b>810 376</b>     | <b>38 628 752</b>  | <b>826 084</b>     |

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

\* The difference in total compared to the Statement of Financial Performance is as a result of external funders removed due to Agent Principle, refer to note 40.

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

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Statement of Financial Position as at 31 March 2023

Figures in Rand thousand

|                                                 | Notes | 2023              | 2022<br>Restated* |
|-------------------------------------------------|-------|-------------------|-------------------|
| <b>Assets</b>                                   |       |                   |                   |
| <b>Current Assets</b>                           |       |                   |                   |
| Inventories                                     | 3     | 53 894            | 214 192           |
| Prepayments to institutions                     | 4     | 5 142 237         | 2 070 926         |
| Student loans                                   | 5     | 359 810           | 419 373           |
| Amounts owing by institutions*                  | 6     | 10 752 449        | 9 035 977         |
| Receivables from exchange transactions          | 7     | 613               | 11 407            |
| Amounts owing by students*                      | 11    | 1 165 860         | 897 872           |
| Receivables from non-exchange transactions*     | 12    | 3 512 066         | 4 737 160         |
| Cash and cash equivalents                       | 8     | 13 850 397        | 11 227 518        |
|                                                 |       | <b>34 837 326</b> | <b>28 614 425</b> |
| <b>Non-Current Assets</b>                       |       |                   |                   |
| Property, plant and equipment*                  | 9     | 34 932            | 21 694            |
| Intangible assets                               | 10    | 10 377            | 1 959             |
| Student loans                                   | 5     | 4 458 631         | 4 634 782         |
|                                                 |       | <b>4 503 940</b>  | <b>4 658 435</b>  |
| <b>Total Assets</b>                             |       | <b>39 341 266</b> | <b>33 272 860</b> |
| <b>Liabilities</b>                              |       |                   |                   |
| <b>Current Liabilities</b>                      |       |                   |                   |
| Operating lease liability                       |       | 4 322             | 1 498             |
| Provisions                                      | 13    | 23 423            | 24 934            |
| Amounts due to students*                        | 14    | 1 954 221         | 1 641 331         |
| Amounts due to institutions*                    | 15    | 11 063 746        | 10 042 339        |
| Deferred income from non-exchange transactions* | 16    | 1 496 145         | 1 437 703         |
| Trade and other payables                        | 17    | 755 470           | 617 766           |
|                                                 |       | <b>15 297 327</b> | <b>13 765 571</b> |
| <b>Non-Current Liabilities</b>                  |       |                   |                   |
| Deferred income from non-exchange transactions  | 16    | 1 387 632         | 1 327 634         |
| <b>Total Liabilities</b>                        |       | <b>16 684 959</b> | <b>15 093 205</b> |
| <b>Net Assets</b>                               |       | <b>22 656 307</b> | <b>18 179 655</b> |
| Reserves                                        |       |                   |                   |
| Accumulated surplus*                            |       | 22 656 307        | 18 179 655        |
| <b>Total Net Assets</b>                         |       | <b>22 656 307</b> | <b>18 179 655</b> |

\* See Note 35

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Statement of Financial Performance

Figures in Rand thousand

|                                                                                 | Notes | 2023                | 2022<br>Restated*   |
|---------------------------------------------------------------------------------|-------|---------------------|---------------------|
| <b>Revenue</b>                                                                  |       |                     |                     |
| <b>Revenue</b>                                                                  |       |                     |                     |
| Commission received                                                             | 18    | 101                 | 102                 |
| Administration fees                                                             | 19    | 43 189              | 44 590              |
| Interest revenue                                                                | 20    | 1 295 546           | 843 240             |
| Other income                                                                    | 21    | 2 925               | 1 786               |
| <b>Total revenue from exchange transactions</b>                                 |       | <b>1 341 761</b>    | <b>889 718</b>      |
| <b>Revenue from non-exchange transactions</b>                                   |       |                     |                     |
| Unallocated debtor receipts                                                     | 22    | 355                 | 813                 |
| Administration grants                                                           | 23    | 366 562             | 367 782             |
| Grants received for student awards*                                             | 24    | 44 702 214          | 42 091 504          |
| <b>Total revenue from non-exchange transactions</b>                             |       | <b>45 069 131</b>   | <b>42 460 099</b>   |
| <b>Total revenue</b>                                                            |       | <b>46 410 892</b>   | <b>43 349 817</b>   |
| <b>Expenditure</b>                                                              |       |                     |                     |
| Employee related costs                                                          | 25    | (186 217)           | (194 785)           |
| Depreciation and amortisation*                                                  | 26    | (14 416)            | (6 647)             |
| Bursaries - TVET Colleges                                                       | 27    | (5 278 480)         | (4 781 984)         |
| Bursaries - Universities*                                                       | 27    | (35 817 853)        | (31 785 450)        |
| Audit fees                                                                      | 28    | (15 332)            | (9 644)             |
| Consulting and professional fees                                                | 29    | (66 945)            | (59 356)            |
| General expenses                                                                |       | (143 706)           | (90 925)            |
| <b>Total expenditure</b>                                                        |       | <b>(41 522 949)</b> | <b>(36 928 791)</b> |
| <b>Operating surplus</b>                                                        |       | <b>4 887 943</b>    | <b>6 421 026</b>    |
| Loss on disposal of property, plant and equipment                               |       | -                   | (298)               |
| Impairment - student loans                                                      | 5     | (390 801)           | (1 485 215)         |
| Inventories losses/write-downs                                                  | 3     | (20 488)            | -                   |
| Impairment (reversal)/loss - Amounts owing by institutions long-term (exchange) |       | -                   | (3 247)             |
|                                                                                 |       | <b>(411 289)</b>    | <b>(1 488 760)</b>  |
| <b>Surplus for the year</b>                                                     |       | <b>4 476 654</b>    | <b>4 932 266</b>    |

\* See Note 35

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Statement of Changes in Net Assets

| Figures in Rand thousand                     | Accumulated surplus | Surplus for the year | Total net assets  |
|----------------------------------------------|---------------------|----------------------|-------------------|
| Opening balance as previously reported       | 13 882 022          | -                    | 13 882 022        |
| Prior year adjustments (see note 35)         | (634 634)           | -                    | (634 634)         |
| <b>Balance at 01 April 2021 as restated*</b> | <b>13 247 388</b>   | <b>-</b>             | <b>13 247 388</b> |
| Changes in net assets                        |                     |                      |                   |
| Surplus for the year as previously reported  | -                   | 6 394 028            | 6 394 028         |
| Prior year adjustments Note 35               | -                   | (1 461 762)          | (1 461 762)       |
| Restated surplus for period *                | -                   | 4 932 266            | -                 |
| Transfer of income surplus to trust capital  | 4 932 266           | (4 932 266)          | -                 |
| Total changes                                | 4 932 266           | -                    | 4 932 266         |
| <b>Balance at 01 April 2022 as restated*</b> | <b>18 179 655</b>   | <b>-</b>             | <b>18 179 655</b> |
| Changes in net assets                        |                     |                      |                   |
| Surplus for the year                         | -                   | 4 476 654            | 4 476 654         |
| Transfer of income surplus to trust capital  | 4 476 654           | (4 476 654)          | -                 |
| Total changes                                | 4 476 654           | -                    | 4 476 654         |
| <b>Balance at 31 March 2023</b>              | <b>22 656 309</b>   | <b>-</b>             | <b>22 656 309</b> |
| Note(s)                                      | 35                  |                      |                   |

\* See Note 35

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Cash Flow Statement

Figures in Rand thousand

|                                                             | Note(s)   | 2023                | 2022<br>Restated*   |
|-------------------------------------------------------------|-----------|---------------------|---------------------|
| <b>Cash flows from operating activities</b>                 |           |                     |                     |
| <b>Receipts</b>                                             |           |                     |                     |
| Grants for student awards and administration costs          |           | 48 179 060          | 40 659 135          |
| Student loan repayments - capital                           |           | 239 597             | 303 532             |
|                                                             |           | <b>48 418 657</b>   | <b>40 962 667</b>   |
| <b>Payments</b>                                             |           |                     |                     |
| For student awards                                          |           | (45 316 701)        | (41 264 782)        |
| To employees and suppliers                                  |           | (443 006)           | (528 798)           |
|                                                             |           | <b>(45 759 707)</b> | <b>(41 793 580)</b> |
| <b>Net cash flows from operating activities</b>             | <b>32</b> | <b>2 658 950</b>    | <b>(830 913)</b>    |
| <b>Cash flows from investing activities</b>                 |           |                     |                     |
| Purchase of property, plant and equipment*                  | 9         | (23 101)            | (18 291)            |
| Proceeds from sale of property, plant and equipment*        | 9         | -                   | 590                 |
| Purchase of other intangible assets                         | 10        | (12 970)            | -                   |
| <b>Net cash flows from investing activities</b>             |           | <b>(36 071)</b>     | <b>(17 701)</b>     |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |           | <b>2 622 879</b>    | <b>(848 614)</b>    |
| Cash and cash equivalents at the beginning of the year      |           | 11 227 518          | 12 076 132          |
| <b>Cash and cash equivalents at the end of the year</b>     | <b>8</b>  | <b>13 850 396</b>   | <b>11 227 518</b>   |

\* See Note 35

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|  | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference to note |
|--|-----------------|-------------|--------------|------------------------------------|--------------------------------------------|-------------------|
|--|-----------------|-------------|--------------|------------------------------------|--------------------------------------------|-------------------|

Figures in Rand thousand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

|                                                 |                  |                |                  |                  |                  |      |
|-------------------------------------------------|------------------|----------------|------------------|------------------|------------------|------|
| Commission received                             | -                | -              | -                | 101              | 101              |      |
| Administration fees                             | 58 654           | -              | 58 654           | 43 189           | (15 465)         |      |
| Interest received                               | 1 339 587        | 2 120          | 1 341 707        | 1 295 546        | (46 161)         | 45.1 |
| Other income                                    | 37 856           | 186 908        | 224 764          | 2 925            | (221 839)        | 45.2 |
| <b>Total revenue from exchange transactions</b> | <b>1 436 097</b> | <b>189 028</b> | <b>1 625 125</b> | <b>1 341 761</b> | <b>(283 364)</b> |      |

##### Revenue from non-exchange transactions

|                                                     |                   |                   |                   |                   |                     |      |
|-----------------------------------------------------|-------------------|-------------------|-------------------|-------------------|---------------------|------|
| Unallocated debtors receipts                        | -                 | -                 | -                 | 355               | 355                 |      |
| Administration grants                               | 312 562           | 119 000           | 431 562           | 366 562           | (65 000)            |      |
| Grants received for student awards                  | 47 219 393        | 11 180 673        | 58 400 066        | 44 702 214        | (13 697 852)        | 45.3 |
| <b>Total revenue from non-exchange transactions</b> | <b>47 531 955</b> | <b>11 299 673</b> | <b>58 831 628</b> | <b>45 069 131</b> | <b>(13 762 497)</b> |      |
| <b>Total revenue</b>                                | <b>48 968 052</b> | <b>11 488 701</b> | <b>60 456 753</b> | <b>46 410 892</b> | <b>(14 045 861)</b> |      |

#### Expenditure

|                                                                                                      |                     |                     |                     |                     |                   |      |
|------------------------------------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|-------------------|------|
| Employee related costs                                                                               | (237 242)           | 33 019              | (204 223)           | (186 217)           | 18 006            |      |
| Depreciation and amortisation                                                                        | (7 309)             | -                   | (7 309)             | (14 416)            | (7 107)           | 45.4 |
| Consulting and professional fees                                                                     | (19 915)            | (206 457)           | (226 372)           | (66 945)            | 159 427           | 45.5 |
| Bursaries - TVET Colleges                                                                            | (7 274 907)         | (3 288 147)         | (10 563 054)        | (5 278 480)         | 5 284 574         | 45.6 |
| Bursaries - Universities                                                                             | (39 944 485)        | (9 232 114)         | (49 176 599)        | (35 817 853)        | 13 358 746        | 45.7 |
| Audit fees                                                                                           | (7 633)             | (7 524)             | (15 157)            | (15 332)            | (175)             |      |
| General expenses                                                                                     | (139 648)           | (80 361)            | (220 009)           | (143 706)           | 76 303            | 45.8 |
| <b>Total expenditure</b>                                                                             | <b>(47 631 139)</b> | <b>(12 781 584)</b> | <b>(60 412 723)</b> | <b>(41 522 949)</b> | <b>18 889 774</b> |      |
| <b>Operating surplus</b>                                                                             | <b>1 336 913</b>    | <b>(1 292 883)</b>  | <b>44 030</b>       | <b>4 887 943</b>    | <b>4 843 913</b>  |      |
| Impairment adjustments                                                                               | (1 334 350)         | 411 056             | (923 294)           | (390 801)           | 532 493           | 45.9 |
| Inventories losses/write-downs                                                                       | -                   | -                   | -                   | (20 488)            | (20 488)          |      |
|                                                                                                      | <b>(1 334 350)</b>  | <b>411 056</b>      | <b>(923 294)</b>    | <b>(411 289)</b>    | <b>512 005</b>    |      |
| <b>Surplus for the year</b>                                                                          | <b>2 563</b>        | <b>(881 827)</b>    | <b>(879 264)</b>    | <b>4 476 654</b>    | <b>5 355 918</b>  |      |
| <b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b> | <b>2 563</b>        | <b>(881 827)</b>    | <b>(879 264)</b>    | <b>4 476 654</b>    | <b>5 355 918</b>  |      |

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Accounting Policies

| Figures in Rand thousand | Note(s) | 2023 | 2022 |
|--------------------------|---------|------|------|
|--------------------------|---------|------|------|

### 1. Presentation of Annual Financial Statements

The National Student Financial Aid Scheme is a statutory body established by the National Student Financial Aid Scheme Act (Act 56 of 1999) as amended and is a Schedule 3A public entity in terms of the Public Finance Management Act, 1999 (Act 1 of 1999), as amended (PFMA).

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

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

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

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

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

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

##### 1.1.1 Initial recognition of Student loans at fair value

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

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

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

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

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

- Transition from being a registered student to graduation or exit does not exceed 10 years.
- Period to the 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.

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Accounting Policies

### 1.1 Significant judgements and sources of estimation uncertainty (continued)

- The interest rate used to discount the projected cash flows is referenced to risk-free long term government bond yields as a proxy for the risk free rate.
- The mortality of borrowers has been included in forecasting the cash-flow profile of the loans.
- Assumptions regarding future mortality experience in South Africa are set, based on published South African actuarial information.
- Although the entity writes off loans in the event of permanent disability and death, this has not been included in the valuation model as the impact is not considered material.
- The contingency relating to the awarding of the student loans are for a full qualification of study rather than one academic year.

#### 1.1.2 Deferred income from non-exchange transactions

##### Classification

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

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

##### Derecognition of Deferred income and recognition of revenue

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

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

#### 1.1.3 Contingent Liability : Financial Structure

The entity has many fund administration agreements with donors which include the under mentioned clause:

NSFAS will retain all funds recovered from all institution borrowers from time to time, to re-lend these funds to further institution borrowers selected by the institution from time to time in the manner contemplated in the agreement, or to refund the funds to the institution at the request of the institution." The entity believes that the recovered funds should as a result of the above clause be treated as a contingent liability.

#### 1.1.4 Student Loans Impairment

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

The entity writes off a student loan and any related allowances for impairment losses when the entity determines that the loan is uncollectable. This determination is made after notification of the death or permanent disability of the borrower. A list of identity numbers is verified against the Department of Home Affairs database on an annual basis for verification of borrowers that are deceased. For disabilities, medical certification is required. The individual loans are then written off on approval by the Accounting Authority.

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Accounting Policies

### 1.1 Significant judgements and sources of estimation uncertainty (continued)

The entity considers evidence of impairment for loans and receivables at both a specific asset and collective level. All loans and receivables are assessed for specific impairment. All loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that may have been incurred but not yet identified.

#### 1.1.5 Impact of the Bursary Funding Programme on the Valuation of the Loan Book

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

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

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

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

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

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

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

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

#### 1.1.6 Amounts owing by institutions

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

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

The Close out process was finalised for academic periods 2017-2022 during the 2023/24 financial period. Some institutions failed to submit student data during the reconciliation period. NSFAS elected to use registration data for non-submitting institutions in determining the asset or liability. This information is verifiable and supportable as registration data was received from the institutions.

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Accounting Policies

### 1.1 Significant judgements and sources of estimation uncertainty (continued)

#### 1.1.7 Amounts owing by students

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

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

The Close-out process was finalised for academic periods 2017-2022 during the 2023/24 financial period. Some institutions failed to submit student data during the reconciliation period. NSFAS elected to use registration data for non-submitting institutions in determining the asset or liability. This information is verifiable and supportable as registration data was received from the institutions.

#### 1.1.8 Trade receivables and receivables

##### Unfunded students

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

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

### 1.2 Property, plant and equipment\*

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

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

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

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment\* and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment\*, the carrying amount of the replaced part is derecognised.

##### Subsequent measurement - cost model

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Accounting Policies

### 1.2 Property, plant and equipment\* (continued)

#### Depreciation

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

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

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

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

#### Impairment

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

If there is an indication that an asset may be impaired, its recoverable service amount is estimated. The estimated recoverable service amount is the higher of the asset's fair value less cost to sell and its value in use. When the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. The reduction is an impairment loss.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising from the de-recognition of an item of property, plant and equipment is recognised in the Statement of Financial Performance.

### 1.3 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are measured initially at cost and subsequently at cost less accumulated amortisation and impairment.

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

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

The gain or loss arising from the derecognition of an item of intangible assets is included in the surplus or deficit when the item is derecognised.

#### Computer software

Expenditure on internally developed software is recognised as an asset when the entity can 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.

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Accounting Policies

### 1.3 Intangible assets (continued)

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

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

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

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

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

### 1.4 Financial instruments

#### Classification and measurement

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

- Financial assets measured at amortised cost
- Financial liabilities measured at amortised cost

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

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

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

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

#### Recognition and derecognition

The entity initially recognises financial assets and liabilities when the entity becomes a party to the contractual provisions of the instrument. The entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire, are settled or waived, or it transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or the entity, despite having retained significant risks and rewards of ownership of the financial asset has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and can exercise that ability unilaterally and without needing to impose additional restrictions on transfer. Newly created rights and obligations shall be measured at their fair values at the date of derecognition.

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

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the entity has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Accounting Policies

### 1.4 Financial instruments (continued)

The entity derecognises a financial liability when its contractual obligations are discharged or cancelled or expire or waived. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in surplus or deficit.

#### Impairment of financial assets

At each reporting date, the entity assesses whether there is objective evidence that financial assets carried at amortised cost are impaired. A financial asset or a group of financial assets is/are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

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

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

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

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

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in the Statement of Financial Performance and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed in the Statement of Financial Performance.

The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date that the impairment is reversed.

The entity considers evidence of impairment for amounts owing by institutions at a specific asset level. All institutions are assessed for specific impairment. Therefore, the entity has considered that institutions with long outstanding balances, which have no movement on the financial system since 2017 and no commitment to make a payment on the amount owing by that specific institution should be impaired.

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

#### Student loans

##### Measurement

The student loans offered by the entity are unique within the market. The primary focus of these loans is not profit generation, but rather to provide affordable financing for university students from low income households. The loans have no fixed repayment terms, and the debt is only due and payable one year after exit from the tertiary institution and if the student has become employed, and earning more than R30 000 per annum. Repayments are calculated on a sliding scale based on the debtor's annual salary.

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Accounting Policies

### 1.4 Financial instruments (continued)

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

Student loans are recognised initially at fair value at inception. The fair value of the loans on initial recognition is estimated by using an actuarial discounted cash flow model which includes assumptions that are supported by observable market inputs and others that are based on historical loan repayment data. The subsequent value is calculated based on amortised cost using the original effective yield of the loans, adjusted for impairment.

A valuation model has been developed for, and in consultation with, the entity by actuaries. The model estimates the fair value at initial recognition as well as the ongoing amortised cost by estimating a cash flow profile for broadly homogenous groups of loans. The student loans are separated into smaller groups with similar characteristics such as age of loan, loan number and the gender and age of the borrower. The fair value of these homogenous groups is calculated individually and then combined to calculate the aggregated value of the portfolio.

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

#### Social benefit component of student loans

Prior to the 2018 academic year, a concessionary loan, in the NSFAS context, was a loan granted to or received by students on terms that were not market related. The primary focus of student loans is not profit generation, but rather to provide affordable financing for students from low income households studying in institutions of higher learning. As a result, these loans are granted on terms that are not market related. On initial recognition, the entity analyses these loans into their component parts and accounts for each component separately. The entity accounts for the component that is a social benefit in surplus or deficit. The component of the loan that is a social benefit is determined as the difference between the fair value of the loan and the expected loan proceeds to be repaid. Subsequent to initial recognition, the entity measures the loan component at amortised cost using the effective interest rate method less impairment losses.

### 1.5 Leases

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

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.6 Impairment of cash-generating assets

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

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

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

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

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

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

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Accounting Policies

### 1.6 Impairment of cash-generating assets (continued)

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

### 1.7 Employee benefits

#### Short-term employee benefits

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

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

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

#### Defined contribution plans

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

### 1.8 Provisions and contingencies

Provisions are recognised when:

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

### 1.9 Revenue from exchange transactions

Exchange transactions are defined as transactions where the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to the other entity in exchange. Interest on student loans and interest on investments, administration fees, other income and commission revenue are classified as revenue from exchange transactions.

#### Measurement

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

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Accounting Policies

### 1.9 Revenue from exchange transactions (continued)

#### Interest received

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

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

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

- a) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- b) the amount of the revenue can be measured reliably.

#### Irrecoverable debts recovered

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

#### Administration fees and NSFAS Wallet commission

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

### 1.10 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount. Administration grants and Grants received for student loans and bursaries are considered to be revenue from non-exchange transactions.

#### Measurement

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

#### Unconditional grants, transfers and donations received

Unconditional grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset.

#### Conditional grants

Conditional grants are classified as Deferred income from non-exchange transactions until such time as the conditions attached to the grant are met. Once the conditions have been met the liability is transferred to revenue. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Accounting Policies

### 1.11 Prepayments

#### Prepayments to institutions

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

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

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

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

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

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

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

#### Prepayments for Goods and Services

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

### 1.12 Comparative figures

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

### 1.13 Fruitless and Wasteful Expenditure

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

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

### 1.14 Irregular expenditure

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

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

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Accounting Policies

### 1.14 Irregular expenditure (continued)

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

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

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

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

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

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

### 1.15 Budget information

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

The approved budget covers the fiscal period from 1 April 2022 to 31 March 2023.

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

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

### 1.16 Related parties

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

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

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

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

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Accounting Policies

### 1.17 Reserves

The reserve comprises accumulated surpluses.

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

### 1.18 Student loans and Bursary Accounting policy

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

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

- 100% loans
- Convertible loans

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

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

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

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

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

#### Student Loans/Credits

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

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

#### Recognition of student loan

Student loans are recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Accounting Policies

### 1.18 Student loans and Bursary Accounting policy (continued)

- the cost or fair value of the asset can be measured reliably.

#### Initial measurement

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

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

#### Subsequent measurement

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

In instances where Institutions have not confirmed the credits due to NSFAS, an estimate is made of the credit amount based on historical information using the total historical credit as a percentage of the total loan amount, and changes to these estimates, if necessary, are processed prospectively. This is done on an annual basis and to the extent that this does not meet the Asset definition in terms of GRAP 1, this is disclosed as a contingent asset. Refer to note 38 & 47.

#### Impact of the Bursary Funding Programme on the Valuation of the Loan Book

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

#### Derecognition

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

#### Bursaries

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

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

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

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

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

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

#### Bursary expenditure: Universities and TVET Colleges

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

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Accounting Policies

### 1.18 Student loans and Bursary Accounting policy (continued)

#### Recognition

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

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

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

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

#### Measurement

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

To the extent that credits have not yet been declared by the respective institutions, and where reliable information exists to estimate the applicable credits, these credits are estimated, and the associated expenditure reduced. To the extent that this does not meet the Asset definition in terms of GRAP 1, this is disclosed as a contingent asset. Refer to note 38 & 47.

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

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Accounting Policies

### 1.19 Amounts due to Institutions and Students

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

Where NSFAS receives claims from the relevant institutions, and the claim cannot be validated based on our internal records, NSFAS relies on the registration data. Where NSFAS verified that the student does not qualify for assistance (ineligible), the amount claimed is excluded from the amounts due to institution and/or student.

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

The Close out process was finalised for academic periods 2017 - 2022 for the 2022/2023 financial period. There are some institutions that failed to submit student data during the reconciliation period. NSFAS elected to disclose the amounts for non-submitting institutions using registration data without adjusting for estimates. NSFAS elects to use the available registration data to inform recognition of assets and liabilities. This information is verifiable and supportable as registration was received from the institutions.

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

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

### 1.20 Accounting by principals and agents

#### Identification

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

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

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

Identifying whether an entity is a principal or an agent.

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

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

#### Binding arrangement

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

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

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Accounting Policies

### 1.20 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties.

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

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

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

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

#### Recognition

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

### 1.21 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

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

### 1.22 Segment information

A segment is an activity of an entity:

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Accounting Policies

---

### 1.22 Segment information (continued)

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

2023

2022  
Restated\*

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

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

| Standard/ Interpretation:                                                                                       | Effective date:<br>Years beginning on or after | Expected impact:            |
|-----------------------------------------------------------------------------------------------------------------|------------------------------------------------|-----------------------------|
| • GRAP 25: Employee Benefits                                                                                    | 01 April 2022                                  | The impact is not material. |
| • iGRAP 7 (as revised 2021): Limit on defined benefit asset, minimum funding requirements and their interaction | 01 April 2022                                  | There is no impact.         |
| • GRAP 104 (amended): Financial Instruments                                                                     | 01 April 2022                                  | The impact is not material. |
| • iGRAP 21: The Effect of Past Decisions on Materiality                                                         | 01 April 2022                                  | The impact is not material. |

### 3. Inventories

|           |        |         |
|-----------|--------|---------|
| Inventory | 53 894 | 214 192 |
|-----------|--------|---------|

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

#### Inventory pledged as security

No inventory was pledged as security for liabilities.

### 4. Prepayments to institutions

|                                       |                  |                  |
|---------------------------------------|------------------|------------------|
| Prepayments - digital devices         | -                | 101              |
| TVET Colleges                         | 580 151          | 562 625          |
| Universities                          | 3 054 519        | -                |
| Prefunders/other funders              | 173 484          | 156 104          |
|                                       | <b>3 808 154</b> | <b>718 830</b>   |
| <b>Prior year Prepayment Balances</b> |                  |                  |
| TVET Colleges                         | 315 244          | 389 403          |
| Universities                          | 133 305          | 233 263          |
| Pre-funders/Other funders             | 158 728          | 2 624            |
|                                       | <b>607 277</b>   | <b>625 290</b>   |
| Historic debt 2017 - 2018             | <b>726 806</b>   | <b>726 806</b>   |
| <b>Prepayments to institutions</b>    | <b>5 142 237</b> | <b>2 070 926</b> |
| Current asset                         | 5 142 237        | 2 070 926        |

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

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

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

### 5. Student loans

Student Loan Nominal Value

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

2023

2022

### 5. Student loans (continued)

The nominal balance is the total obligations that borrowers have including loan principal and interest. The change in nominal value from year to year reflects the net growth (or decline) of the portfolio through new lending less repayments, bursary conversions, and other adjustments such as irrecoverable debt written-off due to death and permanent disability. The nominal balance is the basis for the calculation of the 'Student loan Carrying Value' as reflected in the Statement of Financial Position.

#### Reconciliation of student loans (exchange)

|                       |                  |                  |
|-----------------------|------------------|------------------|
| Opening balance       | 5 054 155        | 6 443 879        |
| Interest              | 394 328          | 399 022          |
| Repayments (I)        | (239 242)        | (303 532)        |
| Impairment            | (390 800)        | (1 485 214)      |
|                       | 4 818 441        | 5 054 155        |
| <b>Carrying value</b> | <b>4 818 441</b> | <b>5 054 155</b> |

|              |           |           |
|--------------|-----------|-----------|
| Current (II) | 359 810   | 419 373   |
| Non-current  | 4 458 631 | 4 634 782 |
|              | 4 818 441 | 5 054 155 |

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

|                                                      |              |              |
|------------------------------------------------------|--------------|--------------|
| Nominal value                                        | 42 394 365   | 41 039 072   |
| Less accumulated valuation and impairment adjustment | (37 575 924) | (35 984 917) |
|                                                      | 4 818 441    | 5 054 155    |

- I. Collections (repayments received) fell by 21% to R239 million after falling by 22% in the previous financial year.
- II. The current portion of the student loan is measured as the expected cash flows for the next twelve months based on the amortised cost calculations.

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

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

### 6. Amounts owing by institutions

|                               |            |           |
|-------------------------------|------------|-----------|
| Amounts owing by institutions | 10 752 449 | 9 035 977 |
|-------------------------------|------------|-----------|

- I. Subsequent to year end, but prior to signing off NSFAS received an amount of R689 076 291.50.

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

| Figures in Rand thousand                        | 2023       | 2022          |
|-------------------------------------------------|------------|---------------|
| <b>7 Receivables from exchange transactions</b> |            |               |
| NSFAS Wallet - commission receivable (I)        | 314        | 314           |
| Other debtors                                   | 299        | 299           |
| Interest receivable                             | -          | 10 794        |
|                                                 | <b>613</b> | <b>11 407</b> |

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

## 8. Cash and cash equivalents

Cash and cash equivalents consist of:

|               |                   |                   |
|---------------|-------------------|-------------------|
| Bank balances | 2 514             | 2 715             |
| Call accounts | 13 847 883        | 11 224 803        |
|               | <b>13 850 397</b> | <b>11 227 518</b> |

### Restrictions on the use of cash balances

Cash and cash equivalents include R785 363 734 (2022: R558 485 634) recovered funds that NSFAS holds for re-injection into student loans. A further R12 080 603 455 (2022: R10 053 673 078) is held by NSFAS on behalf of funders for allocation by the entity on instruction by the funder and represents unspent grants and interest thereon. A further amount of R713 179 983 (2022: R524 700 318) is committed for the redemption of NSFAS Wallet vouchers. The balance of R271 249 828 (2022: R90 657 351), comprises operational funds attributed to administration grants and fees.

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 9. Property, plant and equipment\*

|                        | 2023          |                                                     |                | 2022          |                                                     |                |
|------------------------|---------------|-----------------------------------------------------|----------------|---------------|-----------------------------------------------------|----------------|
|                        | Cost          | Accumulated depreciation and accumulated impairment | Carrying value | Cost          | Accumulated depreciation and accumulated impairment | Carrying value |
| Land                   | 770           | -                                                   | 770            | 770           | -                                                   | 770            |
| Buildings              | 4 047         | (1 550)                                             | 2 497          | 4 047         | (1 468)                                             | 2 579          |
| Furniture and fixtures | 6 932         | (2 885)                                             | 4 047          | 5 890         | (1 533)                                             | 4 357          |
| IT equipment           | 18 938        | (14 969)                                            | 3 969          | 17 558        | (11 972)                                            | 5 586          |
| Leasehold improvements | 29 370        | (5 721)                                             | 23 649         | 8 692         | (290)                                               | 8 402          |
| <b>Total</b>           | <b>60 057</b> | <b>(25 125)</b>                                     | <b>34 932</b>  | <b>36 957</b> | <b>(15 263)</b>                                     | <b>21 694</b>  |

### Reconciliation of property, plant and equipment - 2023

|                        | Opening balance | Additions     | Depreciation   | Total         |
|------------------------|-----------------|---------------|----------------|---------------|
| Land*                  | 770             | -             | -              | 770           |
| Buildings              | 2 579           | -             | (82)           | 2 497         |
| Furniture and fixtures | 4 357           | 1 042         | (1 352)        | 4 047         |
| IT equipment           | 5 586           | 1 381         | (2 998)        | 3 969         |
| Leasehold improvements | 8 402           | 20 678        | (5 431)        | 23 649        |
|                        | <b>21 694</b>   | <b>23 101</b> | <b>(9 863)</b> | <b>34 932</b> |

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 9. Property, plant and equipment\* (continued)

#### Reconciliation of property, plant and equipment - 2022

|                        | Opening<br>balance | Additions     | Disposals    | Depreciation   | Total         |
|------------------------|--------------------|---------------|--------------|----------------|---------------|
| Land*                  | 770                | -             | -            | -              | 770           |
| Buildings              | 2 660              | -             | -            | (81)           | 2 579         |
| Furniture and fixtures | 1 379              | 3 957         | (465)        | (514)          | 4 357         |
| Motor vehicles         | 1                  | -             | -            | (1)            | -             |
| IT equipment           | 4 198              | 5 642         | (125)        | (4 129)        | 5 586         |
| Leasehold improvements | -                  | 8 692         | -            | (290)          | 8 402         |
|                        | <b>9 008</b>       | <b>18 291</b> | <b>(590)</b> | <b>(5 015)</b> | <b>21 694</b> |

\* Land and buildings comprise erf numbers 66447, 66458, 66459, 66460, and 66461 in Wynberg, Cape Town.

#### Pledged as security

At the reporting date, NSFAS had no property, plant and equipment pledged as security.

#### Other information (Figures in R'000)

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

|                        |          |            |
|------------------------|----------|------------|
| Furniture and fixtures | -        | 10         |
| IT equipment           | -        | 106        |
|                        | <b>-</b> | <b>116</b> |

There are no assets that are fully depreciated that are still in use in the current year.

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 10. Intangible assets

|                   | 2023   |                                                     |                | 2022  |                                                     |                |
|-------------------|--------|-----------------------------------------------------|----------------|-------|-----------------------------------------------------|----------------|
|                   | Cost   | Accumulated amortisation and accumulated impairment | Carrying value | Cost  | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software | 19 152 | (8 775)                                             | 10 377         | 6 181 | (4 222)                                             | 1 959          |

#### Reconciliation of intangible assets - 2023

|                   | Opening balance | Additions | Amortisation | Total  |
|-------------------|-----------------|-----------|--------------|--------|
| Computer software | 1 959           | 12 970    | (4 552)      | 10 377 |

#### Reconciliation of intangible assets - 2022

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

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

| Figures in Rand thousand                                                    | 2023             | 2022             |
|-----------------------------------------------------------------------------|------------------|------------------|
| <b>10. Intangible assets (continued)</b>                                    |                  |                  |
| <b>Other information (Figures in R'000)</b>                                 |                  |                  |
| Fully amortised intangible assets still in use                              | -                | 9 099            |
| <b>11. Amounts owing by students</b>                                        |                  |                  |
| This amount was paid to NSFAS partners for direct distribution to students. |                  |                  |
| Amounts owing by students                                                   | 1 165 860        | 897 872          |
| <b>12. Receivables from non-exchange transactions*</b>                      |                  |                  |
| Grants receivables                                                          | 2 063 743        | 3 301 989        |
| Unfunded students*                                                          | 1 448 323        | 1 435 171        |
|                                                                             | <b>3 512 066</b> | <b>4 737 160</b> |

### Unfunded students

\*Unfunded students are those students where NSFAS initially funded but did not meet the criteria and became unfunded or the registration was incorrect, which would need be recovered.

### 13. Provisions

#### Reconciliation of provisions - 2023

|                                    | Opening Balance | Amount paid as refunds (II) | Reversal of provisions (III) | Deceased refund debtors (IV) | Closing balance (V) |
|------------------------------------|-----------------|-----------------------------|------------------------------|------------------------------|---------------------|
| Credit balances to be refunded (I) | 24 934          | 32                          | (1 441)                      | (102)                        | 23 423              |

#### Reconciliation of provisions - 2022

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

- I. During the 2010 Ministerial Review it was discovered that the NSFAS Loan and Bursaries Management System had not applied the legal principle of in duplum to accrue interest on student loans in compliance with the National Credit Act. As a result, some loan accounts have been overpaid and therefore effectively have credit balances. It was also discovered during the 2010 audit that the loan management system had since inception been applying repayment incorrectly against student debt, by applying the student repayments against the outstanding capital balance first, rather than accrued interest. The Board resolved that where students have been advantaged, NSFAS will not attempt to recover the additional interest, as this was an error on NSFAS's part. However, where students have been charged interest in excess of in duplum, every attempt should be made to trace the respective account holders and to refund the credit balances.
- II. This amount represents refunds paid in the current (and prior) periods in respect of historical debtors (as above).
- III. The balance of R23,392,388 has been matched and refunds to the debtors will be processed in the next financial year. An amount of R1,440,764 (2022: R807,626) could not be matched and has therefore been reversed to income.
- IV. List of refund debtors was compared to the Home Affairs database and showed a match of 59 (2022: 93) deceased debtors. This amount has been recognized as income.

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

2023

2022

### 14. Amounts due to students\*

Allowances due to students from 2017 to 2022 academic years.

#### Amounts due to students

|                         |           |           |
|-------------------------|-----------|-----------|
| Amounts due to students | 1 954 221 | 1 641 331 |
|-------------------------|-----------|-----------|

Amounts due to students represent allowances which were due to eligible students for their academic year of study but they were not paid. The allowance due to students was previously included in the amounts due to institutions however they were separated and adjusted as prior period error.

### 15. Amounts due to institutions

Payments due to institutions for student loans and bursaries awarded.

|                                 |            |            |
|---------------------------------|------------|------------|
| Amounts due to institutions (I) | 11 063 746 | 10 042 339 |
|---------------------------------|------------|------------|

I. Amounts due to institutions represent disbursements approved, but not yet paid at the end of the academic year. Some institutions did not submit full cost of study but NSFAS relied on the registration data submitted by the institutions to calculate amounts due per academic year.

### 16. Deferred income from non-exchange transactions

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

These amounts are held in segregated call accounts until utilised.

|                                                                      |                  |                  |
|----------------------------------------------------------------------|------------------|------------------|
| Grants Received in Advance - current                                 | 65 067           | 24 050           |
| Deferred income from non-exchange transactions - Current Liability   | 1 431 078        | 1 413 653        |
| Deferred Income from non-exchange transactions Non-Current Liability | 1 387 632        | 1 327 634        |
|                                                                      | <b>2 883 777</b> | <b>2 765 337</b> |

### 17. Trade and other payables

|                                        |                |                |
|----------------------------------------|----------------|----------------|
| Accruals                               | 9 206          | 34 679         |
| Accrued leave pay due to employees     | 4 049          | 10 969         |
| Accrued bonuses due to employees       | 3 240          | 1 295          |
| NSFAS Wallet - unutilised vouchers (I) | 658 648        | 505 364        |
| Trade payables                         | 78 661         | 63 437         |
| Long service award provision           | 41             | 42             |
| Other creditors                        | 1 625          | 1 980          |
|                                        | <b>755 470</b> | <b>617 766</b> |

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

### 18. Commission received

|              |     |     |
|--------------|-----|-----|
| NSFAS Wallet | 101 | 102 |
|--------------|-----|-----|

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

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

| Figures in Rand thousand                          | 2023          | 2022          |
|---------------------------------------------------|---------------|---------------|
| <b>19. Administration fees (exchange)</b>         |               |               |
| Department of Agriculture, Forestry and Fisheries | 1 400         | 1 140         |
| Department of Defence and Military Veterans       | 579           | -             |
| Department of Social Development                  | -             | 122           |
| Funza Lushaka                                     | 33 224        | 32 701        |
| National Skills Fund                              | -             | 7 933         |
| Sector Education and Training Authorities (SETA)  | 4 394         | 468           |
| Department of Labour Compensation Fund (COLD)     | 3 592         | 2 226         |
|                                                   | <b>43 189</b> | <b>44 590</b> |

## 20. Interest revenue

|                                           |                  |                |
|-------------------------------------------|------------------|----------------|
| Interest charged on receivables (debtors) | 394 189          | 399 024        |
| Interest on funds invested*               | 901 357          | 444 216        |
|                                           | <b>1 295 546</b> | <b>843 240</b> |

\* Interest on funds invested relates to the following categories:

### By funding source

|                                |                |                |
|--------------------------------|----------------|----------------|
| Administration grants and fees | 7 653          | 2 310          |
| Donor funds                    | 844 699        | 396 966        |
| Recovered funds                | 49 005         | 44 940         |
|                                | <b>901 357</b> | <b>444 216</b> |

### By investment type

|                                 |                |                |
|---------------------------------|----------------|----------------|
| Call accounts                   | 884 761        | 407 463        |
| Corporation for Public Deposits | 16 596         | 36 753         |
|                                 | <b>901 357</b> | <b>444 216</b> |

## 21. Other income

|                           |              |              |
|---------------------------|--------------|--------------|
| Reversal of provision (I) | 1 512        | 997          |
| Bank SETA money recovered | 332          | 342          |
| Other                     | 1 081        | 447          |
|                           | <b>2 925</b> | <b>1 786</b> |

I. Refer to note 13

## 22. Unallocated debtor receipts (non-exchange)

|                             |     |     |
|-----------------------------|-----|-----|
| Unallocated debtor receipts | 355 | 813 |
|-----------------------------|-----|-----|

Amounts received by the entity without a valid reference to loan accounts or not yet allocated at year-end to individual loan accounts, are recorded in the annual financial statements against student loans. Every attempt is made to establish the identity of the depositor with the relevant bank. When these unidentified amounts have been outstanding for more than five (5) years, they are written-off to income. If debtors subsequently claim and prove amounts, that had previously been deposited by them, the amounts will at that stage be set off against the students' loan accounts as payments and reflected as an expense in the financial statements. The amount written back to income is R354 988 (2022: R813 263).

## 23. Administration grants (non-exchange)

|                                                    |         |         |
|----------------------------------------------------|---------|---------|
| Department of Higher Education and Training (DHET) | 366 562 | 367 782 |
|----------------------------------------------------|---------|---------|

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

| Figures in Rand thousand                                     | 2023              | 2022              |
|--------------------------------------------------------------|-------------------|-------------------|
| <b>24. Grants received for student awards (non-exchange)</b> |                   |                   |
| <b>Operating grants</b>                                      |                   |                   |
| Department of Higher Education and Training (DHET) (I)       | 45 542 023        | 41 545 762        |
| Deferred income movement                                     | (839 809)         | 545 742           |
|                                                              | <b>44 702 214</b> | <b>42 091 504</b> |

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

## 25. Employee related costs

|                            |                |                |
|----------------------------|----------------|----------------|
| Basic salaries             | 118 560        | 120 104        |
| Employee benefits - other  | 74 578         | 75 435         |
| Leave pay provision charge | (6 921)        | (754)          |
|                            | <b>186 217</b> | <b>194 785</b> |

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

## 26. Depreciation and amortisation

|                                |               |              |
|--------------------------------|---------------|--------------|
| Property, plant and equipment* | 9 863         | 5 015        |
| Intangible assets              | 4 553         | 1 632        |
|                                | <b>14 416</b> | <b>6 647</b> |

## 27. Bursary expenditure

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

| 2023        |                   |                   |                   |
|-------------|-------------------|-------------------|-------------------|
| Institution | Tuition           | Allowance         | Total             |
| University  | 17 721 757        | 20 528 291        | 38 250 048        |
| TVET        | 2 210 236         | 3 068 244         | 5 278 480         |
|             | <b>19 931 993</b> | <b>23 596 535</b> | <b>43 528 528</b> |

| 2022        |                   |                   |                   |
|-------------|-------------------|-------------------|-------------------|
| Institution | Tuition           | Allowance         | Total             |
| University  | 16 778 945        | 17 067 823        | 33 846 768        |
| TVET        | 2 071 469         | 2 710 515         | 4 781 984         |
|             | <b>18 850 414</b> | <b>19 778 338</b> | <b>38 628 752</b> |

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

|            |                |                |
|------------|----------------|----------------|
| University | -              | 12 740         |
| TVET       | 139 728        | 433 124        |
|            | <b>139 728</b> | <b>445 864</b> |

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

| Figures in Rand thousand                    | 2023          | 2022          |
|---------------------------------------------|---------------|---------------|
| <b>28. Audit fees</b>                       |               |               |
| Audit fees                                  | 15 332        | 9 644         |
| <b>External audit fees</b>                  |               |               |
| Fees for the 2020/21 audit                  | -             | 8 807         |
| Fees for the 2021/22 audit                  | 15 332        | 837           |
|                                             | <b>15 332</b> | <b>9 644</b>  |
| <b>29. Consulting and professional fees</b> |               |               |
| Finance                                     | 14 766        | 12 152        |
| ICT                                         | 2 236         | 7 495         |
| Legal expenses                              | 8 364         | 7 090         |
| Other professional fees                     | 41 579        | 32 619        |
|                                             | <b>66 945</b> | <b>59 356</b> |

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

2023

2022

### 30. Surplus/(deficit) for the year

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

#### Operational

|                                            |                  |                |
|--------------------------------------------|------------------|----------------|
| Administration grants                      | 366 562          | 367 782        |
| Administration fees                        | 43 189           | 44 590         |
| Interest received                          | 1 295 546        | 843 240        |
| Other income                               | 3 280            | 2 599          |
| Commission revenue                         | 101              | 102            |
| Less: Administration and investments costs | (447 104)        | (361 655)      |
| <b>Total operational</b>                   | <b>1 261 574</b> | <b>896 658</b> |

#### Capital

|                                                                        |                  |                  |
|------------------------------------------------------------------------|------------------|------------------|
| Grants received for student awards                                     | 44 702 214       | 42 091 504       |
| Bursaries - Universities                                               | (35 817 853)     | (31 785 450)     |
| Bursaries - TVET Colleges                                              | (5 278 480)      | (4 781 984)      |
| Impairment Adjustments                                                 | (390 801)        | (1 485 215)      |
| Impairment loss - Amounts owing by institutions (exchange) - long term | -                | (3 247)          |
| <b>Total capital</b>                                                   | <b>3 215 080</b> | <b>4 035 608</b> |

#### TOTAL

**4 476 654      4 932 266**

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

2023

2022

### 31. Debtors loan book movements (non-exchange)

Assumption set used in the loan valuation model:

For the 31 March 2023 valuation it was considered appropriate to perform the valuation using the prior year assumptions.

Impairment Adjustments

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

- reassessment of the assumptions based on data up to 31 March 2023; and
- truncation of payments after 300 months.

As a result of the impact of changes in assumptions, impairment adjustments, change in the repo rate and experience adjustments, a net difference in the value of the student portfolio of (R390 800 625) (2022: (R1 485 214)) was recorded.

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

#### Year of issue of student loan

|             |                  |                    |
|-------------|------------------|--------------------|
| 1991 - 2002 | (1 857)          | (11 908)           |
| 2003 - 2008 | (45 645)         | (37 156)           |
| 2009        | (13 657)         | (17 474)           |
| 2010        | (15 617)         | (28 240)           |
| 2011        | (22 185)         | (37 771)           |
| 2012        | (27 565)         | (60 076)           |
| 2013        | (51 226)         | (178 460)          |
| 2014        | (35 515)         | (170 337)          |
| 2015        | (34 782)         | (201 931)          |
| 2016        | (39 925)         | (315 222)          |
| 2017        | (101 229)        | (414 942)          |
| 2018        | (737)            | (10 654)           |
| 2019        | (861)            | (1 044)            |
|             | <b>(390 801)</b> | <b>(1 485 215)</b> |

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

Sensitivity to 100 basis point changes in the repo rate

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

| 2023      | Amortised<br>value (base) | 100 basis point<br>increase | Change       | 100 basis point<br>decrease | Change        |
|-----------|---------------------------|-----------------------------|--------------|-----------------------------|---------------|
| Non-payer | 4 287 311                 | 18 973                      | 0.44%        | (18 694)                    | -0.44%        |
| Payer     | 531 130                   | 1 516                       | 0.29%        | (1 392)                     | -0.26%        |
|           | <b>4 818 441</b>          | <b>20 489</b>               | <b>0.43%</b> | <b>(20 086)</b>             | <b>-0.42%</b> |
| 2022      | Amortised<br>value (base) | 100 basis point<br>increase | Change       | 100 basis point<br>decrease | Change        |
| Student   | 53 399                    | 446                         | 0.83%        | (420)                       | -0.79%        |
| Non-payer | 4 336 395                 | 16 15                       | 0.37%        | (14 57)                     | -0.34%        |
| Payer     | 664 362                   | 1 198                       | 0.18%        | (1 060)                     | -0.16%        |
|           | <b>5 054 156</b>          | <b>17 798</b>               | <b>0.35%</b> | <b>(16 058)</b>             | <b>-0.32%</b> |

Sensitivity to change in the transition from Exit to Payer

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

2023

2022

### 31. Debtors loan book movements (non-exchange) (continued)

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

| 2023      | Amortised<br>value (base) | 10% increase<br>in T2 | Change        | 10% decrease<br>in T2 | Change        |
|-----------|---------------------------|-----------------------|---------------|-----------------------|---------------|
| Non-payer | 4 287 311                 | 497 029               | 11.6%         | (482 022)             | 11.2%         |
| Payer     | 531 130                   | -                     | 0.00%         | -                     | -0.00%        |
|           | <b>4 818 441</b>          | <b>497 029</b>        | <b>10.30%</b> | <b>(482 022)</b>      | <b>-0.00%</b> |

| 2022      | Amortised<br>value (base) | 10% increase<br>in T2 | Change       | 10% decrease<br>in T2 | Change       |
|-----------|---------------------------|-----------------------|--------------|-----------------------|--------------|
| Student   | 53 399                    | 5 340                 | 10.00%       | (5 340)               | -10.0%       |
| Non-payer | 664 362                   | No change             | 0%           | No change             | 0%           |
| Payer     | 4 336 395                 | 489 767               | 11.28%       | (477 548)             | -11.00%      |
|           | <b>5 054 156</b>          | <b>495 107</b>        | <b>9.75%</b> | <b>(482 888)</b>      | <b>-9.5%</b> |

Sensitivity to change in the payment profile

| 2023      | Amortised<br>value (base) | 10% decrease<br>in payment<br>profile | Change       |
|-----------|---------------------------|---------------------------------------|--------------|
| Non-payer | 4 287 311                 | (163 902)                             | -3.8%        |
| Payer     | 531 130                   | (31 661)                              | -6.0%        |
|           | <b>4 818 441</b>          | <b>(195 563)</b>                      | <b>-4.1%</b> |

| 2022      | Amortised<br>value (base) | 10% decrease<br>in payment<br>profile | Change       |
|-----------|---------------------------|---------------------------------------|--------------|
| Student   | 53 399                    | (2 106)                               | -3.9%        |
| Non-payer | 664 362                   | (35 864)                              | -5.4%        |
| Payer     | 4 336 395                 | (164 899)                             | -3.8%        |
|           | <b>5 054 156</b>          | <b>(202 869)</b>                      | <b>-4.4%</b> |

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

| Figures in Rand thousand                             | 2023             | 2022             |
|------------------------------------------------------|------------------|------------------|
| <b>32. Cash generated from (used in) operations</b>  |                  |                  |
| Surplus for the year                                 | 4 476 654        | 4 932 266        |
| <b>Adjustments for:</b>                              |                  |                  |
| Depreciation and amortisation                        | 14 416           | 6 647            |
| Inventory write-down                                 | 20 488           | -                |
| Loss on disposal of PPE                              | -                | 298              |
| Interest income                                      | (394 189)        | (897 783)        |
| Impairment - student loans                           | 390 801          | 1 485 215        |
| Impairment - Amounts owing by institutions long-term | -                | 3 247            |
| Movements in provisions                              | (1 511)          | -                |
| <b>Changes in working capital:</b>                   |                  |                  |
| Inventories                                          | 160 298          | (214 192)        |
| Receivables from exchange transactions               | 10 794           | (2 100)          |
| Student loan receipts                                | 239 242          | 303 532          |
| Other receivables from non-exchange transactions     | 1 225 094        | (3 455 527)      |
| Prepayments to institutions                          | (3 071 311)      | (635 332)        |
| Amounts owing by institutions*                       | (1 716 472)      | (3 168 126)      |
| Amounts owing by students*                           | (267 988)        | 241 129          |
| Trade and other payables                             | 137 704          | (242 983)        |
| Movement in provision                                | -                | (1 025)          |
| Amounts due to institutions                          | 1 334 297        | 1 836 629        |
| Deferred income from non-exchange transactions*      | 97 809           | (1 024 306)      |
| Operating leases                                     | 2 824            | 1 498            |
|                                                      | <b>2 658 950</b> | <b>(830 913)</b> |

### 33. Taxation

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

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

2023

2022

### 34. Financial instruments disclosure

#### Categories of financial instruments

#### 2023

##### Financial assets

|                                                | At amortised cost | Total             |
|------------------------------------------------|-------------------|-------------------|
| Receivables from non-exchange transactions     | 3 512 066         | 3 512 066         |
| Receivables from exchange transactions         | 613               | 613               |
| Student loans                                  | 4 818 441         | 4 818 441         |
| Amounts owing by other institutions (exchange) | 10 752 449        | 10 752 449        |
| Cash and cash equivalents                      | 13 850 397        | 13 850 397        |
| Amounts owing by students                      | 1 165 860         | 1 165 860         |
|                                                | <b>34 099 826</b> | <b>34 099 826</b> |

##### Financial liabilities

|                                            | At amortised cost | Total             |
|--------------------------------------------|-------------------|-------------------|
| Amounts due to institutions (non-exchange) | 11 063 746        | 11 063 746        |
| Payables from exchange transactions        | 755 470           | 755 470           |
| Amounts due to students                    | 1 954 221         | 1 954 221         |
|                                            | <b>13 773 437</b> | <b>13 773 437</b> |

#### 2022

##### Financial assets

|                                           | At amortised cost | Total             |
|-------------------------------------------|-------------------|-------------------|
| Receivable from non-exchange transactions | 4 737 160         | 4 737 160         |
| Receivables from exchange transactions    | 11 407            | 11 407            |
| Student loans                             | 5 054 155         | 5 054 155         |
| Amounts owing by other institutions       | 9 035 977         | 9 035 977         |
| Cash and cash equivalents                 | 11 227 518        | 11 227 518        |
| Amounts owing by students                 | 897 872           | 897 872           |
|                                           | <b>30 964 089</b> | <b>30 964 089</b> |

##### Financial liabilities

|                                     | At amortised cost | Total             |
|-------------------------------------|-------------------|-------------------|
| Amounts due to institutions         | 10 042 339        | 10 042 339        |
| Payables from exchange transactions | 617 766           | 617 766           |
| Amounts due to students             | 1 641 331         | 1 641 331         |
|                                     | <b>12 301 436</b> | <b>12 301 436</b> |

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

2023

2022

### 35. Prior-year adjustments

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

#### Statement of financial position

##### 2022

|                                                                      | Note | As previously reported | Restatement of Opening Balance | Correction of error | Re-classification | Restated       |
|----------------------------------------------------------------------|------|------------------------|--------------------------------|---------------------|-------------------|----------------|
| Amounts owing by institutions (current)                              | 1    | 7 663 637              | 1 151 885                      | (55 880)            | 276 335           | 9 035 977      |
| Amounts owing by institutions (non-current balance moved to current) | 2    | 1 174 207              | -                              | -                   | (1 174 207)       | -              |
| Amounts owing by students                                            | 3    | -                      | -                              | -                   | 897 872           | 897 872        |
| Receivables from non exchange transactions and exchange              | 4    | 4 286 165              | 579 127                        | (128 131)           | -                 | 4 737 161      |
| Amounts due to students                                              | 5    | -                      | -                              | -                   | (1 641 331)       | (1 641 331)    |
| Amounts due to institutions                                          | 6    | (7 477 208)            | (2 365 646)                    | (1 840 816)         | 1 641 331         | (10 042 339)   |
| Deferred Income                                                      | 7    | (3 256 321)            | -                              | 490 984             | -                 | (2 765 337)    |
| Property, plant and equipment                                        | 8    | 21 955                 | -                              | (261)               | -                 | 21 694         |
| Accumulated surplus (Opening balance)                                | 9    | -                      | 634 634                        | -                   | -                 | 634 634        |
| Trade and other payables                                             | 10   | (690 107)              | -                              | 72 342              | -                 | (617 765)      |
|                                                                      |      | <b>1 722 328</b>       | <b>-</b>                       | <b>(1 461 762)</b>  | <b>-</b>          | <b>260 566</b> |

#### Statement of financial performance

##### 2022

|                                                               | Note | As previously reported | Correction of error | Restated            |
|---------------------------------------------------------------|------|------------------------|---------------------|---------------------|
| Depreciation and amortisation                                 |      | 6 386                  | 261                 | 6 647               |
| Grants received for student awards - deferred interest income | 11   | (43 613 472)           | 1 521 968           | (42 091 504)        |
| Bursaries - Universities                                      | 12   | 31 901 801             | (116 351)           | 31 785 450          |
| Employee costs                                                | 13   | 193 448                | 1 337               | 194 785             |
| Interest revenue                                              | 7    | (897 787)              | 54 547              | (843 240)           |
| <b>Surplus for the year</b>                                   |      | <b>(12 409 624)</b>    | <b>1 461 762</b>    | <b>(10 947 862)</b> |

#### Notes to the financial statements

##### 2022

|                       | Note | As previously reported | Correction of error | Restated  |
|-----------------------|------|------------------------|---------------------|-----------|
| Irregular expenditure | 14   | 1 994 875              | (63 522)            | 1 931 353 |

#### Errors and reclassifications

The following prior period error adjustments occurred:

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand 2023 2022

### 35. Prior-year adjustments (continued)

#### 1. Amounts owing by institutions (current)

Implementation of the Close out project: Academic years 2017-2021: The movement in this line item is attributable to it being restated and the "Amounts owing to Institutions" previously classified as non-current being reclassified to current assets. The comparative balance's opening balance was restated by R1 151 885 000, prior year movement of R17 799 000 based on COP final figures and unallocated receipts of R73 678 914 which was disclosed under trade and other payable. The non-current balance of R1 174 207 000 was reclassified to current assets with "Amounts owing to students" of R897 872 000 reclassified from "Amounts owing to institutions" to be classified as a separate line item in the statement of financial position.

#### Figures in R'000

|                                                                                     |                  |
|-------------------------------------------------------------------------------------|------------------|
| Balance previously reported                                                         | 7 663 637        |
| Restatement of the Opening balance                                                  | 1 151 885        |
| Re-classification from non-current assets                                           | - 1 174 207      |
| Re-classification from "Amounts owing by institutions" to Amounts owing by students | - (897 872)      |
| 2021/22 Adjustment - COP                                                            | - 17 799         |
| 2021/22 Adjustment - unallocated receipts from institutions                         | - (73 679)       |
| <b>Restated opening balance</b>                                                     | <b>9 035 977</b> |

#### 2. Amounts owing by institutions (non-current)

The comparative balance from non-current balance of R1 174 207 000 was reclassified to current assets as there was no basis to disclose it as non-current assets.

#### Figures in R'000

|                                                                    |                  |
|--------------------------------------------------------------------|------------------|
| <b>Balance previously reported</b>                                 | <b>1 174 207</b> |
| Re-classification to current assets: amounts owing by institutions | (1 174 207)      |
| <b>Restated opening balance</b>                                    | <b>-</b>         |

#### 3. Amounts owing by students

|                                                  |          |                |
|--------------------------------------------------|----------|----------------|
| Balance previously reported                      | -        | -              |
| Re-classified from Amounts owing by institutions | -        | 897 872        |
| <b>Restated balance</b>                          | <b>-</b> | <b>897 872</b> |

The amounts owing by students were previously included in the amounts owing by institutions which has been corrected to separately disclose amounts owing by institutions and students.

#### 4. Receivables from non-exchange transactions

#### Figures in R'000

|                                          |          |                  |
|------------------------------------------|----------|------------------|
| <b>Balance previously reported</b>       | <b>-</b> | <b>4 286 165</b> |
| Restatement of the Opening balance       | -        | 579 127          |
| 2021/22 adjustments to Unfunded students | -        | (128 131)        |
| <b>Restated balance 31 March 2022</b>    | <b>-</b> | <b>4 737 161</b> |

- I. The closeout project results for the academic years from 2017 to 2021 required an adjustment of R579 127 000 to the opening balance as at 1 April 2021 of Unfunded Students and 2021/22 adjustment of (R128 131 000) to Unfunded students.

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

2023

2022

### 35. Prior-year adjustments (continued)

#### 5. Amounts due to students

Figures in R'000

Balance previously reported

Re-classified from amounts due to institutions

-  
(1 641 331)

Restated opening balance

1 641 331

- I. The Close Out Project final figures required restatement of prior year figures with the amounts due to institutions and amounts due to students separately presented in the statement of financial position.

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand 2023 2022

### 35. Prior-year adjustments (continued)

#### 6. Amounts due to institutions

Implementation of the Close out project: Academic years 2017-2021: The movement in this line item is attributable to it being restated and the "Amounts due to Institutions" had to be split to disclose amounts due to students. The opening balance of the amount owing to institutions was adjusted by (R2 365 646 000) and the 2021/22 movement was adjusted by (R1 840 816 000). The amounts due to students were re-classified to be presented as a separate line item in the statement of financial position.

#### Figures in R'000

|                                              |                     |
|----------------------------------------------|---------------------|
| Balance previously reported                  | (7 477 208)         |
| Restatement of the Opening balance           | (2 365 646)         |
| 2021/22 adjustment                           | - (1 840 816)       |
| Re-classification to amounts due to students | - 1 641 331         |
| <b>Restated opening balance</b>              | <b>(10 042 339)</b> |

#### 7. Deferred Income

The deferred income was restated with the adjustments resulting from the Close Out Project of 2017 to 2011. The adjustment of R490 984 reduced the prior year deferred income balance with the corresponding adjustment reducing the interest income (R54 547), grants received for students awards (R1 512 306) and university bursaries (R1 566 853).

#### Figures in R'000

|                                 |                    |
|---------------------------------|--------------------|
| Balance previously reported     | (3 256 321)        |
| Adjustments to Opening balance  | 490 984            |
| <b>Restated opening balance</b> | <b>(2 765 337)</b> |

#### 8. Property, plant and equipment

#### Figures in R'000

|                                 |               |
|---------------------------------|---------------|
| Balance previously reported     | 21 955        |
| Adjustment to depreciation (I)  | (261)         |
| <b>Restated opening balance</b> | <b>21 694</b> |

- I. Adjustment to the leasehold improvement depreciation which was incorrectly calculated over 50 years instead of 5 years of the lease term.

#### 9. Accumulated surplus (Opening balance)

#### Figures in R'000

|                                   |                   |
|-----------------------------------|-------------------|
| Balance previously reported       | 13 882 022        |
| Adjustment to opening balance (I) | (634 634)         |
| <b>Restated opening balance</b>   | <b>13 247 388</b> |

- I. The capital fund opening balance as at 1 April 2021 was restated with the adjustments resulting from the Close Out Project of 2017 to 2011. The net effect debit adjustment was R634 634 000 due to the adjustments to the amounts owing by institutions and students; unfunded students; and amounts due to institutions and students.

#### 10. Trade and other payables

#### Figures in R'000

|                                                       |                  |
|-------------------------------------------------------|------------------|
| Balance previously reported                           | (690 107)        |
| Adjustment - bonus accrual and long service provision | (1 337)          |
| Adjustment - unallocated receipts from institutions   | - 73 679         |
| <b>Restated opening balance</b>                       | <b>(617 765)</b> |

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

| Figures in Rand thousand                                                                                                                                                                                                                                                                                                                                       | 2023 | 2022                |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|---------------------|
| <b>35. Prior-year adjustments (continued)</b>                                                                                                                                                                                                                                                                                                                  |      |                     |
| I. Trade and other payables restated to account for the bonus accrual (R1 295 004) and long service award provision (R42 000) totalling R1 337 004, and unallocated receipts from institutions which was incorrectly classified under trade and other payables now classified under amounts owing by institutions to reduce the balance owing by institutions. |      |                     |
| <b>11. Grants received for student awards</b>                                                                                                                                                                                                                                                                                                                  |      |                     |
| <b>Figures in R'000</b>                                                                                                                                                                                                                                                                                                                                        |      |                     |
| Balance previously reported                                                                                                                                                                                                                                                                                                                                    |      | (43 613 472)        |
| Implementation of close-out project (I) - adjustment                                                                                                                                                                                                                                                                                                           |      | 1 521 968           |
| <b>Restated amount</b>                                                                                                                                                                                                                                                                                                                                         |      | <b>(42 091 504)</b> |
| I. The grants received for student awards were restated with the adjustments of deferred income. The adjustment of R1 521 968 resulted in an decrease of the prior year's grants received for student awards.                                                                                                                                                  |      |                     |
| <b>12. Bursaries - Universities</b>                                                                                                                                                                                                                                                                                                                            |      |                     |
| <b>Figures in R'000</b>                                                                                                                                                                                                                                                                                                                                        |      |                     |
| Balance previously reported                                                                                                                                                                                                                                                                                                                                    |      | 31 901 801          |
| Implementation of close-out project (I) - adjustment                                                                                                                                                                                                                                                                                                           |      | (116 351)           |
| <b>Restated opening balance</b>                                                                                                                                                                                                                                                                                                                                |      | <b>31 785 450</b>   |
| I. Implementation of close-out project: final reporting for the 2021 academic year relating to Universities.                                                                                                                                                                                                                                                   |      |                     |
| <b>13. Employee costs</b>                                                                                                                                                                                                                                                                                                                                      |      |                     |
| <b>Figures in R'000</b>                                                                                                                                                                                                                                                                                                                                        |      |                     |
| Balance previously reported                                                                                                                                                                                                                                                                                                                                    |      | (193 448)           |
| Adjustment - bonus accrual and long service award provision                                                                                                                                                                                                                                                                                                    | -    | (1 337)             |
| <b>Restated opening balance</b>                                                                                                                                                                                                                                                                                                                                |      | <b>(194 785)</b>    |
| I. Employee costs restated to account for the bonus accrual and long service award provision.                                                                                                                                                                                                                                                                  |      |                     |
| <b>14. Irregular expenditure</b>                                                                                                                                                                                                                                                                                                                               |      |                     |
| <b>Figures in R'000</b>                                                                                                                                                                                                                                                                                                                                        |      |                     |
| Balance previously reported                                                                                                                                                                                                                                                                                                                                    |      | 1 994 875           |
| Future Students Funding - Best Estimate                                                                                                                                                                                                                                                                                                                        |      | (63 522)            |
| <b>Restated opening balance</b>                                                                                                                                                                                                                                                                                                                                |      | <b>1 931 353</b>    |
| I. The irregular expenditure amount has been restated from R1 994 875 000 to R1 931 353 000                                                                                                                                                                                                                                                                    |      |                     |
| <b>15. Future Students Funding</b>                                                                                                                                                                                                                                                                                                                             |      |                     |
| Balance previously reported                                                                                                                                                                                                                                                                                                                                    |      | -                   |
| Future Students Funding - Best Estimate                                                                                                                                                                                                                                                                                                                        |      | (2 471 542)         |
| <b>Restated opening balance</b>                                                                                                                                                                                                                                                                                                                                |      | <b>(2 471 542)</b>  |
| I. NSFAS in the prior year did not disclose the future student funding contingent liability which led to audit qualification. The disclosure of future funding has been included under contingent liability, refer to 38 for the full disclosure.                                                                                                              |      |                     |

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

| Figures in Rand thousand            | 2023    | 2022      |
|-------------------------------------|---------|-----------|
| <b>36. Irregular expenditure</b>    |         |           |
| Current year: Irregular Expenditure | 136 530 | 1 931 353 |

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

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

### Administrative matters

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

The irregular expenditure relates to overspending on Bursaries for universities. The funding agreement was concluded/ signed by Department of Higher Education and Training (DHET), the National Skills Fund (NSF) and the National Student Financial Aid Scheme (NSFAS) in March 2022 as such there was not sufficient time to update the NSFAS budget R825.8m.

### Institutional matters

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

### Internal control matters

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

### Irregular expenditure under assessment

NSFAS identified possible additional irregular expenditure relating to:

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

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

2023

2022

### 37. Commitments

#### Authorised operational expenditure

##### Already contracted for but not provided for

|                                     |                |                |
|-------------------------------------|----------------|----------------|
| • Computer expenses                 | 208            | 32 014         |
| • Consulting and other services (I) | 223 738        | 174 171        |
|                                     | <b>223 946</b> | <b>206 185</b> |

#### Total operational commitments

|                                             |         |         |
|---------------------------------------------|---------|---------|
| Already contracted for but not provided for | 223 946 | 206 185 |
|---------------------------------------------|---------|---------|

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

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

|                                     |                |                |
|-------------------------------------|----------------|----------------|
| - within one year                   | 25 432         | 24 288         |
| - in second to fifth year inclusive | 81 256         | 107 165        |
|                                     | <b>106 688</b> | <b>131 453</b> |

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

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

2023

2022

### 38. Contingencies

#### 38.1. Contingent liability: Financial Structure

NSFAS holds a Corporate Access Management Services/Payment and Collections Services agreement (CAMS/PACS) with the corporate bankers that facilitates electronic payments and debit order processing. The Payments and Collections Services agreement that facilitates debit order deductions from debtors requires a settlement facility of R20 000 000 (2022: R20 000 000). A 10% notional risk is effected on the debtor's facility in the event of unpaid collections.

NSFAS has entered into agreements with various donors and educational institutions to fund students. The arrangement is that institutions will advance loans to students on NSFAS loan agreement forms. NSFAS then accounts for these loans as part of the NSFAS loan book. These arrangements do not include any transfer of cash between NSFAS and the universities. Any recoveries against this portion of the book are then re-injected to fund future generations of students. This arrangement is in line with the NSFAS mandate of increasing the pool of funds available to students. The total amount of institution recoveries that are available to fund future students as at the reporting date is R160 015 648 (2022: R143 290 740). As a result, there is a possibility that in future more universities might request money back from the recoveries.

#### 38.2. Contingency: Claim for services rendered

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

On agreement of amounts due and payable to NSFAS the amounts should be recognised as a receivable and subsequently tested for recoverability, and or impairment. The contingent asset include:

- > Disbursements over loan amounts
- > Loan conversions (policy versus contracts)
- > Payments for ineligible study directions (course code differences)
- > Private accommodation (UFH)
- > Irregular expenditure identified at institutions (DHET forensic reports)
- > Unverified courses

Contingent Assets and Liabilities arising from legal matters.

#### 38.3. Contingent liability: Unfair dismissal

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

#### 38.4. Contingent liability: Irregularly awarded contract

Service provider claims an amount of R1.1 million arising from irregular contract. NSFAS revised its pleading to argue that the claimed amount arose out of an illegal contract because the service provider was never awarded a contract through the SCM process. The filing of the amended pleadings was 6 February 2024

#### 38.5. Contingent liability: College

A College filed a claim in the amount of R17 930 251.00 that is allegedly due to them by NSFAS. NSFAS' alleged liability arises from a Memorandum of Agreement that was concluded between the parties in or around May 2019. The Agreement related to the Department of Higher Education Training ("DHET") Technical and Vocational Education and Training College (TVET College) Bursary Scheme and, in terms of this Agreement, the College became a designated higher education institution to administer DHET Bursary Scheme on behalf of the NSFAS. The matter is in abeyance and could potentially be settled once all Close-Out processes are finalized.

#### 38.6. Contingent liability: Contractual dispute

The service provider issued a letter of dispute to what they viewed the illegal, unfair and unjust administration action on the part of NSFAS, for cancelling the initial purchase order issued to MLO. The claim is estimated to be R90 million.

#### 38.7. Contingent liability: Unfunded post-grad LL.B. students

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

2023

2022

### 38. Contingencies (continued)

On 9 December 2021, an adverse judgment was delivered against NSFAS by the Gauteng Division of the High Court, halting the unfunding of post-grad LL.B. students. NSFAS was directed to continue funding the students and thus appealed the decision at the SCA. The appeal was heard on 9 May 2023 where judgment has been reserved. SCA judgement was delivered on 7 May 2024 in favour of NSFAS.

#### 38.8. Future Student Funding

The student-centred model makes it possible for students registered at both Universities or TVET colleges to apply directly to NSFAS for loans and bursaries rather than through their respective institutions. Eligible have loans and bursaries approved for the duration of their studies, subject to their meeting the promotion requirements, rather than being required to reapply for funding for each subsequent academic year. The fact that students' contract with NSFAS for the duration of their course creates a possible obligation under this contractual commitment. Uncertainties exist in both the amount (bursary amount of future studies), as well as the timing of the outflow as students could return for as long as they are within the bounds of the N+ rules.

The possible obligation is only confirmed once the student meets the necessary progression requirements and registers at a public institution. This possible contractual commitment by the entity to fund students for the duration of their studies, if they meet the promotion requirements, has resulted in an estimated contingent liability of R49 851 991 535 (2021: R64 193 519 575).

The estimate uses actual student data and parameters including course duration, the N+ rules as well as the amounts to be funded. The probability of students returning in the upcoming years is estimated and the contingency is then calculated on a compound basis using the inflation rate linked to bond rates ranging from 4.8% (2023) to 7.4% (2032). In line with the student-centred model, the population includes students who signed NSFAS agreements from 2017 onwards. Estimated future liabilities are then discounted at rates of between 7.9% (2023) to 11.5% (2032).

#### Sensitivity analysis for contingent liabilities of future student funding

A change of 100 basis points in inflation rates at the reporting date would have increased/decreased in the contingency of R1 041 436 951 or R1 020 562 987 respectively. This analysis assumes that all other variables remain constant. A change of 5% increase in the take-up rate or enrolment of continuing students would have increased the contingency by R17 431 208 101. This analysis assumes that all other variables remain constant.

#### 38.9. Contingent liability – Retention of surplus

As per section 53 (3) of PFMA public entities may not retain cash surplus without obtaining prior approval of the National Treasury, at period end NSFAS has not obtained approval from National Treasury to retain surplus recognized in Statement of Changes of Net Assets.

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

2023

2022

### 39. Risk management

#### Financial risk management

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

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

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

Liquidity risk

Market risk.

Credit risk.

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

There are no externally imposed capital requirements.

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

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

2023

2022

### 39. Risk management (continued)

#### Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is considered medium due to the entity's conservative funding structure and its own cash generation. Management monitors rolling forecasts of the entity's cash and cash equivalents on the basis of the expected cash flow. NSFAS engages with the Department of Higher Education and Training on a continuous basis to ensure that it has the cash flows to meet the expected payments to universities as they fall due.

#### Fair value

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

#### Maturity analysis of financial liabilities

##### At 31 March 2023

|                             | Less than 1<br>year | Between 1 and<br>2 years | Between 2 and<br>5 years | Over 5 years |
|-----------------------------|---------------------|--------------------------|--------------------------|--------------|
| Amounts payable (I)         | 751 421             | -                        | -                        | -            |
| Amounts due to institutions | 11 063 746          | -                        | -                        | -            |
| Amounts due to students     | 1 954 221           | -                        | -                        | -            |

##### At 31 March 2022

|                             | Less than 1<br>year | Between 1 and<br>2 years | Between 2 and<br>5 years | Over 5 years |
|-----------------------------|---------------------|--------------------------|--------------------------|--------------|
| Amounts payable (I)         | 606 797             | -                        | -                        | -            |
| Amounts due to institutions | 10 042 339          | -                        | -                        | -            |
| Amounts due to students     | 1 641 331           | -                        | -                        | -            |

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

#### Market risk

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

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

2023

2022

### 39. Risk management (continued)

#### Credit risk

Credit risk is the risk of financial loss to the entity if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the entity's receivables from student loans. This risk is mitigated by the loan terms which make the loans due and payable only in the event of a borrower becoming employed and having an income above a pre-determined threshold level. Fair value financial assets, loans and receivables and cash and cash equivalents are exposed to credit risk. The initial day-one loss adjustment is therefore not considered to be a reflection of credit risk but represents the social benefit element of the loans.

The maximum credit risk exposure is R34 099 826 (2022: R30 964 089), which is the total of all assets excluding inventory, prepayments, property, plant and equipment, and intangible assets.

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

#### Allowances for impairment

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

Impairment is calculated as the difference between the expected cash flow profile and the experienced payment, transitions from the student state and mortality.

#### Credit quality of student loans

GRAP 104 - Financial instruments require the disclosure of:

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

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

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

#### Write-off policy

The entity writes off a student loan and any related allowances for impairment losses when the entity determines that the loan is uncollectable. This determination is made after verification of the notification of the death or permanent disability of the debtor.

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

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

#### Loans and other receivables and Cash and cash equivalents

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

#### Market risk

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

2023

2022

### 39. Risk management (continued)

#### 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 by linking interest charged on outstanding student loans to the Repurchase rate, as determined by the South African Reserve Bank from time to time.

Interest rate risk profile

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

#### Variable rate instruments

|                                     |                   |                   |
|-------------------------------------|-------------------|-------------------|
| Student loans                       | 4 818 441         | 5 054 155         |
| Other variable rate instruments (I) | 13 850 397        | 11 227 518        |
|                                     | <b>18 668 838</b> | <b>16 281 673</b> |

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 R138 503 970 (2022: R 112 275 180 ). This analysis assumes that all other variables remain constant

Refer to note 8.

Valuation sensitivity analysis for student loans

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

#### 31 March 2023

|                           |          |        |
|---------------------------|----------|--------|
| 100 basis points increase | 20 489   | 0.43%  |
| 100 basis points decrease | (20 086) | -0.42% |

#### 31 March 2022

|                           |          |        |
|---------------------------|----------|--------|
| 100 basis points increase | 17 798   | 0.35%  |
| 100 basis points decrease | (16 059) | -0.32% |

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

2023

2022

### 40. Accounting by principals and agents

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

#### Other Funders

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

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

For the financial year ended 31 March 2022, NSFAS had custodianship of financial resources as allocated for funding purposes. NSFAS carries the risk of managing funds from funders. The entity recognised administration fees as a result of NSFAS being an agent of the following funders:

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

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

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

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

#### \*Material Funders

Department Of Basic Education (Funza Lushaka) is considered material funder for NSFAS.

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

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

For the financial year ended 31 March 2022, NSFAS had custodianship of financial resources as allocated for funding purposes. NSFAS carries the risk of managing funds from funders. The entity recognised administration fees as a result of NSFAS being an agent of the following funders:

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

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

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

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

2023

2022

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

### 1. Principal arrangement: Funder

| <b>Funder 2023</b>                                                               | Bank                 | Amounts owing        | Amounts due      | Amounts received     | Amounts disbursed      | Agency fees          | Interest          |
|----------------------------------------------------------------------------------|----------------------|----------------------|------------------|----------------------|------------------------|----------------------|-------------------|
| *Department Of Basic Education (Funza Lushaka)                                   | 539 858 643          | -                    | -                | 1 711 804 221        | (1 193 222 694)        | (33 223 825)         | 54 500 941        |
| Department Of Social Development (DSD)                                           | 55 068 178           | -                    | -                | 52 904 898           | (721 909)              | -                    | 2 885 190         |
| Department Of Agriculture, Forestry and Fisheries                                | 8 447 538            | (5 543 845)          | 264 157          | 34 734 731           | (27 350 219)           | -                    | 1 063 026         |
| Compensation Fund (COID)                                                         | 166 462              | (78 833 254)         | 1 193 463        | 155 124 514          | (152 172 689)          | (3 583 877)          | 798 513           |
| Culture Art Tourism Hospitality Sport Sector Education and Training Authority    | 12 436 330           | -                    | -                | 27 476 727           | (15 815 164)           | -                    | 774 768           |
| *National Skills Fund (NSF)                                                      | 351 839 811          | (16 462 401)         | 5 813 133        | 498 493 992          | (170 002 247)          | -                    | 24 282 609        |
| Bank Sector Education and Training Authority                                     | 1 264 694            | -                    | -                | 3 359 984            | (1 984 672)            | (200 000)            | 89 382            |
| Department Of Military Veterans (DMV)                                            | 34 786 197           | (9 647 669)          | 628 870          | 65 447 338           | (30 827 993)           | (579 004)            | 745 856           |
| Chemical Industries Education and Training Authority                             | 6 474 494            | -                    | -                | 6 134 957            | -                      | -                    | 339 537           |
| KZN Provincial Government Premier                                                | 270 441              | -                    | -                | 256 734              | -                      | -                    | 13 706            |
| Broad-Based Black Economic Empowerment                                           | 4 725 174            | -                    | -                | 4 527 075            | -                      | -                    | 198 099           |
| Nelson Mandela Metropolitan University                                           | 8 537 865            | -                    | -                | 8 090 195            | -                      | -                    | 447 671           |
| Agricultural Sector Education and Training Authority                             | 1 508 895            | -                    | -                | 1 429 765            | -                      | -                    | 79 130            |
| Construction Education and Training Authority                                    | 10 561 863           | -                    | -                | 10 007 975           | -                      | -                    | 553 888           |
| Health And Welfare Sector Education and Training Authority                       | 10 156 048           | -                    | -                | 9 625 971            | -                      | -                    | 530 077           |
| Education Training and Development Practices Sector Education Training Authority | 29 385               | -                    | -                | 27 844               | -                      | -                    | 1 541             |
| Eastern Cape Provincial Government                                               | 643 181              | -                    | -                | 609 451              | -                      | -                    | 33 730            |
| Thuthuka                                                                         | -                    | (34 510 469)         | 6 332 092        | -                    | -                      | -                    | -                 |
| TRC/DEREP                                                                        | -                    | (3 820 131)          | 58 803           | -                    | -                      | -                    | -                 |
| Mining Qualification Authority                                                   | -                    | (3 822 692)          | 137 357          | -                    | -                      | -                    | -                 |
|                                                                                  | <b>1 046 775 199</b> | <b>(118 129 992)</b> | <b>8 095 783</b> | <b>2 468 344 152</b> | <b>(1 592 097 587)</b> | <b>(520 150 953)</b> | <b>87 337 664</b> |

| <b>Funder 2022</b>                                                            | Bank        | Amounts owing | Amounts due | Amounts received | Amounts disbursed | Agency fees   | Interest   |
|-------------------------------------------------------------------------------|-------------|---------------|-------------|------------------|-------------------|---------------|------------|
| *Department Of Basic Education (Funza Lushaka)                                | 379 417 374 | (6 040 206)   | 27 580      | 1 275 323 400    | (1 182 893 945)   | (327 006 000) | 28 867 182 |
| Department Of Social Development (DSD)                                        | 52 220 147  | (4 550 481)   | 42 173      | -                | (7 015 086)       | (122 119)     | 1 788 189  |
| Department Of Agriculture, Forestry and Fisheries                             | 9 667 331   | -             | -           | 22 532 638       | (33 187 001)      | (1 139 800)   | 44 127     |
| Compensation Fund (COID)                                                      | 7 820 985   | (3 867 289)   | 135 222     | 89 056 730       | (163 650 407)     | (2 226 418)   | -          |
| Culture Art Tourism Hospitality Sport Sector Education and Training Authority | 4 702 327   | (114 972)     | -           | 6 668 809        | (13 617 080)      | (468 085)     | 70 420     |

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

|                                                                                            |                    |                     |                   |                      |                        | 2023                 | 2022              |
|--------------------------------------------------------------------------------------------|--------------------|---------------------|-------------------|----------------------|------------------------|----------------------|-------------------|
| *National Skills Fund (NSF)                                                                | 376 274 090        | (47 295 753)        | 24 247 951        | 396 633 080          | (302 298 524)          | (7 932 662)          | 17 262 426        |
| Fiber Processing and Manufacturing Sector Education And Training Authority                 | -                  | -                   | -                 | 4 872 265            | (19 749 705)           | -                    | 354 750           |
| Department Of Justice and Constitutional Development                                       | 26 803 564         | -                   | -                 | -                    | (19 634 116)           | -                    | -                 |
| Department Of Military Veterans (DMV)                                                      | 25 139 309         | (5 075 813)         | 1 113 382         | -                    | (14 850 700)           | -                    | 1 016 611         |
| Nelson Mandela Metropolitan University                                                     | 8 052 077          | -                   | -                 | -                    | -                      | -                    | 248 511           |
| Construction Education and Training Authority                                              | 10 007 975         | -                   | -                 | -                    | -                      | -                    | 308 876           |
| Food And Beverage Sector Education and Training Authority                                  | 14 025 113         | -                   | -                 | -                    | -                      | -                    | 432 857           |
| Health And Welfare Sector Education and Training Authority                                 | 8 326 593          | -                   | -                 | -                    | -                      | -                    | 256 983           |
| Manufacturing Engineering and Related Services Sector Education and Training Authority New | 41 630 427         | -                   | -                 | -                    | -                      | -                    | 1 284 839         |
| Mining Qualifications Authority                                                            | 11 179 293         | -                   | -                 | -                    | -                      | -                    | 345 026           |
|                                                                                            | <b>975 266 605</b> | <b>(66 944 514)</b> | <b>25 566 308</b> | <b>1 795 086 922</b> | <b>(1 756 896 564)</b> | <b>(338 895 084)</b> | <b>52 280 797</b> |

### 2. Principal arrangement: NSFAS Mobile Wallet

NSFAS has a suitable payment/distribution platform, hereinafter, NSFAS Mobile Wallet.

This service provider manages the settlement of NSFAS Mobile Wallet Merchant Claims arising through the use of the NSFAS Mobile Wallet by students. All NSFAS Mobile Wallet Merchants are required to enter into a written merchant registration agreement with the agent.

The agent shall pay to NSFAS its share of the Net Commission based on the Agreed Commission Sharing Rate by the end of the month in which the NSFAS invoice is received by the agent.

### 3. Principal arrangement: Debt collectors

The Parties have agreed that the debt collectors act on behalf of NSFAS in the Provision of External Debt Collection Services in the onboarding of debtors, collecting on outstanding loans and arrears of overdue debtors by obtaining debit order mandates, payroll deduction mandates or full outstanding balance settlements.

As remuneration for the services to be provided by the agent, NSFAS shall pay a % fixed collection fee, including VAT and disbursements, for the duration of the contract period.

NSFAS will only settle commission invoices after successful collections have taken place, i.e. money received in NSFAS bank account.

#### Fee Paid

Fee paid as compensation to the agent - NSFAS Mobile Wallet (R'000)

Fee paid as compensation to the agent - Debt collectors (R'000)

|        |       |
|--------|-------|
| -      | 474   |
| 10 019 | 6 298 |

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

|  | 2023   | 2022  |
|--|--------|-------|
|  | 10 019 | 6 772 |

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

#### NSFAS Mobile Wallet termination rights and consequences

The principal-agent arrangement in terms of the NSFAS Mobile Wallet Merchant Claims may be terminated on a 3 (three) calendar month written notice. All funds remaining in the nominated account (an account held by the agent at a reputable financial institution and nominated by the agent as the account reserved for NSFAS transactions), less all obligations by the agent on behalf of NSFAS, which may exist as at the final day of the notice period, shall be returned to NSFAS as soon as reasonably possible.

#### Debt collectors' rights and consequences

NSFAS reserves the right to terminate the arrangement, provided that a three (3) month early termination is provided. All amounts due and payable, including unamortised expenses and reasonable costs incurred as a consequence of the termination, to the agent for services rendered before termination, shall become due and payable even if they have not been invoiced.

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

2023

2022

### 41. Related parties

#### Relationships

Board Members

Executive Authority (Minister of Higher Education, Science and Technology)

Controlling Entity

Entities with significant influence

Refer to Accounting Authority's report note  
Dr Bonginkosi Emmanuel Nzimande

Department of Higher Education and Training  
Department of Agriculture, Forestry and Fisheries  
Department of Basic Education  
Department of Defence and Military Veterans  
Department of Justice and Constitutional  
Development

Public Entities (that transacted with NSFAS during the reporting period and had balances for instance: Bank; Amounts owing/due for detail refer to note 40)

Agricultural Sector Education and Training Authority  
Bank Sector Education and Training Authority  
Chemical Industries Education and Training Authority  
Construction Education and Training Authority  
Culture Art Tourism Hospitality Sport Sector  
Education and Training Authority  
Education Training and Development Practices  
Sector  
Education Training Authority  
Fiber Processing and Manufacturing Sector  
Education and Training Authority  
Financial and Accounting Services Sector Education  
and Training Authority  
Food and Beverage Sector Education and Training  
Authority  
Health and Welfare Sector Education and Training  
Authority  
Insurance Services Sector Education and Training  
Authority  
Local Government Education and Training Authority  
Manufacturing Engineering and Related Services  
Sector Education and Training Authority  
Mining Qualifications Authority  
Media Information and Communication Technologies  
Sector Education and Training Authority  
National Skills Fund  
Safety and Security Sector Education and Training  
Authority  
Services Sector Education and Training Authority  
Energy and Water Sector Education and Training  
Authority  
Transport Education and Training Authority  
Wholesale and Retail Sector Education and Training  
Authority

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

2023

2022

### 41. Related parties (continued)

TVET Colleges

Boland College  
 Buffalo City College  
 Capricorn College for TVET  
 Central Johannesburg College  
 Coastal KZN TVET College  
 College of Cape Town for TVET  
 East Cape Midlands  
 Ehlanzeni TVET College  
 Ekurhuleni East College for TVET  
 Ekurhuleni West College for TVET  
 Elangeni College for TVET  
 Esayidi TVET College  
 False Bay College for TVET  
 Flavius Mareka TVET College  
 Gert Sibande TVET College  
 Goldfields TVET College  
 Ikhala Public Further Education and Training College  
 Ingwe Public TVET College  
 King Hintsa Public TVET College  
 King Sabata Dalindyebo TVET College  
 Lephalale TVET College  
 Letaba TVET College  
 Lovedale Public TVET College  
 Majuba College for TVET  
 Maluti TVET College  
 Mnambithi TVET College  
 Mopani South East TVET College  
 Motheo TVET College  
 Mthashana TVET College  
 Nkangala TVET College  
 Northern Cape Rural TVET College  
 Northern Cape Urban TVET College  
 Northlink College  
 Orbit TVET College  
 Port Elizabeth College  
 Sedibeng College for TVET  
 Sekhukhune TVET College  
 South Cape College  
 South West Gauteng College  
 Taletso TVET College  
 Thekwini TVET College  
 Tshwane North College for TVET  
 Tshwane South College for TVET  
 Umfolozi College for TVET  
 Umgungundlovu TVET College  
 Vhembe TVET College  
 Vuselela TVET College  
 Waterberg TVET College  
 West Coast College  
 Western College for TVET

There were no other transactions that were not in the ordinary course of business to the state. Transactions between NSFAS and the listed entities are consistent with a normal operating relationship; arm's length transactions have been omitted from the presentation.

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

2023

2022

### 42. Non Executive Directors expenses and Executive Management emoluments

#### Key management

#### 2023

|                              | Board fees   | Financial Committee fees | HRRC fees (II) | Other (I)    | Total package 2023 | Total package 2022 |
|------------------------------|--------------|--------------------------|----------------|--------------|--------------------|--------------------|
| <b>Board expenses</b>        |              |                          |                |              |                    |                    |
| Meeting fees                 | 1 698        | 35                       | 27             | -            | 1 760              | 2 026              |
| Travel and accommodation     | -            | -                        | -              | 2 326        | 2 326              | 2 101              |
| <b>Total Board expenses*</b> | <b>1 698</b> | <b>35</b>                | <b>27</b>      | <b>2 326</b> | <b>4 086</b>       | <b>4 127</b>       |

|                                                          | Board fees   | Financial Committee fees | HRRC fees (II) | Other (I)    | Total package 2023 | Total package 2022 |
|----------------------------------------------------------|--------------|--------------------------|----------------|--------------|--------------------|--------------------|
| <b>*Board meeting fees and expenses per board member</b> |              |                          |                |              |                    |                    |
| Ernest Khosa (Chairperson)                               | 386          | 22                       | -              | 1 412        | 1 820              | 1 395              |
| Yonke Twani (Member)                                     | 155          | -                        | -              | 76           | 231                | 299                |
| Bamanye Matiwane (Member)                                | 202          | -                        | -              | 413          | 615                | 624                |
| Julie Beya (Member)                                      | 92           | -                        | 16             | 82           | 190                | 191                |
| Cyril Madaiba (Member) (III)                             | 127          | -                        | -              | 27           | 154                | 128                |
| Max Fuzani (Member)                                      | 149          | -                        | 11             | 162          | 322                | 366                |
| Pumela Msweli (Member)                                   | 136          | -                        | -              | 108          | 244                | 249                |
| Sanele Zondi (Member) (IV)                               | 127          | -                        | -              | -            | 127                | 289                |
| Lindiwe Matlali (Member) (V)                             | 87           | -                        | -              | 13           | 100                | 133                |
| Reshma Mathura (Member)                                  | 131          | 13                       | -              | 13           | 157                | 173                |
| Lisa Seftel (Co-opted member)                            | -            | -                        | -              | -            | -                  | 60                 |
| Melusi Baloyi (Co-opted member)                          | 106          | -                        | -              | 20           | 126                | 220                |
| <b>Total Board expenses</b>                              | <b>1 698</b> | <b>35</b>                | <b>27</b>      | <b>2 326</b> | <b>4 086</b>       | <b>4 127</b>       |

I. Included in 'other' is travel and accommodation expenses.

II. Human Resource and Remuneration Committee fees.

III. Cyril Madiba resigned on 4 March 2024.

IV. Sanele Zondi resigned on 25 October 2023.

V. Lindiwe Matlali resigned on 1 March 2023.

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

2023

2022

### 42. Non Executive Directors expenses and Executive Management emoluments (continued)

|                                             | Meeting Fees | Other (I)  | Total Package 2023 | Total Package 2022 |
|---------------------------------------------|--------------|------------|--------------------|--------------------|
| <b>Board Sub-Committees expenses</b>        |              |            |                    |                    |
| Meeting fees                                | 401          | -          | 401                | 252                |
| Travel and Accommodation                    | -            | 102        | 102                | 63                 |
| <b>Total Board Sub-Committees' Expenses</b> | <b>401</b>   | <b>102</b> | <b>503</b>         | <b>315</b>         |

204

|                                                           | Meeting fees | Other (I)  | Total Package 2023 | Total Package 2022 |
|-----------------------------------------------------------|--------------|------------|--------------------|--------------------|
| <b>Board Sub-Committees' fees and expenses per member</b> |              |            |                    |                    |
| Bulelani Mahlangu (ARC Chairperson)                       | 127          | -          | 127                | 60                 |
| Joe Samuels (ARC member)                                  | 24           | -          | 24                 | 24                 |
| Crystall Abdoll (ARC member)                              | 44           | -          | 44                 | 44                 |
| Zakariya Hoosain (ARC member)                             | -            | -          | -                  | 13                 |
| Reshma Mathura (FinCom member)                            | 16           | -          | 16                 | 16                 |
| Len Konar (ARC Member)                                    | 26           | -          | 26                 | -                  |
| Thomas Kgokolo (FinCom member)                            | 34           | 82         | 116                | 50                 |
| Khumo Mzozoyana (FinCom member)                           | 68           | -          | 68                 | 108                |
| Kwena Ntsewa (IAT Member)                                 | 18           | -          | 18                 | -                  |
| Lukhanyo Daweti (IAT Member)                              | 11           | 17         | 28                 | -                  |
| Thabelo Mofokeng (IAT Member)                             | 11           | 3          | 14                 | -                  |
| Tasneem Salassa (IAT Member)                              | 11           | -          | 11                 | -                  |
| Wongani Mgwali (IAT Member)                               | 11           | -          | 11                 | -                  |
| <b>Total Board Sub-Committees' Expenses</b>               | <b>401</b>   | <b>102</b> | <b>503</b>         | <b>315</b>         |

|                                                                | Salary of fee | Retirement fund contribution | Medical contribution | Other      | Total package 2023 | Total package 2022 |
|----------------------------------------------------------------|---------------|------------------------------|----------------------|------------|--------------------|--------------------|
| <b>Executive Managers</b>                                      |               |                              |                      |            |                    |                    |
| Andile Nongogo (Executive Officer)                             | 3 258         | -                            | -                    | 35         | 3 293              | 3 152              |
| Nthuseng Mphahlele (Chief Corporate Services Officer) (a)      | 1 816         | 91                           | -                    | 18         | 1 925              | 1 732              |
| Kagisho Mamabolo - Acting Chief Corporate Services Officer (b) | -             | -                            | -                    | 134        | 134                | -                  |
| Governance Risk and Compliance Executive                       | -             | -                            | -                    | -          | -                  | 1 290              |
| Acting Chief Financial Officer                                 | -             | -                            | -                    | -          | -                  | 533                |
| Acting Chief Corporate Services Officer                        | -             | -                            | -                    | -          | -                  | 389                |
| Masile Ramorwesi (Chief Financial Officer)                     | 1 341         | 76                           | 48                   | 15         | 1 480              | 823                |
| Modibedi Oliphant (Chief Information Officer)                  | 1 408         | 68                           | 36                   | 16         | 1 528              | 836                |
| <b>Total Executive Managers</b>                                | <b>7 823</b>  | <b>235</b>                   | <b>84</b>            | <b>218</b> | <b>8 360</b>       | <b>8 755</b>       |

a. Nthuseng Mphahlele - Chief Operations Officer was appointed on 1 February 2018 and resigned on 29 March 2023.

b. Kagisho Mamabolo was appointed to act in the position of Chief Corporate Services Officer from 07 January 2022 to 31 December 2022.

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

2023

2022

### 43. Going concern

We draw attention to the fact that at 31 March 2023, the entity had a surplus of R4 476 654 and that NSFAS's total assets exceed its liabilities by R22 656 309.

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

The ability of NSFAS to continue as a going concern is dependent on a number of factors. The going concern assessment was based on the below financial, operating and other considerations:

- The budget to support the APP for the financial year 2023-24 was approved with an overall spend of R50 billion;
- The current assets exceed current liabilities by R19 539 999, of the current ratio is at 2.8:1;
- The NSFAS has a positive balance of R13 850 397 about cash flow from operating activities;
- The surplus for the year amounted to R4 476 654;
- There are no long term liabilities or borrowings against the NSFAS other than Deferred income from non-exchange transactions of R1 387 632;
- All contingent liabilities against NSFAS, if successful, can be settled.

### 44. Segment information

#### General information

#### Identification of segments

For management purposes, the NSFAS is organised and operates in key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level.

The information relating to primary and secondary regularly reviewed by management to make funding decisions. The revenue and bursary expenditure and the related surplus are considered regularly by management in making funding decisions. Other financial information is not assessed per segment for reporting or decision-making purposes.

#### The key functional segments comprise of:

The segments are organised around the type of service delivery. NSFAS core mandate is to provide financial aid, as a result student funding and administration of these are considered reportable segments.

These reportable segments as well as the goods and/or services for each segment are set out below:

#### Reportable segment

Student funding  
NSFAS governance and administration

#### Goods and/or services

Student bursaries  
Governance and administration

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 44. Segment information (continued)

#### Statement of Financial Performance

2023

Student  
funding

NSFAS  
governance  
and  
administration

Total

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 44. Segment information (continued)

#### Exchange revenue

|                               |                  |               |                  |
|-------------------------------|------------------|---------------|------------------|
| Commission received           | -                | 101           | 101              |
| Administration fees           | -                | 43 189        | 43 189           |
| Interest revenue              | 1 287 894        | 7 652         | 1 295 546        |
| Other income                  | -                | 2 925         | 2 925            |
| <b>Total exchange revenue</b> | <b>1 287 894</b> | <b>53 867</b> | <b>1 341 761</b> |

|                                     |                   |                |                   |
|-------------------------------------|-------------------|----------------|-------------------|
| Unallocated debtor receipts         | -                 | -              | -                 |
| Administration grant                | -                 | 355            | 355               |
| Grants received for students awards | 44 702 214        | 366 562        | 366 562           |
|                                     | -                 | -              | 44 702 214        |
| <b>Total non-exchange revenue</b>   | <b>44 702 214</b> | <b>366 917</b> | <b>45 069 131</b> |

|                      |                   |                |                   |
|----------------------|-------------------|----------------|-------------------|
|                      | -                 | -              | -                 |
| <b>TOTAL REVENUE</b> | <b>45 990 108</b> | <b>420 784</b> | <b>46 410 892</b> |

#### Expenditure

|                                  |                     |                  |                     |
|----------------------------------|---------------------|------------------|---------------------|
| Employee related costs           | -                   | -                | -                   |
| Depreciation and amortisation    | -                   | (186 217)        | (186 217)           |
| Bursaries - TVET Colleges        | -                   | (14 416)         | (14 416)            |
| Bursaries - Universities         | (5 278 480)         | -                | (5 278 480)         |
| Audit fees                       | (35 817 853)        | -                | (35 817 853)        |
| Consulting and professional fees | -                   | (15 332)         | (15 332)            |
| General expenses                 | -                   | (66 945)         | (66 945)            |
|                                  | -                   | (143 706)        | (143 706)           |
| <b>Total expenditure</b>         | <b>(41 096 333)</b> | <b>(426 616)</b> | <b>(41 522 949)</b> |

#### Operating surplus

|                              |                  |                |                  |
|------------------------------|------------------|----------------|------------------|
| Impairment - student loans   | 4 893 775        | (5 832)        | 4 887 943        |
| Inventory losses/write-downs | (390 801)        | -              | (390 801)        |
|                              | (20 488)         | -              | (20 488)         |
| <b>SURPLUS FOR THE YEAR</b>  | <b>4 482 486</b> | <b>(5 832)</b> | <b>4 476 654</b> |

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 44. Segment information (continued)

2022

| Student<br>Funding | NSFAS<br>governance<br>and<br>administration | Total |
|--------------------|----------------------------------------------|-------|
|--------------------|----------------------------------------------|-------|

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 44. Segment information (continued)

#### Exchange revenue

|                     |         |        |         |
|---------------------|---------|--------|---------|
| Commission received | -       | 102    | 102     |
| Administration fees | -       | 44 590 | 44 590  |
| Interest revenue    | 840 931 | 2 309  | 843 240 |
| Other income        | -       | 1 786  | 1 786   |

|                               |                |               |                |
|-------------------------------|----------------|---------------|----------------|
| <b>Total exchange revenue</b> | <b>840 931</b> | <b>48 787</b> | <b>889 718</b> |
|-------------------------------|----------------|---------------|----------------|

|                                     |            |         |            |
|-------------------------------------|------------|---------|------------|
| Unallocated debtor receipts         | -          | -       | -          |
| Administration grants               | -          | 813     | 813        |
| Grants received for students awards | -          | 367 782 | 367 782    |
|                                     | 42 091 504 | -       | 42 091 504 |

|                                   |                   |                |                   |
|-----------------------------------|-------------------|----------------|-------------------|
| <b>Total non-exchange revenue</b> | <b>42 091 504</b> | <b>368 595</b> | <b>42 460 099</b> |
|-----------------------------------|-------------------|----------------|-------------------|

|                      |                   |                |                   |
|----------------------|-------------------|----------------|-------------------|
| <b>TOTAL REVENUE</b> | <b>42 932 435</b> | <b>417 382</b> | <b>43 349 817</b> |
|----------------------|-------------------|----------------|-------------------|

|                                  |              |           |              |
|----------------------------------|--------------|-----------|--------------|
| Expenditure                      | -            | -         | -            |
| Employee related costs           | -            | -         | -            |
| Depreciation and amortisation    | -            | (194 785) | (194 785)    |
| Bursaries - TVET Colleges        | -            | (6 647)   | (6 647)      |
| Bursaries - Universities         | (4 781 984)  | -         | (4 781 984)  |
| Audit fees                       | (31 785 450) | -         | (31 785 450) |
| Consulting and professional fees | -            | (9 644)   | (9 644)      |
| General expenses                 | -            | (59 356)  | (59 356)     |
|                                  | -            | (90 925)  | (90 925)     |

|                          |                     |                  |                     |
|--------------------------|---------------------|------------------|---------------------|
| <b>Total expenditure</b> | <b>(36 567 434)</b> | <b>(361 357)</b> | <b>(36 928 791)</b> |
|--------------------------|---------------------|------------------|---------------------|

|                                                                                 |                  |               |                  |
|---------------------------------------------------------------------------------|------------------|---------------|------------------|
| <b>Operating surplus</b>                                                        | <b>6 365 001</b> | <b>56 025</b> | <b>6 421 026</b> |
| Loss on disposal of PPE                                                         | -                | (298)         | (298)            |
| Impairment - student loans                                                      | (1 485 215)      | -             | (1 485 215)      |
| Impairment (reversal)/loss - Amounts owing by institutions long term (exchange) | -                | (3 247)       | (3 247)          |

|              |                  |               |                  |
|--------------|------------------|---------------|------------------|
| <b>Total</b> | <b>4 879 786</b> | <b>52 480</b> | <b>4 932 266</b> |
|--------------|------------------|---------------|------------------|

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 44. Segment information (continued)

#### Statement of Financial Position

2023

|                                                | Student<br>funding | NSFAS<br>governance<br>and<br>administration | Total        |
|------------------------------------------------|--------------------|----------------------------------------------|--------------|
| <b>Current Assets</b>                          | -                  | -                                            | -            |
| Inventories                                    | 53 894             | -                                            | 53 894       |
| Prepayments to institutions                    | 5 142 237          | -                                            | 5 142 237    |
| Student Loans                                  | 359 810            | -                                            | 359 810      |
| Amounts owing by institutions                  | 10 752 449         | -                                            | 10 752 449   |
| Receivables from exchange transactions         | -                  | 613                                          | 613          |
| Amounts owing by students                      | 1 165 860          | -                                            | 1 165 860    |
| Receivables from non-exchange transactions     | 3 512 066          | -                                            | 3 512 066    |
| Cash and cash equivalents                      | 13 581 576         | 268 821                                      | 13 850 397   |
| <b>Non-Current Assets</b>                      | -                  | -                                            | -            |
| Property, plant and equipment                  | -                  | 34 932                                       | 34 932       |
| Intangible assets                              | -                  | 10 377                                       | 10 377       |
| Student Loans                                  | 4 458 986          | -                                            | 4 458 986    |
| <b>Current Liabilities</b>                     | -                  | -                                            | -            |
| Operating lease liability                      | -                  | (4 322)                                      | (4 322)      |
| Provisions                                     | (23 423)           | -                                            | (23 423)     |
| Amounts due to students                        | (1 954 221)        | -                                            | (1 954 221)  |
| Amounts due to institutions                    | (11 063 746)       | -                                            | (11 063 746) |
| Deferred income from non-exchange transactions | (1 496 145)        | -                                            | (1 496 145)  |
| Trade and other payables                       | (658 649)          | (97 176)                                     | (755 825)    |
| <b>Non-Current Liabilities</b>                 | -                  | -                                            | -            |
| Deferred income from non-exchange transactions | (1 387 632)        | -                                            | (1 387 632)  |
| <b>Net Assets</b>                              | -                  | -                                            | -            |
| Accumulated surplus                            | (22 656 307)       | -                                            | (22 656 307) |
| <b>Total segment assets and liabilities</b>    | <b>(213 245)</b>   | <b>213 245</b>                               | <b>-</b>     |

2022

| Student<br>funding | NSFAS<br>governance<br>and<br>administrati<br>n | Total |
|--------------------|-------------------------------------------------|-------|
|--------------------|-------------------------------------------------|-------|

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 44. Segment information (continued)

|                                                |                 |               |              |
|------------------------------------------------|-----------------|---------------|--------------|
| <b>Current assets</b>                          | -               | -             | -            |
| Inventories                                    | 214 192         | -             | 214 192      |
| Prepayments to institutions                    | 2 070 926       | -             | 2 070 926    |
| Students loans                                 | 419 373         | -             | 419 373      |
| Amounts owing by institutions                  | 9 035 977       | -             | 9 035 977    |
| Receivables from exchange transactions         | -               | 11 407        | 11 407       |
| Amounts owing by students                      | 897 872         | -             | 897 872      |
| Receivables from non-exchange transactions     | 4 737 160       | -             | 4 737 160    |
| Cash and cash equivalents                      | 11 139 129      | 88 389        | 11 227 518   |
| <b>Non-current assets</b>                      | -               | -             | -            |
| Property, plant and equipment                  | -               | 21 694        | 21 694       |
| Intangible assets                              | -               | 1 959         | 1 959        |
| Student loans                                  | 4 634 782       | -             | 4 634 782    |
| <b>Current liabilities</b>                     | -               | -             | -            |
| Operating lease liability                      | (1 498)         | -             | (1 498)      |
| Provisions                                     | (24 934)        | -             | (24 934)     |
| Amounts due to students                        | (1 641 331)     | -             | (1 641 331)  |
| Amounts due to institutions                    | (10 042 339)    | -             | (10 042 339) |
| Deferred income from non-exchange transactions | (1 437 703)     | -             | (1 437 703)  |
| Trade and other payables                       | (505 364)       | (112 403)     | (617 766)    |
| <b>Non-current liabilities</b>                 | -               | -             | -            |
| Deferred income from non-exchange transactions | (1 327 634)     | -             | (1 327 634)  |
| <b>Net assets</b>                              | -               | -             | -            |
| Capital fund                                   | (18 179 655)    | -             | (18 179 655) |
| <b>Total segment assets</b>                    | <b>(11 047)</b> | <b>11 046</b> | <b>-</b>     |

### Measurement of segment surplus or deficit, assets and liabilities

### Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

### Other information

On the first-time adoption of GRAP 18, comparative segment information is not required in terms of the transitional provisions.

### 45. Budget information

#### Material differences between budget and actual amounts

The Minister approved the initial budget as per the budget submitted in the Annual Performance Plan. The variances arose due to refinements performed by NSFAS on the initial approved budget. All changes to the initial approved budget were approved by the Accounting Authority.

The following were not budgeted for:

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

2023

2022

### 45. Budget information (continued)

Inventories (amount is not material)  
 Operating lease liability (amount is not material)  
 Deferred income  
 Commission Revenue - sBux (amount is not material))  
 Unallocated Debtors Receipts (amount is not material)  
 Irrecoverable debts written off  
 Impairment loss - Amounts owing by other funders  
 Residual valuation adjustments  
 Amounts owing by institutions  
 Proceeds from the sale of property, plant and equipment (amount is not material)  
 Depreciation  
 Purchase of another intangible asset

### Statement of Financial Performance

#### 45.1: Interest revenue (exchange)

Interest revenue is below the budgeted interest as the balances in the call accounts were below what was expected to be received. Additional expected grant funding was received after the year-end. In addition to this, the impact of the loan book valuation on the interest resulted in a further negative variance.

#### 45.2: Other income (exchange)

Other income budgeted for relates to the movement of recoveries funding to fund the Debt Collection Commission expenditure. Other income received relates to the re-imbursement portion of skills development levies received from the Bank SETA and insurance claims received for lost or stolen staff laptops.

#### 45.3: Grants received for student awards

The material variance is due to the additional funding made available for the NSFAS University funding shortfall for the 2021 academic year.

#### 45.4: Depreciation and amortisation

The overspending is due to an urgent need that arose to invest computer infrastructure hardware.

#### 45.5: Bursaries - TVET Colleges

Due to Covid-19 impact on households and loss of income, the demand for university bursaries increased. There was a projected budget shortfall, but the shortfall was covered by additional funding provided by NSF.

#### 45.6: Bursaries - Universities

The demand for TVET bursaries was lower than predicted resulting in lower bursary spend.

#### 45.7: Consulting and professional fees

The majority of underspending resulted from a delay in the receipt of the earmarked grant to support the core business system. Underspending on debt collection commission was due to data issues previously identified with the files sent to the External Debt Collectors which affected the debt collection process and the corresponding debt collection commission paid. Additional underspending resulted from the suspended use of credit bureaus for applicant income verifications.

#### 45.8: General Expenses

Underspending resulted from delays experienced with the finalisation of the fit-out of the new NSFAS office premises and the setting up of the network infrastructure at the new premises.

#### 45.9: Impairment loss - Amounts owing by institutions long-term

The associated balance was assessed for impairment in the current year. To the extent that NSFAS determines that the balances are impaired, after performing its impairment test, these balances are written off.

### 46. BBBEE Performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand thousand

2023

2022

### 47. Non-submitting institutions

The Close out process was finalised for academic periods 2017 -2021 during the 2022 financial period. There are some institutions that failed to submit student data during the reconciliation period. NSFAS elected to disclose the amounts for non-submitting institutions using registration data without adjusting for estimates. NSFAS elects to use the available registration data to inform recognition of assets and liabilities. This information is verifiable and supportable as registration data was received from the institutions. There is a risk that the amounts due and amounts owing from institutions can change within the next financial year, should the institutions choose to submit the outstanding information. This would affect note 4, 6, 13 and note 26.

# NATIONAL STUDENT FINANCIAL AID SCHEME

Annual Financial Statements for the year ended 31 March 2023

## Supplementary Information

### 1. General expenses

|                                        |                |               |
|----------------------------------------|----------------|---------------|
| Advertising                            | 1 261          | 1 075         |
| Agency Fees                            | 2 125          | -             |
| Assessment rates & municipal charges   | 358            | 238           |
| Bank charges                           | 831            | 1 073         |
| Cleaning                               | 224            | 2 715         |
| Collection costs                       | 10 019         | 6 298         |
| Commission paid                        | 3 634          | 474           |
| Compliance - National Credit Regulator | 248            | 330           |
| Computer expenses                      | 2 691          | 417           |
| IT expenses                            | 27 968         | 26 640        |
| Electricity                            | 1 720          | 1 528         |
| Insurance                              | 553            | 797           |
| Lease rentals on operating lease       | 27 252         | 11 212        |
| Media costs                            | 250            | 245           |
| Motor vehicle expenses                 | 2              | 21            |
| Office expenses                        | 312            | 181           |
| Placement fees                         | 125            | 112           |
| Printing and stationery                | 214            | 60            |
| Promotions                             | 812            | 1 502         |
| Renovation costs                       | 424            | -             |
| Repairs and maintenance                | 674            | 2 291         |
| Payroll services                       | 670            | 969           |
| Security services                      | 867            | 1 324         |
| Subscriptions and membership fees      | 2 996          | 1 853         |
| Telephone and fax                      | 14 659         | 17 957        |
| Training                               | 2 000          | 2 045         |
| Travel - local                         | 25 067         | 9 568         |
| TVET Assistance                        | 15 750         | -             |
|                                        | <b>143 706</b> | <b>90 925</b> |

\* See Note





**[info@nsfas.org.za](mailto:info@nsfas.org.za)**  
**[www.nsfas.org.za](http://www.nsfas.org.za)**

**Postal Address:**  
**Private Bag X1, Plumstead 7801**  
**South Africa**

**Physical Address:**  
**4 Christiaan Barnard Street**  
**Cape Town City Centre**  
**Cape Town,**  
**8000**