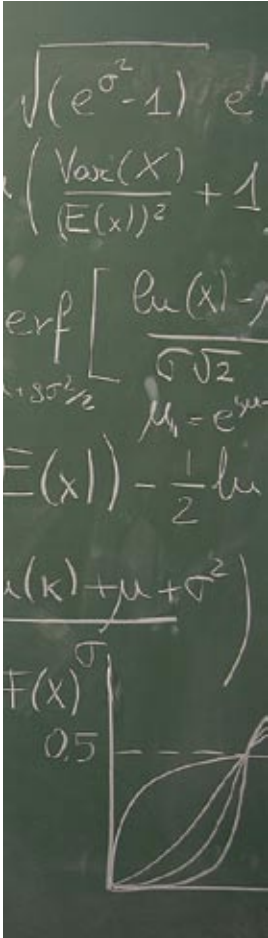


National Student
Financial Aid Scheme

annual REPORT 2008

*Includes financials for the year
ended 31 March 2008*

PROVIDING FINANCIAL
ASSISTANCE TO
ACADEMICALLY
DESERVING STUDENTS
WHO ARE IN NEED



NATIONAL STUDENT FINANCIAL AID SCHEME *contents*

Providing Financial Assistance To academically Deserving Students Who Are In Need

Annual Report

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The reports and statements set out herein comprise the financial statements presented to the stakeholders:

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(from left to right)

TOP ROW Left: Mr Siphon Pityana, Chairperson; Mr Ivan Mzimela, Deputy Chairperson
Right: Mr Allan Taylor (CEO until July 2007); Ms Merle Festers (acting CEO between August 2007 and January 2008); Mr Pragasen Naicker (CEO with effect from 1 February 2008)

SECOND ROW Mr Raymond Olander; Dr Loveness Kaunda; Mr Thami Ncokwane; Mr Phillip Dexter; Ms Nasima Badsha; Mrs Babalwa Ntabeni-Matutu; Professor Duma Malaza

THIRD ROW Mr Bonakele Jacobs; Ms Laura Schultz; Mr Marshall Rapiya; Mr Spencer Janari



the BOARD



New Board Members:

From Left to Right:

Mr Brian Gallant

Dr Ngozi Awa

Mr Nathan Johnstone

Professor Martin Hall

Not shown here

Advocate Mofi Mosotho Petlane

Ms Lynette Matthews

Mr Nyiko Shivamu

foreword

GNM Pandor, MP, Minister of Education

IT IS MY PLEASURE TO PRESENT THE NATIONAL STUDENT FINANCIAL AID SCHEME ANNUAL REPORT TO PARLIAMENT.

In 1999 government established NSFAS by an Act of Parliament to provide for the granting of loans and bursaries to eligible students. Parliament recently amended the Act to include Further Education and Training (FET) Colleges.

The Department of Education has made a huge investment in widening access to higher education through NSFAS. In the 2007 MTEF we added R1.3 billion to NSFAS funds. That was a major injection on its own, but our funding of higher education as a whole has also increased substantially. Since 2004 the Department has added R2.1 billion to NSFAS, and R6.2 billion to higher education baseline funding. One in every four rands budgeted has been for the tuition and living costs of students who would not otherwise have been able to attend university. We have made a commitment to equity and redress in our education system.

NSFAS continues to manage our successful Funza Lushaka project that provides bursaries for student teachers, as well as the Department of Social Development's social work bursaries.

NSFAS plays a leading role in ensuring the success of our twin goals of widening access and expanding success in tertiary education. In 2007 the Scheme made 153,272 awards of an average of R11,483 each to 125,899 students. I am particularly pleased to note that loan repayments continued to increase; some R341 million was reinvested into the Scheme from repaid loans. By repaying their loans, graduates demonstrate an understanding of their responsibility to make a contribution to education.

The resources available to higher and further education can be further enhanced through the wisdom of



GNM. Pandor, MP
Minister of Education

NSFAS plays a leading role in ensuring the success of our twin goals of widening access and expanding success in tertiary education.

parents and guardians in providing for the future education of their children. To this end, I launched the Fundisa Fund, an investment initiative in conjunction with the Association of Collective Investments. A portion of NSFAS's funds has been made available to contribute to the bonus component of the Fundisa Fund – a powerful incentive for those able to save something towards their children's tertiary education.

I would like to express my appreciation to the Board and all other stakeholders and individuals who continue to provide their advice, support and commitment to NSFAS, and in so doing contribute to the ongoing stability and development of the higher education system.

GNM Pandor, MP
Minister of Education

annual
report 20
08



National Student Financial Aid Scheme

Mr Sipho M Pityana, Chairperson

NSFAS'S CENTRAL MISSION OF ENHANCING ACCESS TO HIGHER EDUCATION FOR THOSE FROM PREVIOUSLY DISADVANTAGED COMMUNITIES HAS FEATURED PROMINENTLY AS THE NATION HAS INCREASED ITS EFFORTS TO ACCELERATE SKILLS DEVELOPMENT.

Consequently, the organisation assumed additional responsibilities as regards managing grants for students at Further Education and Training (FET) Colleges, as well as for studies in social work and education.

These developments, together with the partnerships with the private sector, have seen us evolve dedicated funding for certain areas of the economy without compromising our focus of enhancing general access to higher education. Nedbank's donation of R15 million was the first major response to our appeal for this kind of partnership. The funds are restricted for use in identified skills areas. It is a development that complements our partnership with the South African Institute of Chartered Accountants (SAICA), which focuses on the sponsorship of students in the field of accountancy.

These partnerships have assumed even greater importance as the demand for our support has exceeded our capacity

to provide financial assistance. For this reason, we have set ourselves the goal of growing these relationships and of increasing the private sector's contribution to NSFAS. Coupled with this is the need to implement communications programmes geared to reach poor communities in order to ensure that they are aware of the services of NSFAS and how to access them.

In the same vein, Government's contribution to NSFAS has increased tremendously over the past five years by R826 million from the Department of Education – this against a backdrop of rising costs of study. We are concerned about the negative impact that the escalation in costs of higher education is having on access, particularly to previously advantaged institutions.

We carried out an extensive review of the choices facing NSFAS in light of our resource constraints. Central among these is the debate regarding whether we should be funding



Mr Sipho M. Pityana,
Chairperson

Financial aid to poor students is a vital government initiative that should be seen as part of a comprehensive programme to address socio-economic backlogs and imbalances.

fewer students and grant them bigger resources, or target larger numbers of students but with each receiving less funding support. We have also been looking at possible incentives which may entail reducing the loan component of our scheme for those who finish their studies within the set period of time. In addition to these initiatives, we have also sought to determine the extent to which our funding is aligned to the skills development efforts that the country has embarked upon.

These policy choices have to be informed by detailed research and analysis, and a decision was consequently made to appoint a full-time research officer.

These developments are indicative of an exponential growth of NSFAS from an R800 million scheme in 2002/03 to R1.8 billion in 2007/08. The administrative capacity of the organisation has not kept pace with these changes, and so staff and systems are under pressure. Further demands came about through the introduction of the National Credit Act (NCA) and changes to financial and audit practices. Following the appointment of Mr Pragasen Naicker as the new CEO as a result of the resignation of Mr Allan Taylor for personal career pursuits, a comprehensive organisational review was initiated to address

some of these issues. Consequently an organisational redesign and business re-engineering project was embarked on in order to ensure the efficient re-adjustment of the organisation and enhancement of efficiencies.

The new CEO – an IT expert and former Executive Director of Information and Technology of the University of Cape Town (UCT) – will use his experience to drive our efforts to increase a close interface with institutions of higher education by electronic media, among others. The focus will also be to improve the assistance offered to the Financial Aid Offices and provide a more efficient service to students.

In this regard we are grateful to Allan Taylor for his dedicated service to NSFAS and to Ms Merle Festers, the CFO, who was the Acting CEO for six months following his resignation. We would also like to thank the members of the Board for their commitment, contribution and for investing their varied expertise to make NSFAS the rich organisation that it is. Without our hard-working and loyal staff, this organisation would not be where it is, and I encourage them to keep up the good work.

Sipho M Pityana

chairperson's REPORT

ceo's introduction

THE DAWN OF DEMOCRACY IN SOUTH AFRICA IN THE EARLY 1990s BROUGHT TO AN END MORE THAN 100 YEARS OF HIGHER EDUCATION THAT HAD BEEN PRIMARILY THE PRESERVE OF THE WHITE POPULATION.

Education has so often served as the key to opening the door to a new world and a new life, and its role in the transformation of our society and economy cannot be underestimated. In the current period in South Africa, as in many other developing countries, the ongoing cycle of poverty can be broken when the first generation in a family is given an opportunity to be educated to a level that allows the individual to be employed in a professional capacity. Greater access to education for more South Africans is inextricably linked to the development of the country and our collective ability to deal with the many socio-economic challenges we face.

The mandate under which NSFAS operates directly relates to these issues, and it is pleasing to note that funding passing through the NSFAS system continues to grow annually, reflecting an acknowledgement of the considerable educational needs of the nation. In the year under review, NSFAS was required to manage a substantial increase in funds available for undergraduate study. Not only

has funding for general education increased, but NSFAS students have benefited from a rapidly growing pool of funds that target scarce skills. This is evidenced by the increase from the R83 million available in 2006 for scarce skills funding to the 2007 amount of over R360 million. While the Department of Education and other government departments remain the largest contributors to scarce skills funding, there is a discernable increase in funds from corporate South Africa, and we were particularly pleased to welcome Nedbank on board this year.

In December 2007, the NSFAS Act was amended to include the administration of funds for Further Education and Training (FET) Colleges. In effect, NSFAS is now responsible for managing bursary awards to students studying for vocational training courses at fifty FET colleges country-wide. In 2007, the Department of Education (DOE) made R100 million in new monies available to students studying at FET Colleges.



Mr Pragasen Naicker
Chief Executive Officer

In effect, NSFAS is now responsible for managing bursary awards to students studying for vocational training courses at fifty FET colleges country-wide.

Mr Pragasen Naicker, Chief Executive Officer

Further funds available during the year arose as a result of the steady increase in loan recoveries, making it possible for NSFAS to inject the sum of R295 million into the student award pool.

In February 2008, in response to the operational challenges presented by the growth in its activities, NSFAS embarked on a review of its business processes, information systems and technology platforms with a view to identifying opportunities to improve on the quality and speed of delivery of its services to students, institutions and donors. What is clear at this early stage in the review process is that simply increasing the staff complement will not in itself effectively deal with the specific service requirements of these stakeholders.

Initial indications of the review suggest that NSFAS will have to make more effective use of technology. Progressively NSFAS needs to replace its manually-intensive loan form processing system with electronic forms processing so that the current administrative burden at NSFAS and each of the Financial Aid Offices is drastically reduced. This administrative burden pre-

vents Financial Aid Offices from concentrating on their primary task of interacting with and informing students of the many types of funding that can be accessed, so that the student can make the right financial aid choice. This consultation at the level of the Financial Aid Officer is essential, particularly in respect of scarce skills funding, where the terms and conditions applicable to each fund are defined by the donor.

During the year NSFAS met with the National Credit Regulator and took steps to comply with the National Credit Act (NCA). The original intention of applying for exemption from the NCA was shelved as NSFAS came to realise that, as part of students' life skills development, it is important for them to understand the implications of entering into a loan agreement.

Finally, I would like to express my appreciation to the management team and staff at NSFAS for their hard work and especially their willingness to educate me on the intricacies of the NSFAS operation since I took up the position of CEO on 1 February 2008.

Mr Pragasen Naicker

operational review *for the 2007/08 year*

INCREASING FUNDS ALLOCATED TO NSFAS FOR ADMINISTRATION WAS AN IMPORTANT FEATURE OF THE OPERATIONAL ENVIRONMENT DURING THE 2007/2008 YEAR. DESPITE THE HEIGHTENED PRESSURE THAT THIS INVOLVED, NSFAS PROVED ITS ABILITY TO HANDLE LARGER AMOUNTS.

The strain of the increased funds under administration intensified with the growth in the number of institutions with which we interact and the corresponding growth in work relating to them – this increased from 23 to 73 educational institutions. The increase in the institutional base was due to the NSFAS mandate being extended to include the administration of bursary funding to Further Education and Training (FET) Colleges. This new responsibility arose through the allocation by the Department of Education of R100 million for

student bursaries at FET Colleges. Figure 1.1 details the name of the FET College, the number of FET students who received bursaries and the total amount in rands made available by NSFAS to each FET College. In total, 12,283 FET students took advantage of the bursaries on offer. The timing of the start of the FET rollout resulted in the full amount of money made available by the Department of Education not being allocated during the year under review. However, remaining funds were set to be re-allocated to students for the 2008 academic year.

Figure 1.1

FET colleges

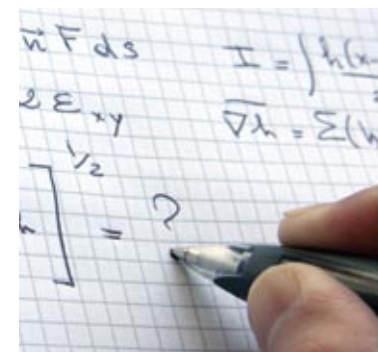
| FET COLLEGE | NO OF STUDENTS | NO OF AWARDS | RAND VALUE |
|-----------------------------------|----------------|--------------|-------------|
| Boland FET College | 211 | 218 | R 927,969 |
| Buffalo City FET College | 212 | 212 | R 994,483 |
| Capricorn FET College | 449 | 450 | R 3,001,631 |
| Central Johannesburg FET College | 162 | 166 | R 1,206,834 |
| Coastal FET College | 429 | 430 | R 3,242,415 |
| FET College of Cape Town | 311 | 312 | R 2,272,984 |
| Eastern Cape Midlands FET College | 243 | 246 | R 979,187 |
| Ehhlazeni FET College | 247 | 250 | R 1,369,748 |
| Ekurhuleni East FET College | 486 | 488 | R 1,608,180 |
| Ekurhuleni West FET College | 282 | 283 | R 1,050,881 |
| Elangeni FET College | 257 | 269 | R 1,672,525 |
| Esayidi FET College | 333 | 334 | R 2,279,371 |
| False Bay FET College | 179 | 212 | R 869,455 |
| Flavius Mareka FET College | 68 | 68 | R 527,292 |
| Gert Sibande FET College | 332 | 335 | R 2,403,907 |
| Goldfields FET College | 76 | 76 | R 568,274 |
| Ikhala FET College | 256 | 256 | R 1,080,402 |
| Ingwe FET College | 116 | 116 | R 557,406 |
| King Hintsa FET College | 173 | 173 | R 1,407,807 |
| King Sabata FET College | 136 | 136 | R 810,395 |
| Lephalale FET College | 137 | 137 | R 579,305 |
| Letaba FET College | 339 | 339 | R 1,505,891 |
| Lovedale FET College | 130 | 130 | R 782,759 |
| Majuba FET College | 268 | 268 | R 486,500 |

| | | | |
|---------------------------------|---------------|---------------|---------------------|
| Maluti FET College | 405 | 406 | R 2,250,000 |
| Mnambithi FET College | 110 | 110 | R 584,251 |
| Mopani FET College | 578 | 579 | R 2,806,736 |
| Motheo FET College | 218 | 218 | R 1,354,048 |
| Mthashana FET College | 259 | 259 | R 1,480,385 |
| Nkangala FET College | 354 | 359 | R 1,842,485 |
| Northern Cape Rural FET College | 373 | 373 | R 1,663,973 |
| Northern Cape Urban FET College | 183 | 184 | R 846,435 |
| Northlink FET College | 232 | 232 | R 1,004,559 |
| Orbit FET College | 385 | 385 | R 1,739,250 |
| Port Elizabeth FET College | 233 | 233 | R 1,305,635 |
| Sedibeng FET College | 264 | 264 | R 1,550,000 |
| Sekhukhune FET College | 158 | 158 | R 951,863 |
| South Cape FET College | 221 | 221 | R 738,526 |
| South West FET College | 389 | 395 | R 2,464,983 |
| Taletso FET College | 141 | 141 | R 849,511 |
| Thekwini FET College | 134 | 134 | R 711,125 |
| Tshwane North FET College | 174 | 176 | R 1,363,178 |
| Tshwane South FET College | 362 | 362 | R 2,448,927 |
| Umfolozi FET College | 234 | 234 | R 1,364,273 |
| Umgungundlovu FET College | 132 | 132 | R 607,246 |
| Vhembe FET College | 233 | 233 | R 1,203,420 |
| Vuselela FET College | 175 | 175 | R 600,568 |
| Waterberg FET College | 119 | 119 | R 596,079 |
| West Coast FET College | 307 | 307 | R 1,749,682 |
| Western College FET | 78 | 78 | R 456,487 |
| 50 FET colleges | 12,283 | 12,371 | R 66,719,226 |



Further evidence of South Africa's continued focus on higher education can be seen from the fact that NSFAS received increased funding from the Department of Education for the general education category. This increased from R833 million provided in 2006/07 to R1 billion in the year under review.

In this same period, targeted scarce skills funding for higher education institutions (HEIs) increased from R88 million to R258 million. The



Further evidence of South Africa's continued focus on higher education can be seen from the fact that NSFAS received increased funding from the Department of Education for the general education category.



Figure 1.2

| | 2007/08 | PERCENTAGE INCREASE FROM PREVIOUS YEAR | 2006/07 |
|---|-------------|--|------------|
| DEPARTMENT OF AGRICULTURE | 8 300 000 | 0% | 8 300 000 |
| DEPARTMENT OF EDUCATION – TEACHER (RING-FENCED) | 66 000 000 | 2% | 65 000 000 |
| DEPARTMENT OF EDUCATION – NSFAS PARTNERSHIP WITH THE SOUTH AFRICAN INSTITUTE OF CHARTERED ACCOUNTANTS (SAICA) | 14 000 000 | 17% | 12 000 000 |
| DEPARTMENT OF EDUCATION - FUNZA LUSHAKA TEACHER BURSARIES | 120 000 000 | 100% | 0 |
| DEPARTMENT OF SOCIAL DEVELOPMENT – BURSARIES FOR SOCIAL WORK STUDENTS | 50 000 000 | 100% | 0 |
| | 258 000 000 | 203% | 85 300 000 |

importance of this initiative cannot be overstated, since scarce skills funding is an intervention that seeks to address the critical skills requirements of the developmental state.

Fig 1.2 lists all scarce skills funding received by NSFAS by donors during the financial year. Each scarce skills fund brings with it both entry and exit conditions.

The Department of Labour continued to provide funding for students with disabilities. Full bursaries totalling R26 million were awarded to students for the year under review, compared to R32 million in 2006/07.

In the interest of service delivery, NSFAS has set itself the responsibility of tailoring its information services so that students are better informed of the different types of funding that are available, so that informed choices can be made. Furthermore, NSFAS intends making visible to its donors as close to real time as is technically possible the extent to which students take up their funding during the registration process at HEIs and FET Colleges. This facility will enable NSFAS and the donors to reach out proactively to students to inform them of bursaries/loans that are still available at institutions countrywide.

Irish Aid re-allocated R1 900 000 in funds granted in previous years for assistance in 2007 to Maths and Science teachers studying at the University of Limpopo.



The current systems and processes in place at NSFAS have served the organisation well over the years. However, with the increase in volumes and workload, together with the growth in conditional bursaries, it is now necessary for NSFAS to review all aspects of its operations. The intention of this operational review – which began in February 2008 and will continue into the next financial year – is not to look for marginal improvements but to realign NSFAS and its services to facilitate an improved vision of its role going forward.

Initial conclusions reached during the operational review make it clear that a simple increase in the staff complement will not in itself effectively deal with the specific service requirements of our stakeholders: students, institutions and donors.

Rather, it is evident that NSFAS will have to make more effective use of technology. Progressively NSFAS needs to replace its manually-intensive loan form processing system with electronic forms processing so that the current administrative burden at NSFAS and each of the Financial Aid Offices is drastically reduced. This admin-

istrative burden prevents Financial Aid Offices from concentrating on their primary task of interacting with and informing students of the many types of funding that can be accessed so that the student can make the right financial aid choice. This consultation at the level of the Financial Aid Officer is essential, particularly in respect of scarce skills funding, where the terms and conditions applicable to each fund are defined by the donor.

The benefit of the recovery of funds loaned through repayments by cannot be overstated, since recoveries have a direct bearing on the monies that are re-injected into the awards allocation pool and, by implication, the number of students NSFAS can support during the academic year.

The ongoing success of the Recovery Strategy crafted in 2005 enabled NSFAS to commit R341 million to the awards pool in the 2007/08 year.

Management of NSFAS Human Resources

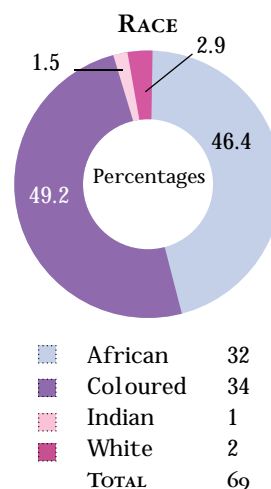
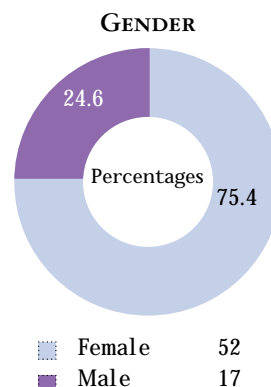
Of the 75 positions in the NSFAS staff complement, 69 positions were filled during the year under review, while six remained vacant as at March 2008. In addition, up to 18 part-time or temporary employees were employed during peak periods to assist with data capturing, customer care functions, IT development, and also in the CEO's office and finance area to assist with seasonal pressures.

Significant increases in the NSFAS workload over the past few years has necessitated a corresponding growth in staff numbers, in order to maintain

high standards of service delivery. During the financial year under review, 20 new appointments were made to cater for the organisational growth and to fill the 10 vacancies resulting from staff turnover.

One of the critical vacancies during this period was that of the outgoing CEO, Mr Allan Taylor, who left NSFAS in July 2007 to pursue other career options.

Ms Merle Festers (CFO) acted as CEO in the interim until the incoming CEO, Mr Pragasen Naicker, was appointed in February 2008.



Significant increases in the NSFAS workload over the past few years has necessitated a corresponding growth in staff numbers, in order to maintain high standards of service delivery.

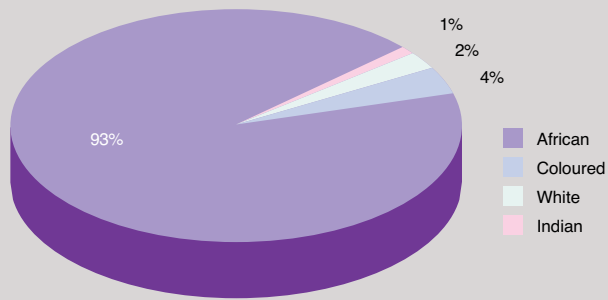
The organisational demographics of permanent employees (excluding the six vacant posts) were as indicated in the pie charts on the left.

Management structure

Mr Pragasen Naicker is our Chief Executive Officer supported by a senior management team consisting of the Chief Financial Officer, Ms Merle Festers; the Chief Operations Officer, Ms Vuyisile Linda Nhlumayo; the Information Technology Manager, Mr Julian Topkin; and the Human Resources Manager, Mr Joe February.

facts & FIGURES

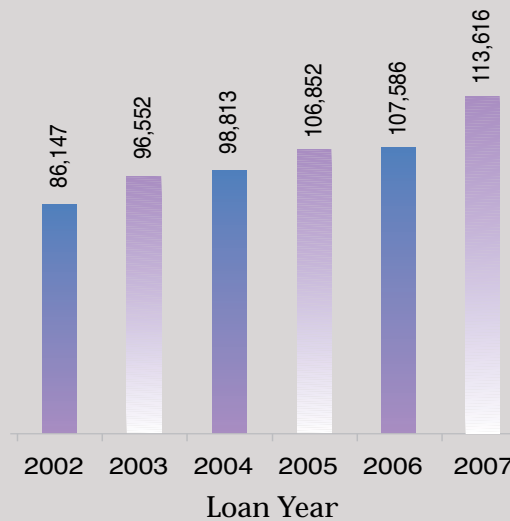
Racial Breakdown of Students Receiving Loans



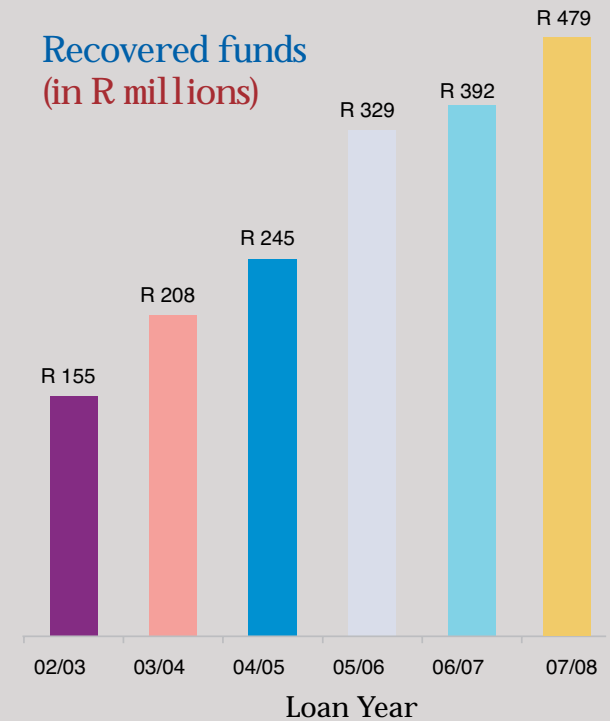
mission STATEMENT

NSFAS seeks to impact on South Africa's racially skewed student, diplomat and graduate population by PROVIDING A SUSTAINABLE FINANCIAL AID SCHEME that enables academically deserving and financially needy students to meet their own and South Africa's development needs.

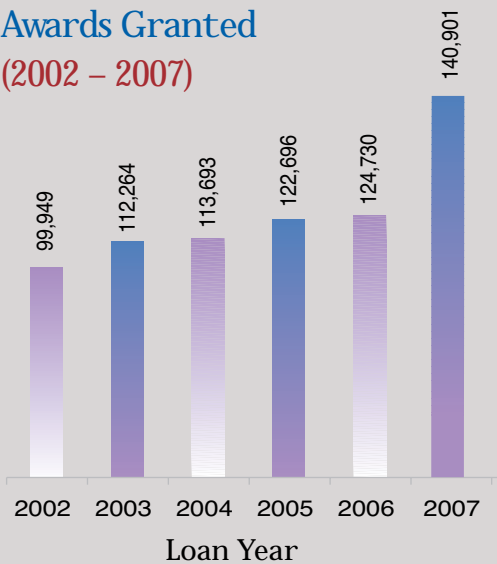
Number Of Students Assisted (2002 – 2007)



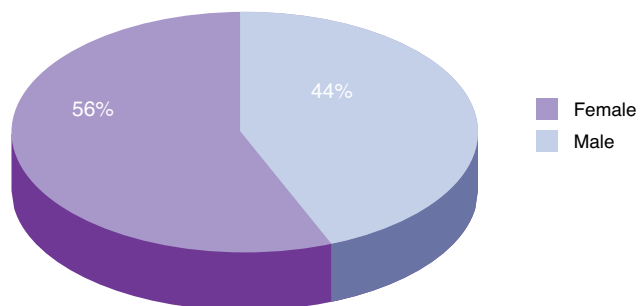
Recovered funds (in R millions)



Awards Granted (2002 – 2007)

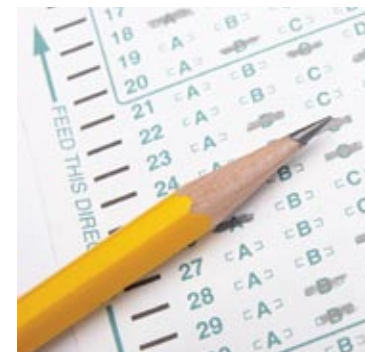


GENDER OF STUDENTS RECEIVING LOANS

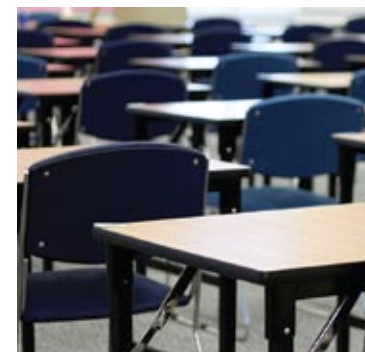


Disbursement From Pool of Recovered Funds

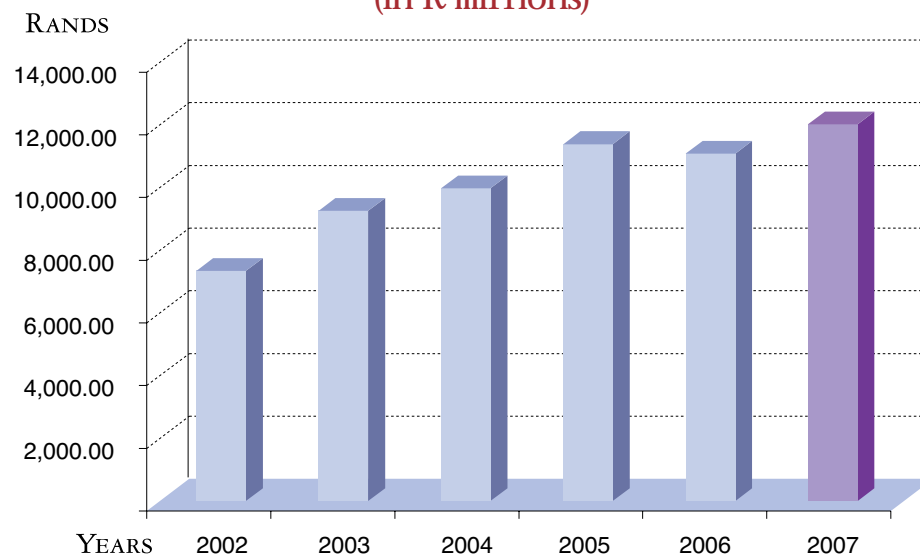
| | |
|-----------|----------|
| 2001/2002 | R 149.3m |
| 2002/2003 | R 150m |
| 2003/2004 | R 168.8m |
| 2004/2005 | R 246.5m |
| 2005/2006 | R 261.3m |
| 2006/2007 | R 296m |
| 2007/2008 | R 295m |



In the year under review, NSFAS was required to manage a substantial increase in funds available for undergraduate study. Not only has funding for general education increased, but NSFAS students have benefited from a rapidly growing pool of funds that target scarce skills.



Average Award Size (in R millions)



Greater access to education for more South Africans is inextricably linked to the development of the country and our collective ability to deal with the many socio-economic challenges we face.



nsfas board & sub-committee reports *for the 2007/08 year*

THE NSFAS BOARD APPOINTED A NUMBER OF SUB-COMMITTEES TO PROVIDE A GREATER FOCUS ON PARTICULAR ISSUES OF SIGNIFICANCE IN THE WORK OF THE ORGANISATION. IN LINE WITH COMPLIANCE REQUIREMENTS AND THE NEED TO GUIDE THE ACTIVITIES OF THE SUB-COMMITTEES, TERMS OF REFERENCE WERE APPROVED BY THE NSFAS BOARD FOR EACH SUB-COMMITTEE DURING THE YEAR UNDER REVIEW.

In addition to the meetings of the sub-committees, the board met regularly, as reflected in the attendance register on the right:

The audit sub-committee operated under the audit charter, which has been signed by the NSFAS audit sub-committee.

Certain members of NSFAS staff, although not members of the sub-committees, were invited to attend sub-committee meetings.

The CEO and acting CEO attended certain sub-committee meetings.

1 CEO until July 2007

2 Acting CEO between August 2007 and January 2008

3 CEO with effect from 1 February 2008

4 Resigned from Board but later co-opted back onto Board

| NAME | 29 MAY 2007 | 27 JULY 2007 | 13 SEPT 2007 | 20 NOV 2007 | 14 MAR 2008 |
|-------------------------------|-------------|--------------|--------------|-------------|-------------|
| Sipho Pityana (Chairperson) | ✓ | ✗ | ✓ | ✓ | ✓ |
| Ivan Mzimela | ✗ | ✗ | ✓ | ✗ | ✗ |
| Allan Taylor ¹ | ✓ | ✓ | N/A | ✓ | N/A |
| Merle Festers ² | N/A | N/A | ✓ | N/A | N/A |
| Pragasen Naicker ³ | N/A | N/A | N/A | N/A | ✓ |
| Nasima Badsha | ✓ | ✓ | ✓ | ✓ | ✓ |
| Phillip Dexter | ✓ | ✗ | ✓ | ✗ | ✗ |
| Raymond Olander ⁴ | ✗ | resigned | N/A | ✗ | ✓ |
| Marshall Rapiya | ✗ | ✗ | ✗ | ✓ | ✓ |
| Laura Schultz | ✓ | ✓ | ✓ | ✓ | ✓ |
| Loveness Kaunda | ✗ | ✓ | ✗ | ✓ | ✓ |
| Bonakele Jacobs | ✓ | ✓ | ✓ | ✓ | ✓ |
| Duma Malaza | ✗ | ✓ | ✓ | ✓ | ✓ |
| Spencer Janari | ✓ | ✓ | ✗ | ✓ | ✓ |
| Thami Ncokwane | ✓ | ✓ | ✓ | ✓ | ✓ |
| Babalwa Ntabeni-Matutu | ✓ | ✓ | ✓ | ✗ | ✓ |

Audit Sub-committee

The audit sub-committee was represented by board member Mr Raymond Olander, and by independent experts appointed to the Sub-committee, namely, Mr Pete Smith (Chairperson), Ms Carol Read and Ms Priscilla Ngqula.

During the year under review, the sub-committee focused its efforts on meeting external audit, internal audit and other governance requirements through effective management, proper strategic planning and dedicated and professional employees.

The 2008 financial year has again been a successful one in that NSFAS produced quality annual financial statements and submitted these statements to both the Department of Education and National Treasury within the required deadlines. The annual external audit, performed by Ngubane & Co. on behalf of the Auditor-General, revealed that there were no material non-compliance or control weaknesses in the organisation and this resulted in NSFAS obtaining an unqualified audit report from the Auditor-General's office.

During the 2007 year the NSFAS internal audit function has continued to assist in ensuring an adequate,

effective and efficient control environment within the NSFAS Head Office and the Financial Aid Offices at all the higher education institutions, where a great deal of NSFAS's business takes place.

The Financial Aid Offices at each higher education institution is the original contact point for NSFAS beneficiaries. Therefore the completion of applications for funding, determining the most financially needy and academically able students, and completing loan agreement forms are key functions for an internal audit to monitor. It has consequently been necessary to develop, implement and monitor adequate, effective and efficient controls at the Financial Aid Offices across South Africa.

The audit committee is pleased that, with ongoing annual audits of the 23 higher education institutions, there has been a significant improvement in compliance with the NSFAS requirements at these institutions.

During the current financial year, NSFAS took on the responsibility of dispensing bursaries to the 50 Further Education and Training (FET) colleges. This will entail significant inputs from NSFAS internal audit in the years ahead and additional resources to support this will be deployed in future.

Register of attendance of Sub-committee meetings

| NAME | 4 MAY 2007 | 25 MAY 2007 | 25 JULY 2007 | 8 FEB 2008 |
|---|------------|-------------|-------------------|------------|
| Pete Smith | ✓ | ✓ | ✓ | ✗ |
| Raymond Olander | ✓ | ✗ | N/A | ✓ |
| Carol Read | ✓ | ✓ | ✓ | ✓ |
| Priscilla Ngqula ¹ | N/A | N/A | ✓ (by invitation) | ✓ |
| Allan Taylor ² , NSFAS | ✓ | ✓ | ✓ | N/A |
| Pragasen Naicker ³ , NSFAS | N/A | N/A | N/A | ✓ |
| Merle Festers ⁴ , NSFAS | ✓ | ✓ | ✓ | ✓ |
| Melanie Joffe, Auditor-General (by invitation) | N/A | ✓ | ✓ | N/A |
| Greg Cronje, Ngubane & Co. (by invitation) | N/A | ✓ | ✓ | N/A |
| Morgan Nhiwatiwa, Ngubane & Co. (by invitation) | N/A | ✓ | ✓ | N/A |
| Adiel Bloew, Auditor-General (by invitation) | N/A | ✓ | ✓ | N/A |
| Laura Schultz (by invitation) | N/A | N/A | ✓ | N/A |

Finance Sub-committee

The finance sub-committee was represented by board members Mr Raymond Olander (Chairperson), Mr Siphon Pityana, Ms Nasima Badsha, Mr Spencer Janari and the NSFAS Chief Executive Officer (ex officio).

The finance sub-committee advises the board on the financial management of NSFAS, which includes, but is not

1 Appointed to the Sub-committee during the year.

2 CEO until July 2007
3 CEO with effect from 1 February 2008

4 Acting CEO between August 2007 and January 2008.

limited to, loan recovery, fund-raising and investment of repayments. The sub-committee also performs such other functions as the board may delegate or assign to it.

The year under review saw NSFAS managing and administering in excess of R1.7 billion in awards to students, of which R295 million came from NSFAS recovered funds. New bursary funding of R300 million impacted on funds under management by the Scheme. Since some institutions were not utilising their annual allocations at an

acceptable rate, it was recommended to the board that under-utilised funds should be re-directed at mid-year to those institutions who were indeed utilising their allocated NSFAS funding. This process will be implemented for the first time in 2008/09.

The interest rate on outstanding debt accrued at 7% for the year under review. Loan recoveries reached R35 million per month by the end of the financial year, with total recoveries for the year amounting to R479 million. This represents a year-on-year increase of 22%.

The provision for doubtful debt for the year under review amounts to 23.4%, an increase from 22.8% in the prior year. This marginal increase of 0.4% is primarily due to a slight increase in the student drop-out rate.

During the year under review the finance sub-committee recommended the approval of a more regulatory compliant investment policy to the board, which was approved. As NSFAS continues to ensure the optimum return on the investment of recovered monies, a process was initiated during the year under review to appoint at least two asset managers during 2008/09. NSFAS continues to focus on ensuring good corporate governance and compliance to the Public Finance Management Act, National Treasury regulations and relevant accounting reporting stand-

ards. Quarterly reports, budget adjustment requests, compliance certificates and other required documentation is submitted to the executive authority, the Minister of Education, and to the National Treasury when required. The year under review also saw the Scheme becoming more compliant in terms of supply chain management, and this focus will continue in 2008/09. Administration expenses for 2007/08 totalled R26.5 million, which translates

into 1.52% of total funds awarded. The Scheme has committed R2.2 billion to awards for 2008/09, of which R410 million will come from recovered funds. The operational budget for 2008/09 is R48 million.

Without the diligence and dedication of staff in fulfilling their duties, and ensuring compliance to internal controls, it would not be possible for NSFAS to continue to have successful audits.

Register of attendance of Sub-committee meetings

| NAME | 26 MAY 2007 | 26 JUL 2007 | 19 NOV 2007 | 13 MAR 2008 |
|-------------------------------|-------------|-------------|-------------|-------------|
| Raymond Olander | ✓ | N/A | ✓ | ✓ |
| Sipho Pityana | ✓ | ✓ | ✓ | ✓ |
| Nasima Badsha | ✗ | ✓ | ✓ | ✓ |
| Spencer Janari | ✓ | ✓ | ✓ | ✓ |
| Allan Taylor ¹ | ✓ | ✓ | N/A | N/A |
| Merle Festers ² | N/A | N/A | ✓ | N/A |
| Pragasen Naicker ³ | N/A | N/A | N/A | ✓ |

Human Resources (HR) Sub-committee

This sub-committee was represented by board members Mr Ivan Mzimela (Chairperson), Dr Loveness Kaunda, Mr Bonakele Jacobs and Mr Phillip Dexter.

The sub-committee set itself the task of:

- Scrutinising the HR policies of

NSFAS both from a compliance and completeness point of view

- Reviewing the remuneration and benefits applicable to the CEO and executive management
- Establishing a Nominations Committee and processes that decide on the appointment of key

1 CEO until July 2007

2 Acting CEO between August 2007 and January 2008.

3 CEO with effect from 1 February 2008

1 CEO until July 2007

2 Acting CEO between August 2007 and January 2008

3 CEO with effect from 1 February 2008.

Register of attendance of Sub-committee meetings

| NAME | 20 JULY 2007 | 13 SEPT 2007 | 15 NOV 2007 | 15 MAR 2008 |
|-------------------------------|--------------|--------------|-------------|-------------|
| Ivan Mzimela | ✓ | ✓ | ✓ | ✓ |
| Loveness Kaunda | ✓ | ✗ | ✓ | ✓ |
| Bonakele Jacobs | ✓ | ✓ | ✓ | ✓ |
| Phillip Dexter | ✓ | X | X | ✗ |
| Allan Taylor ¹ | ✓ | N/A | N/A | N/A |
| Merle Festers ² | N/A | ✓ | ✓ | N/A |
| Pragasen Naicker ³ | N/A | N/A | N/A | ✓ |

- senior NSFAS staff positions
- Drafting an employment contract for the CEO
- Drafting and evaluating an appropriate performance management system for NSFAS
- Ensuring that it keeps abreast of the satisfaction climate among NSFAS staff.

The sub-committee agreed that it would not involve itself in operational matters.

The appointment of core senior staff members for NSFAS was a focus during the year. The key position of CEO remained vacant for six months from August 2007 until February 2008, during which time the board authorised the position to be advertised and engaged an employment consultant to search for a suitable candidate. The process of filling two senior management positions (Communications & Development Officer and Research & Policy Officer) was also initiated during the year.

Other work of the sub-committee included ensuring that new formatted job descriptions were put in place and that core skills and training indicators per occupational grouping were identified. An important goal that the sub-committee hoped to achieve was the implementation of a performance management and rewards system for staff. While policies in this regard were drafted and pilot assessments carried out with staff, the implementation of such a system was put on hold pending the finalisation of a business process re-engineering (BPR) project that was started towards the end of the year under review. The BPR project would include the identification of key performance indicators. The need for the implementation of a policy on acting allowances was identified. Since the concept was supported and is provided for in the legislation, a policy was drafted and implemented.

Marketing & Fundraising Sub-committee

This sub-committee was represented by board members, Mrs Babalwa Ntabeni-Matutu (Chairperson), Mr Siphon Pityana, Mr Thami Ncokwane, Mr Duma Malaza and Mr Marshall Rapiya.

Its work involved the promotion of the image of NSFAS among various stakeholders. It also had the responsibility of increasing the pool of funds administered by NSFAS to assist poor higher education students financially.

The sub-committee recommended that all media types should be used more optimally in order to increase awareness of the role of NSFAS among all South Africans, in particular the rural poor.

Contact was made with various corporate businesses, resulting in a partnership with Nedbank, in terms of which R15 million was made available to fund students during the 2008 academic year. The sub-committee also held discussions with AngloGold Ashanti, a proposal being made for the company to employ some NSFAS graduates, which would help NSFAS with the recovery of loaned funds and meet the company's needs in terms of skilled staff.

The reach of NSFAS funding was given a boost through the announcement during the year under review of the establishment of the Fundisa Fund

by the Department of Education in conjunction with NSFAS. It is a savings initiative for low-income earners to help them build up some funds for their children's university or college education, and savers will receive additional funds from a pool of money made available by the Department and NSFAS. It was agreed that a new position for a Fundraising and Development Officer be created in order to allow for the development of a broader communications and marketing strategy for NSFAS. The position was advertised during March 2008 under a new title, Communications and Development Officer. This new position incorporates the board's requirement to develop further contacts and sources of funding from the corporate sector.

Register of attendance of Sub-committee meetings

| NAME | 13 SEPT 2007 | 20 NOV 2007 | 13 MAR 2008 |
|----------------------------|--------------|-------------|-------------|
| Babalwa Ntabeni-Matutu | ✓ | ✗ | ✓ |
| Siphon Pityana | ✓ | ✓ | ✓ |
| Thami Ncokwane | ✓ | ✓ | ✓ |
| Duma Malaza | ✓ | ✓ | ✗ |
| Marshall Rapiya | ✗ | ✓ | ✗ |
| Merle Festers ¹ | ✓ | ✓ | ✓ |

The sub-committee recommended that all media types should be used more optimally in order to increase awareness of the role of NSFAS among all South Africans, in particular the rural poor.

¹ Acting CEO between August 2007 and January 2008.

Research Sub-committee

This sub-committee was represented by board members Dr Loveness Kaunda (Chairperson), Mr Siphon Pityana, Ms Laura Schultz, Mr Thami Ncokwane and Mr Spencer Janari.

The role of the sub-committee was to commission research that assisted the NSFAS board in its policy and decision-making.

The research sub-committee was tasked by the board to investigate four issues raised by the Minister of Education, viz.

The NSFAS allocation formula

Discussions by the sub-committee led to the conclusion that more in-depth research should be undertaken; consequently, appropriate formulae for the allocation of NSFAS funds could not yet be suggested. This highlighted the need for a dedicated in-house researcher to investigate this matter.

Incentives for excellence

A review of the NSFAS system to incentivise students in order to encourage academic success revealed that the system had worked well.

Minimum criteria for continued support

The sub-committee decided that NSFAS should draw up guidelines for higher education institutions concerning decision-making regarding the grant of further support to a student. It was also agreed that a student can only continue to receive financial support for up to one change of faculty. Where students move from one institution to another, contact may be lost. The sub-committee recommended that NSFAS should pursue a relationship with the higher education management information system (HEMIS), since this would allow NSFAS to match a student to an institution using the student's ID.

Targeting of scarce skills

The issue of using NSFAS funds to target scarce skills was raised. The sub-committee concluded that NSFAS must continue to focus on providing access to higher education; and that other targeted funding is available for scarce skills.

Further decisions taken by the sub-committee related to the need for research to be carried out to establish the effectiveness of the work being done with NGOs. In the year under

Register of attendance of Sub-committee meetings

| NAME | 12 SEPT 2007 | 19 NOV 2007 | 13 MAR 2008 |
|-------------------------------|--------------|-------------|-------------|
| Loveness Kaunda | x | ✓ | ✓ |
| Sipho Pityana | x | x | ✓ |
| Laura Scholtz | ✓ | ✓ | ✓ |
| Thami Ncokwane | ✓ | ✓ | ✓ |
| Spencer Janari | x | ✓ | ✓ |
| Merle Festers ¹ | ✓ | ✓ | ✓ |
| Pragasen Naicker ² | N/A | N/A | ✓ |

review, the board decided that there was a pressing need to appoint a senior full-time Research and Policy Officer who will contribute to and co-ordinate all NSFAS research.

Stakeholder & Outreach Sub-committee

This sub-committee was represented by board members Ms Laura Schultz (Chairperson), Dr Loveness Kaunda, Mr Thami Ncokwane and Mrs Babalwa Ntabeni-Matutu.

The sub-committee was tasked with overseeing partnerships with NGOs and outreach programmes, and to extend these relationships over a greater geographic area as well as to smaller organisations. Communication with the most significant stakeholders –

prospective students, students and civil society – was an important focus.

The sub-committee drew up a three-year communications plan, aimed at covering 2008–2011, geared to reach the stakeholder groups identified.

In the rollout of the communications plan, various communication activities were carried out, including: the distribution of materials about NSFAS to high schools, universities and colleges; participation in a number of key career exhibitions targeting Grade 9–12 learners; and targeted communication via newspapers, radio and television; among others.

The sub-committee took the decision to focus on building stronger relationships with existing NGO partners, rather than on increasing the number of partners. We partner with 22 NGOs, and were able to identify five partners at first tier level. These partners receive grants from NSFAS and administer bursaries for needy students. Three of the partners were existing first-tier

1 Acting CEO between August 2007 and January 2008

2 CEO with effect from 1 February 2008.

1st tier NGO partners



partners, and two more joined us during November 2007 – viz. Ziphakamisa and Ubuntu Educational Fund. A total of 434 students were reached through these partners. Strengthening of the relationship with partners was furthered through a NSFAS-organised workshop held in October 2007 for partner organisations.

The sub-committee identified issues that should be researched in due course in order to evaluate the effectiveness of initiatives undertaken. Topics identified were: the effectiveness of partnerships to promote access to higher education; the effectiveness of different forms of partnership geared to achieve greater reach and develop broader links; the value of the partnership with NSFAS to the partner NGOs; the work of the committee in guiding these partnerships; and the process of incorporating the outreach and partnership work into the mainstream of NSFAS administration.

Register of attendance of Sub-committee meetings

| NAME | 12 SEPT 2007 | 27 JULY 2007 | 31 OCT 2007 | 13 MAR 2008 |
|---------------------------|--------------|--------------|-------------|-------------|
| Laura Schultz | ✓ | ✓ | ✓ | ✓ |
| Thami Ncokwane | x | ✓ | ✓ | x |
| Loveness Kaunda | x | ✓ | x | ✓ |
| Babalwa Ntabeni-Matutu | ✓ | ✓ | ✓ | ✓ |
| Allan Taylor ¹ | ✓ | N/A | N/A | N/A |

¹ CEO until July 2007

KEY performance indicators *Detailed performance on key deliverables and action plan per division*

| STRATEGIC GOAL | OBJECTIVE | KEY PERFORMANCE INDICATOR | TARGET | PERFORMANCE RESULTS | REASON FOR VARIANCE |
|---|---|--|--|---|--|
| GOAL 1 TO PROVIDE ACCESS TO HIGHER EDUCATION FOR MARGINALISED SOUTH AFRICAN CITIZENS WHO ARE ACADEMICALLY ABLE, IN SUPPORT OF THE COUNTRY'S HRD STRATEGY, WHILE MAKING A CONTRIBUTION TO THE ALLEVIATION OF POVERTY. | To make it possible for the rural poor and disadvantaged to access higher education | Rural NGOs | At least 3 | 5 visits | |
| | | Rural schools | At least 4 | 3 visits | 1 cancelled due to weather conditions |
| | | Ministerial rural imbizos | Nothing planned | 1 visit | Determined by the minister |
| | | Exhibitions in rural areas | At least 9 | 9 visits | |
| | | Rural Youth Organisations | At least 2 | 5 visits | |
| | To make it possible for poor and disadvantaged urban and peri-urban citizens to access higher education | Urban NGOs | At least 5 | 10 | |
| | | Schools | At least 3 | 0 | More schools attending the exhibitions |
| | | Exhibitions in urban areas | At least 20 | 25 | |
| | To make it possible for disabled citizens to access higher education | Negotiate funding | The DoL sets the target. An allocation of R25 million was made | R29 million allocated to students with disabilities; R4 million was allocated from unspent DoL funds | |
| | | Provide support for assistive devices | Guidelines to be compiled by NSFAS | Document published in May 2007 | |
| | To make it possible for women to access higher education programmes with which women have not been traditionally associated | Monitor female access to NSFAS funding | Increase number of females studying in the following: Administration Commerce Computer Science Engineering Management Marketing Science | The following increases from 2006 to 2007 were achieved: Administration (44%) Commerce (8%) Computer Science (30%) Engineering (17%) Management (65%) Marketing (43%) Science (1%) | |
| | To make it possible for students who have had a poor secondary education through no fault of their own to access higher education through participation in academic development and foundation programmes | N/A | N/A | N/A | |

| STRATEGIC GOAL | OBJECTIVE | KEY PERFORMANCE INDICATOR | TARGET | PERFORMANCE RESULTS | REASON FOR VARIANCE |
|---|--|--|---|--|---|
| GOAL 2 TO RAISE SUFFICIENT FUNDING TO ENABLE NSFAS TO REALISE ITS STRATEGIC GOALS AND OBJECTIVES | To maximise the recovery of money from loanees while ensuring that our modes of operation are neither punitive nor oppressive. To pursue funding from national government departments (other than the Department of Education), provincial governments, state-owned entities, SETAs, international donors, higher education institutions, and with special emphasis being paid to the South African private sector | Based on the recovery strategic plan for recoveries in 2005, increase recoveries for 2006/2007 | 2006 projected collection – R381, 570, 987.93 2007 projected collections – R473, 690, 511.12 | 2006 actual collections – R392 402 063.54 (3% more than projected) 2007 actual collections – R479, 214, 194.07 (1% more than projected) | |
| | | * Continue discussions for increased funding with DoE | > 2006 monies. 2006 DoE funds: R910 million | * 2007 DoE funds: R1.095 billion | |
| | | | | * New targeted funds in 2007 for teacher training work-back bursaries. Funza Lushaka bursaries: 2007: R120 million; 2008: R180 million; 2009: R400 million | New funding determined by DoE and National Treasury |
| | | | | * New targeted funds in 2007 for bursaries at FET colleges. 2007: R100 million; 2008: R200 million; 2009: R300 million. | New funding determined by DoE and National Treasury |
| | | * Other government departments | Additional and continued funding. | * New targeted funds in 2007 from Department of Social Development for the training of social workers: 2007: R50 million; 2008: R105 million; 2009: R210 million | |
| | | | Department of Agriculture 2006: R8.3 million | * Department of Agriculture 2007: R8.3 million | |
| | | * Provincial government | Continued funding from Eastern Cape Prov Gov. | 2006: R13 million; 2007: R14.7 million. | |
| | | | Schedule meetings with Northern Cape and Western Cape Prov Gov. | Meetings held with provincial governments: Northern Cape, components of the Western Cape, and Free State. | Provincial governments preferred to continue administering their own funds. |
| | | * Private sector for increased funding. | Arrange to meet with the private sector. | Meeting held on 3 July and was attended by: Ms Zeona Motshabi, Cell C Chief Corporate Officer; Mr Sandile Zungu, Zico Chairman; Ms Pinky Moholi, Nedbank Dir for Group Strategies and Corporate Affairs; Mr Seth Phalatse, Global Eagle Chairman; Mr Eugene Papo Citadel Partner / Wealth Planner; Ms Lenhle Daka, IBM BEE & Corporate Affairs; Ms Mantsika Matooane, Hollard Managing Director Group Technology; Mr Bobby Godsell, AngloGold Ashanti Chief Executive; Mr Mandla Shezi, Hollard Managing Director: Personal Financial Solutions; Mr Ivan Mzimela, NSFAS Board Member; Mr Siphon Pityana, NSFAS Chairman and Mr Allan Taylor, NSFAS Chief Executive Officer. Follow-up to this meeting planned for 2008/09. Discussions with Nedbank about administering their targeted bursary programme for 2008; R15 million committed for 2008, with the view that the programme will run for 3 to 4 years. | |

| STRATEGIC GOAL | OBJECTIVE | KEY PERFORMANCE INDICATOR | TARGET | PERFORMANCE RESULTS | REASON FOR VARIANCE |
|--------------------------------|--|--|--|--|---------------------|
| GOAL 2... CONTINUED | To seek funding for targeted students (i.e. the rural poor, disabled citizens, women) and targeted programmes (i.e. academic development programmes, SET programmes, and other programmes in line with South Africa's HRD Strategy). | Pursue continued/ increased funding from donors. | 2006 funding: DoL (Disability) R31 million Irish Aid R2.2 million SAICA partnership R14 million | Funding for 2007: DoL (Disability) R29.5 million Irish Aid R1.7 million SAICA partnership R16 million | |

| STRATEGIC GOAL | OBJECTIVE | KEY PERFORMANCE INDICATOR | TARGET | PERFORMANCE RESULTS | REASON FOR VARIANCE |
|---|---|--|--|---|---------------------|
| GOAL 3 TO DEVELOP A NEW ALLOCATIONS FORMULA IN LINE WITH HIGHER EDUCATION NEEDS AND TRANSFORMATION IMPERATIVES, FOR THE EQUITABLE DISTRIBUTION OF FUNDS THROUGH ALLOCATING FUNDING IN AN OPTIMUM MANNER. | To finalise proposed changes to the allocation formula, related parameters and Scheme requirements for consideration by the Minister of Education | Prepare a set of recommendations for the Minister by October 2008. | An external report was commissioned and discussed extensively. | Initial proposals made by the NSFAS in-house team and submitted to the board for approval. Recommendations to be submitted by October 2008. | |

KEY performance indicators

| STRATEGIC GOAL | OBJECTIVE | KEY PERFORMANCE INDICATOR | TARGET | PERFORMANCE RESULTS | REASON FOR VARIANCE |
|--|---|---|---|--|---------------------|
| GOAL 4 TO COMMUNICATE NSFAS EFFECTIVELY WITH ALL ITS AUDIENCES, SEEKING TO MAKE NSFAS A FUNDING CHANNEL OF CHOICE. | To have in place means of communicating effectively, including the use of appropriately targeted publications, with school leavers, students, parents, funders, university administrators, politicians and the general public | Produce brochures/pamphlets and adverts. Host career exhibitions and workshops. Compile and air radio adverts | 22, 000 school brochures & 500 school posters | School brochures increased by 173% and school posters increased by 3100% | |
| | To utilise existing structures and channels of communication, including popular and appropriate media for these purposes | | 29 exhibitions | Increased by 7% | |
| | To communicate NSFAS deliberately with the rural poor so as to impact on the access of the rural poor and disadvantaged to higher education | | 30, 000 university brochures & 700 university posters | Increase of 100% for brochures. Target met for university posters | |
| | To communicate NSFAS with other poor and disadvantaged citizens who may well be unaware that funding is available to them for the purposes of studying at a public higher education institution | | 5 radio station adverts & 4 other advertisements | Increase of 160% for radio adverts and 25% for other advertisements | |
| | | | 5, 000 postcards | Target met | |
| | To consult broadly with the higher education sector to ensure common approaches to issues such as affordability of studies, enrolment planning, throughput rates and academic development | N/A | N/A | N/A | N/A |

| STRATEGIC GOAL | OBJECTIVE | KEY PERFORMANCE INDICATOR | TARGET | PERFORMANCE RESULTS | REASON FOR VARIANCE |
|--|--|--|--|--|---|
| GOAL 5 TO ENSURE THE EFFECTIVE GOVERNANCE, MANAGEMENT AND ADMINISTRATION OF NSFAS | To ensure that the performance of the NSFAS board and office is fully compliant with the King II Report and various other statutory regulatory requirements. | Manage organisational risk | * Identify relevant regulatory requirements that impact on NSFAS. | The audit sub-committee reports on these matters at each board meeting | |
| | | | * Produce fraud prevention plan | Draft document produced | Management to review document. |
| | | | * Produce business continuity plan | Not completed | Disaster recovery aspects of systems have been completed. Operational continuity needs to be included. |
| | | | * Produce annual risk assessment | Completed risk assessment presented to the Audit Committee | |
| | | Board awareness of institution allocation | Provide financial data to board in the form of executive reports by the 7th of every month | Reports sent to board as required | N/A |
| | | Ensure fair presentation of annual financial statements | Compliance with accounting statements and practice | 2007 annual financial statements compliant with standards of generally recognised accounting practice | N/A |
| | | Restructuring of internal audit | Investigate the restructuring of internal audit | Proposal submitted to audit committee, appointment of additional staff approved | N/A |
| | | Ensure optimum return on investments | Determine regulatory restrictions with regard to diversifying existing investment portfolios and submit results to the board | Investment policy approved by the board November 2007 | N/A |
| | | Ensure compliance with NCA (National Credit Act) | Consult NSFAS legal advisor to investigate and advise on changes | NSFAS legal advisor provided feedback. NSFAS complies with the Act and is registered with the NCRF as of November 2007 | N/A |
| | | Review NSFAS Act with the view to gaining access to other SARS databases | Consult NSFAS legal advisor and DoE to investigate and advise on changes | Not done | The CEO resigned and left the company at the end of July 2007; 6-month delay in appointing a new CEO impacted upon management |

| STRATEGIC GOAL | OBJECTIVE | KEY PERFORMANCE INDICATOR | TARGET | PERFORMANCE RESULTS | REASON FOR VARIANCE |
|---|--|--|--|---|---|
| GOAL 6 TO PROVIDE EFFECTIVE AND EFFICIENT HUMAN RESOURCE MANAGEMENT AND ADMINISTRATION TO ENSURE THAT STAFF ARE COMPETENT TO EXECUTE AND SUPPORT THE NSFAS STRATEGY, AND ARE MANAGED IN ACCORDANCE WITH BEST CURRENT PRACTICES | To put in place a performance management system aligned to reward performance levels and identify training needs | Implement a performance management system (PMS) aligned to reward performance levels | Implement PMS and conduct assessments by April 2008 | Draft policy developed by July 2007. Performance assessment tool in place and pilot assessments conducted by November 2007 | Full implementation delayed awaiting finalisation of BPR process which will confirm KPIs |
| | To maintain an appropriate and up-to-date compensation and benefits system | Maintain an appropriate and up-to-date compensation and benefits system | NSFAS compensation and benefits systems are compliant to legislation as per annual audits | NSFAS policies in line with all legislation. Staff circulars promulgated to all staff to clarify some of the issues for implementation | Awaiting audit outcomes |
| | To put in place employee training and development initiatives | Implement employee training and development initiatives database | Training database in place by November 2007 | Core training indicators per position (post class) identified by departments and placed in job descriptions before pilot PMS was conducted. Departments currently busy with finalising training plans indicating priorities in line with allocated budgets for 2008/09 | Information from training plans would be incorporated into training database |
| | To employ manpower planning strategies to support the NSFAS strategy | Employ manpower planning strategies to support the NSFAS strategy | Identify strategic and key positions annually. Strategic positions filled | Strategic position identified by the Board for Communications & Development Officer and Policy & Research Officer in process. Initial adverts did not attract sufficient quality candidates, and it was decided to outsource head hunting initiatives to an agency. Competency testing programme approved for 18 – 25 April 2008, and interviews scheduled for May 2008 | Initial adverts did not attract sufficient quality candidates |
| | To implement effective communication platforms for NSFAS | To implement effective communication platforms for NSFAS | Implement sound communications model by June 2008 | Various work sessions held during November and December 2007 to deliberate options for sound and effective internal communications model | |
| | To put in place effective talent mapping strategy for retention | Implement an effective talent mapping strategy for retention | Perform annual review of manpower planning in line with budgetary submissions and in conjunction with strategic needs and required competencies and skills by October 2007 Conduct annual remuneration comparison research by November 2007 | Managers in October 2007 perform annual review of manpower planning in line with budgetary submissions and in conjunction with strategic needs and required competencies and skills August 2007 annual remuneration comparison completed which did not highlight any major deficiency in remuneration baselines which would deliberately affect retentions for key personnel | Talent mapping strategy will be finalised in line with revised KPIs and performance reward system |

| STRATEGIC GOAL | OBJECTIVE | KEY PERFORMANCE INDICATOR | TARGET | PERFORMANCE RESULTS | REASON FOR VARIANCE |
|---|--|---|--|--|---|
| GOAL 7 TO IMPLEMENT E-BUSINESS STRATEGIES TO ENHANCE COLLABORATION WITH HIGHER EDUCATION INSTITUTIONS, THEREBY INCREASING THE EFFICIENCY OF THE SCHEME | To improve the methods of transmitting and sharing data between NSFAS and the institutions | Enhance the processing of final reports and graduate/drop-outs to eliminate manual user intervention, thereby ensuring the timeous and accurate completion of this crucial business process | To produce a prototype application during the 2007/2008 financial year | During the 2007/2008 financial year NSFAS initiated discussions with Integrated Tertiary Software to analyse the requirements of the system. Work has already begun on a specification for the system and the development of a prototype is envisaged to start during the 2008/2009 financial year | |
| | To ensure the effective use of the NSFAS Means Test at the institutions | Extend the functionality of the NSFAS Mean Test to validate the accuracy of data provided by applicants for financial aid | To make provision for the identity numbers of parents and guardians to be captured | The Means Test has been extended to make provision for the capture of identity numbers of parents or guardians of applicants for financial aid. These identity numbers will be used to verify the family structure and income of the family | |
| | | Develop an electronic loan agreement form which can be completed, signed and delivered electronically to NSFAS | To pilot the electronic loan process at a higher education institution | During the 2007/2008 financial year NSFAS completed the development of the electronic loan agreement form and has been working closely with Integrated Tertiary Software to integrate the application into the ITS system. ITS are currently testing the solution and will be in a position to commence the pilot during June/ July 2008 | This project is a joint venture between NSFAS, ITS and the higher education institutions in South Africa and hence NSFAS does not have control over deadlines for the project |

report of the *auditor-general*

TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE NATIONAL STUDENT FINANCIAL AID SCHEME.

1. I have audited the accompanying financial statements of the National Student Financial Aid Scheme which comprise the statement of financial position as at 31 March 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 26 to 43.

Responsibility of the accounting authority for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1, and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). This responsibility includes:

- Designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- Selecting and applying appropriate accounting policies
- Making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996, read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 15 of the National Student Financial Aid Scheme Act, 1999 (Act No. 56 of 1999), my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with the International

Standards on Auditing and General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.

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

entity's internal control.

6. An audit also includes evaluating the:
- appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.

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

Basis of accounting

8. The public entity's policy is to prepare financial statements on the basis of accounting as set out in accounting policy note 1.1.

Opinion

9. In my opinion the financial statements present fairly, in all material respects, the financial position of the National Student Financial Aid Scheme as at 31 March 2008 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the

National Treasury, as set out in accounting policy note 1.1, and in the manner required by the PFMA.

OTHER MATTERS

Without qualifying my audit opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Matters of governance

10. The PFMA tasks the accounting authority with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as in the table on the opposite page.

Unaudited supplementary schedule

11. The supplementary information set out on page 44 does not form part of the financial statements and is presented as additional information. I have not audited this information and accordingly do not express an opinion thereon.

| Matters Of Governance | Yes | No |
|---|-----|----|
| Audit committee The public entity had an audit committee in operation throughout the financial year. | ✓ | |
| The audit committee operates in accordance with approved, written terms of reference. | ✓ | |
| The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 27.1.8. | ✓ | |
| Internal audit The public entity had an internal audit function in operation throughout the financial year. | ✓ | |
| The internal audit function operates in terms of an approved internal audit plan. | ✓ | |
| The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 27.2. | ✓ | |
| Other matters of governance The annual financial statements were submitted for audit as per the legislated deadlines (section 55 of the PFMA). | ✓ | |
| The financial statements submitted for audit were not subject to any material amendments resulting from the audit. | ✓ | |
| No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management. | ✓ | |
| The prior year's external audit recommendations have been substantially implemented. | ✓ | |
| The entity's fraud prevention plan has not yet been approved and implemented as required by Treasury Regulation 27.2.1. | | ✓ |

OTHER REPORTING RESPONSIBILITIES

REPORT ON PERFORMANCE INFORMATION

12. I have reviewed the performance information as set out on pages 17 to 23.

Responsibility of the accounting authority for the performance information

13. The accounting authority has additional responsibilities as required by section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

Responsibility of the Auditor-General

14. I conducted my engagement in accordance with section 13 of the PAA read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008.

15. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence

about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement. 16. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

AUDIT FINDINGS (PERFORMANCE INFORMATION)

Non-compliance with regulatory requirements

17. Treasury Regulation 29.3.1 states that "The accounting authority of a public entity must establish procedures for quarterly reporting to the executive authority in order to facilitate effective performance monitoring, evaluation and corrective action".

The entity has not yet established systems, processes and procedures to record performance information for quarterly reporting as required by Treasury Regulation 29.3.1.

Objectives reported in annual report, but not predetermined as per strategic plan

18. The objectives reported by

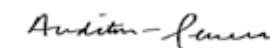
the entity in the performance information report were not predetermined as per the strategic plan as required by Treasury Regulation 30.1.3(d).

Lack of access to records

19. I was unable to obtain sufficient appropriate audit evidence in relation to the performance information of the National Student Financial Aid Scheme, as the relevant source documentation was neither accessible nor verifiable.

APPRECIATION

20. The assistance rendered by the staff of the National Student Financial Aid Scheme during the audit is sincerely appreciated.



Cape Town
31 July 2008



AUDITOR-GENERAL

nsfas board's *approval &* *statement of responsibility*

THE NSFAS BOARD IS REQUIRED BY THE PUBLIC FINANCE MANAGEMENT ACT, (ACT. NO. 1 OF 1999), TO MAINTAIN ADEQUATE ACCOUNTING RECORDS AND IS RESPONSIBLE FOR THE CONTENT AND INTEGRITY OF THE FINANCIAL STATEMENTS AND RELATED FINANCIAL INFORMATION INCLUDED IN THIS REPORT.

It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Scheme as at the end of the financial year and the results of its operations and cash flows for the period ended, in conformity with South African Statements of Generally Accepted Accounting Practice (GAAP), and the prescribed Standards of Generally Recognised Accounting Practices (GRAP).

The financial statements have been prepared on a going concern basis, since the NSFAS board has every reason to believe that the Scheme has adequate resources in place to continue in operation for the foreseeable future.

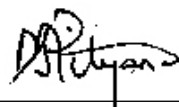
The NSFAS board acknowledges that they are ultimately responsible for the system of internal financial control established by the Scheme and place considerable importance on maintaining a strong control environment. To enable the NSFAS board to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Scheme and all employees are required to maintain the highest ethical standards in ensuring the Scheme's business is conducted in a manner

that in all reasonable circumstances is above reproach. The focus of risk management in the Scheme is on identifying, assessing, managing and monitoring all known forms of risk across the Scheme. While operating risk cannot be fully eliminated, the Scheme endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The NSFAS board is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The NSFAS board has reviewed the Scheme's cash flow forecast for the year to 31 March 2009 and, in the light of this review and the current financial position, they are satisfied that the Scheme has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Scheme's financial statements.

The financial statements set out on pages 26 to 43, which have been prepared on the going concern basis, were approved by the NSFAS board and were signed on its behalf by:



Mr Siphon M Pitso
(Chairperson)



Mr Pragasen Naicker
(Chief Executive Officer)

Cape Town, 31 July 2008

report of the board Members

for the year ended 31 March 2008

1. GENERAL REVIEW

MAIN BUSINESS AND OPERATIONS

The National Student Financial Aid Scheme is a statutory body acting in terms of the National Student Financial Aid Scheme Act (Act 56 of 1999). The activities of the Scheme for the accounting period under review are clearly reflected in the attached financial statements. The results are summarised below:

RESULTS

| | 2008 | 2007 |
|---|-----------------|-----------------|
| New grants* | R 1,389,482,000 | R 1,036,387,000 |
| New grant – FET colleges | R 100,000,000 | - |
| Student loan recovery re-injected | R 294,860,000 | R 296,917,000 |
| Total awards | R 1,742,651,000 | R 1,381,782,000 |
| Administration expenses | R 26,530,000 | R 24,157,000 |
| Administration expenses to awards ratio | 1.52% | 1.75% |
| Bursary awards** | R 612,414,960 | R 407,764,000 |
| Bursary awards – FET colleges*** | R 65,340,040 | - |
| Pass rate (number of courses passed) | 75.09% | 73.84% |

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

** Up to 40% of a loan may be converted into a bursary, except for 100% bursary awards.

*** FET college 100% bursary awards.

2. GOING CONCERN

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

3. POST BALANCE SHEET EVENTS

The NSFAS board term of office came to an end on 30 June 2008. The new board members (as indicated on page 2) were appointed to commence work on 1 July 2008.

4. CORPORATE GOVERNANCE

Committees of the board were established in terms of the NSFAS Act, as follows: an executive

committee, an audit committee, a finance committee, and others intended for the oversight of the scheme activities, namely: human resources committee, a stakeholder and outreach committee, a research committee, and a marketing and fundraising committee, all of which make for good corporate governance. The committees met regularly throughout the year, giving input into the five regular board meetings that take place each year.

After the resignation of the audit committee chairperson with effect from 31 July 2007, Ms Carol Read agreed to act as chairperson on a temporary basis until a replacement is appointed.

The current NSFAS board was appointed with effect from 1 July 2004 for a four-year term which ended on 30 June 2008. The membership of the board is set out on Page 2. The following members of the board were serving their second term of office,

and in terms of the NSFAS Act may not be appointed for a third term: Dr Loveness Kaunda, Mrs Babalwa Ntabeni-Matutu, Mr Raymond Olander and Ms Laura Schultz. After the resignation of the Chief Executive Officer (CEO) with effect from 31 July 2007, the NSFAS board appointed a new CEO, Mr Pragasen Naicker, who commenced employment on 1 February 2008. Ms Merle Festers, the Chief Financial Officer, served as Acting CEO from 1 August 2007 to 31 January 2008.

NSFAS has registered with the National Credit Regulator as a credit provider, in compliance with the National Credit Act.

5. NATURE OF ACTIVITIES

The nature of the activities of the Scheme is to provide sustainable financial assistance in the form of loans and bursaries to eligible students at public higher education institutions (HEIs) and with effect from 2007 further education and training (FET) colleges. The activities include administration of such loans and bursaries and the recovery of loans from students once they are employed and earning in excess of R30,000 per annum. For the year under review, interest was raised on student loans at 7% per

annum (2007: 6%).

From 1 April 2008, the board agreed that the NSFAS interest rate would be pegged at 80% of the repo rate as determined by the South African Reserve Bank. The NSFAS interest rate would therefore fluctuate from time to time in line with fluctuations in the repo rate.

Once students have initiated repayment, the interest accumulated on their outstanding debt to date is recognised as income as follows: interest repaid is recognised as interest earned and interest still to be repaid as at year end is raised as interest accrued. These interest amounts are detailed in note 12 to the annual financial statements. Up to 40% of NSFAS standard awards can be converted into bursaries. The percentage converted is dependent on pass rates of students. In addition, the Scheme manages funds on behalf of some donors with the stipulation that the funds are awarded as full bursaries.

Since its inception in 1991, the Scheme has awarded R10 billion in loans and bursaries.

Internal systems are regularly enhanced to ensure constant improvement in the Scheme's loan recovery strategy. By the end of the financial year under review normal monthly recoveries had reached R35 million.

6. STUDENT AWARDS

| | Academic years | | Financial years | | 1991 – 2007 |
|---|-----------------|-----------------|----------------------|----------------------|------------------------|
| | 2007 | 2006 | 2008 | 2007 | |
| Awards - HEIs | | | | | |
| Number of students | 113,616 | 108,416 | | | 530,494 |
| Rands | R 1,693,299,127 | R 1,382,430,878 | | | R 9,913,422,630 |
| Awards - FET colleges | | | | | |
| Number of students | 12,283 | - | | | 12,283 |
| Rands | R 66,719,226 | - | | | R 66,719,226 |
| Loans repaid | | | | | |
| Capital (rands) | | | R 363,944,189 | R 296,416,000 | R 1,685,171,189 |
| Interest (rands) | | | R 115,270,005 | R 95,986,000 | R 383,947,005 |
| Total loans repaid during the year (Rands) | | | R 479,214,194 | R 392,402,000 | R 2,069,118,194 |

7. PROVISION FOR DOUBTFUL DEBTS

A model specific to NSFAS was developed by Fifth Quadrant Actuaries and Consultants to determine a realistic provision for doubtful debts. This model is contingent primarily on two key factors namely the loan recovery rate and the mortality rate (including an element for disability). A variable for changes in the employment rate has now also been developed and is included in the present version of the model, although the assumption remains that current rates of employment will remain constant.

Taking into consideration the improvement in the loan recovery rate, keeping constant the effect of mortality as for the previous year, and assuming that

the rate of employment remains constant over the next 10 years, the provision for doubtful debts amounts to 23.20% for the year under review. The marginal increase of 0.4 % in the provision from 22.80% in the prior year is primarily due to a slight increase in the student drop-out rate.

The provision for doubtful debt has shown an improvement over the last 5 years:

| | Increase / (decrease) | |
|-----------------------|-----------------------|---------------|
| | R | R |
| 31 March 2004 (38.4%) | 1,239,849,757 | |
| 31 March 2005 (29.9%) | 1,115,489,303 | (124,360,454) |
| 31 March 2006 (27.4%) | 1,264,271,145 | 148,781,842 |
| 31 March 2007 (22.8%) | 1,234,439,220 | (29,832,145) |
| 31 March 2008 (23.2%) | 1,465,890,363 | 231,451,000 |

| | 2008 | 2007 | Increase / (decrease) |
|------------------------------------|---------------|---------------|-----------------------|
| | R | R | R |
| On capital | | | |
| Total outstanding capital | 5,199,523,000 | 4,502,576,000 | 696,947,000 |
| Provision on 23.20% (2007: 22.80%) | 1,206,289,363 | 1,026,587,220 | 179,702,143 |
| On interest | | | |
| Total interest accrual | 1,118,981,529 | 911,632,860 | 207,348,669 |
| Provision on 23.20% (2007: 22.80%) | 259,604,000 | 207,852,000 | 51,752,000 |

Statement of financial position

| Figures in Rand thousand | Notes | 2008 | 2007 |
|-------------------------------|-------|------------------|------------------|
| ASSETS | | | |
| Current Assets | | | |
| Financial assets | 3 | 343,980 | 243,129 |
| Accounts receivable | | 177 | 1,150 |
| Student loans | 4 | 501,000 | 473,000 |
| Amounts owing by institutions | 5 | 58,095 | 26,140 |
| Amounts owing by donors | 6 | 25,578 | - |
| Cash and cash equivalents | 7 | 402,259 | 256,404 |
| | | 1,331,089 | 999,823 |
| Non-Current Assets | | | |
| Property, plant and equipment | 2 | 8,400 | 6,862 |
| Student loans | 4 | 4,351,611 | 3,706,770 |
| | | 4,360,011 | 3,713,632 |
| Total Assets | | 5,691,100 | 4,713,455 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts payable | | 793 | 1,350 |
| Provisions | 8 | 682 | 674 |
| Amounts due to institutions | | - | 102 |
| Grants received in advance | 10 | 10,076 | 8,300 |
| | | 11,551 | 10,426 |
| Total Liabilities | | 11,551 | 10,426 |
| Net assets | | 5,679,549 | 4,703,029 |
| Net assets | | | |
| Reserves | | 5,679,549 | 4,703,029 |
| Total net assets | | 5,679,549 | 4,703,029 |

Statement of financial performance

| Figures in Rand thousand | Notes | 2008 | 2007 |
|---|-----------|------------------|------------------|
| Revenue | | | |
| Administration grant | | 17,569 | 15,972 |
| Grants received for student loans | | 1,489,482 | 1,036,389 |
| Interest received | 12 | 411,212 | 332,047 |
| Irrecoverable debts recovered | | 27 | 77 |
| | 11 | 1,918,290 | 1,384,485 |
| Other income | | | |
| | | 219 | 270 |
| Expenses | | | |
| Administration expenses | | (26,530) | (24,157) |
| Bursaries – Higher Education Institutions | | (612,415) | (407,764) |
| Bursaries – FET colleges | | (65,340) | - |
| (Increase)/decrease in provision for doubtful debts | | (231,453) | 29,831 |
| Irrecoverable debts | | (5,034) | (39,662) |
| (Loss)/profit on funds invested | | (50) | 10 |
| Administration and management fees on investments | | (1,142) | (766) |
| Total expenses | | (941,964) | (442,508) |
| Surplus for the year* | | 976,545 | 942,247 |

* Refer to analysis of surplus on following page.

Statement of financial performance continued

ANALYSIS OF SURPLUS

| Figures in Rand thousand | Notes | 2008 | 2007 |
|---|-------|----------------|----------------|
| Administration | | | |
| Administration grant | | 17,569 | 15,972 |
| Interest received | 12 | 411,212 | 332,047 |
| Other income | | 219 | 270 |
| Less: Administration & investment costs | | (27,722) | (24,913) |
| Surplus available for reinvestment in student loans | | 401,278 | 323,376 |
| Capital | | | |
| Grants received for student loans | | 1,489,482 | 1,036,389 |
| Irrecoverable debts recovered | | 27 | 77 |
| Less | | | |
| Bursaries | | (677,755) | (407,764) |
| (Increase)/ decrease in doubtful debts provision | | (231,453) | 29,831 |
| Irrecoverable debts | | (5,034) | (39,662) |
| | | 575,267 | 618,871 |
| Total surplus reported* | | 976,545 | 942,247 |
| <i>* Primarily being the repayable loan portion of student awards</i> | | | |
| Other income | | | |
| Unclaimed debtors credits | | 206 | 251 |
| Gains on disposal of assets | | 3 | 2 |
| Other income | | 10 | - |
| Third party contribution to expenditure | | - | 17 |
| | | 219 | 270 |
| Surplus is stated after: | | | |
| Expenses | | | |
| Auditors remuneration | 15 | (577) | (519) |
| Board members and officers emoluments | 16 | (3,363) | (2,876) |
| Consulting fees | | (363) | (259) |
| Depreciation, amortisation and impairments | | 637 | (1,303) |

statement of changes in net assets

| Figures in Rand thousand | Fair value adjustment reserve | Capital fund | Total reserves | Surplus | Total net assets |
|---|-------------------------------|------------------|------------------|-----------|------------------|
| Opening balance as previously reported | (30) | 3,787,300 | 3,787,270 | - | 3,787,270 |
| Adjustments | | | | | |
| Prior period adjustments | - | (26,372) | (26,372) | - | (26,372) |
| Balance at 1 April 2006 as restated | (30) | 3,760,928 | 3,760,898 | - | 3,760,898 |
| Profit for the year | - | - | - | 942,247 | 942,247 |
| Transfer to capital fund | - | 942,247 | 942,247 | (942,247) | - |
| Fair value adjustment | (116) | - | (116) | - | (116) |
| Total changes | (116) | 942,247 | 942,131 | - | 942,131 |
| Balance at 1 April 2007 | (146) | 4,703,175 | 4,703,029 | - | 4,703,029 |
| Profit for the year | - | - | - | 976,545 | 976,545 |
| Transfer to capital fund | - | 976,545 | 976,545 | (976,545) | - |
| Fair value adjustment | (25) | - | (25) | - | (25) |
| Total changes | (25) | 976,545 | 976,520 | - | 976,520 |
| Balance at 31 March 2008 | (171) | 5,679,720 | 5,679,549 | - | 5,679,549 |

Cash flow statement

| Figures in Rand thousand | Notes | 2008 | 2007 |
|---|----------|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash receipts from: | | | |
| Grants for capital fund and administration costs | | 1,483,249 | 1,061,671 |
| Student loan repayments - Interest | | 115,270 | 95,986 |
| Student loan repayments - Capital | | 331,989 | 296,416 |
| Other receipts | | 1,189 | (755) |
| Total cash receipts | | 1,931,697 | 1,453,318 |
| Less cash paid: | | | |
| For student loans | | (1,739,595) | (1,360,973) |
| To employees and suppliers | | (28,933) | (23,855) |
| Awards paid to institutions for following academic year | | (4,057) | (21,415) |
| Change in amounts due to institutions | | (102) | 102 |
| Total cash paid | | (1,772,687) | (1,406,141) |
| Cash generated from operations | 17 | 159,010 | 47,177 |
| Interest received from investments | | 88,594 | 48,288 |
| Net cash from operating activities | | 247,604 | 95,465 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | 2 | (921) | (1,462) |
| Proceeds on disposals of property, plant and equipment | | 23 | 2 |
| Net movement in financial assets | | (100,851) | (141,873) |
| Net cash from investing activities | | (101,749) | (143,333) |
| Total cash movement for the year | | 145,855 | (47,868) |
| Cash and cash equivalents at the beginning of the year | | 256,404 | 304,272 |
| Cash and cash equivalents at the end of the year | 7 | 402,259 | 256,404 |

accounting POLICIES *Annual financial statements ended 31 March 2008*

1. PRESENTATION OF FINANCIAL STATEMENTS

These accounting policies are consistent with the previous period.

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

The financial statements have been prepared on the historical cost basis of accounting and incorporate the following principal accounting policies which have been consistently applied in all material aspects, except as referred to in note 1.1 below.

1.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards board replacing the equivalent GAAP Statement as follows:

| Standard of GRAP | Replaced Statement of GAAP |
|--|---|
| GRAP 1: Presentation of financial statements | AC101: Presentation of financial statements |
| GRAP 2: Cash flow statements | AC118: Cash flow statements |
| GRAP 3: Accounting policies, changes in accounting estimates and errors | AC103: Accounting policies, changes in accounting estimates and errors |

Currently the recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 & 3 has resulted in the following significant changes in the presentation of the financial statements:

TERMINOLOGY DIFFERENCES:

| Standard of GRAP | Replaced Statement of GAAP |
|------------------------------------|--------------------------------|
| Statement of financial performance | Income statement |
| Statement of financial position | Balance sheet |
| Statement of changes in net assets | Statement of changes in equity |
| Net assets | Equity |
| Surplus/deficit for the period | Profit/loss for the period |
| Accumulated surplus/deficit | Retained earnings |
| Reporting date | Balance sheet date |

The cash flow statement can only be prepared in accordance with the direct method.

The amount and nature of any restrictions on cash balances are disclosed. Paragraphs 11 – 15 of GRAP 1 has not been implemented due to the fact that

the local and international budget reporting standard is not effective for this financial year. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect the objective of the financial statements.

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 associated with the item will flow to the Scheme; and
- ✓ the cost of the item can be measured reliably.

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.

Sundry assets with a cost of up to and including R1,000 each are written off in the year of acquisition. Restoration costs upon acquisition of land and buildings are capitalised to the depreciable amount of land and buildings. Any significant

refurbishment costs that improves the condition of land and buildings are capitalised to the carrying amount of land and buildings.

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The estimated recoverable amount is the higher of the asset's fair value less cost to sell and its value in use.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. A previously recognised loss is reversed if the recoverable amount increases as a result of a change in estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

The useful lives and residual values of assets are assessed annually. Property and equipment, except for land that is not depreciated, are depreciated on the straight line method of depreciation over their expected useful lives, at the following rates:

1.2 PROPERTY, PLANT AND EQUIPMENT... CONTINUED

| Item | Average useful life |
|---------------------------------|---------------------|
| Buildings | |
| ■ 2% | 50 years |
| Furniture & fixtures | |
| ■ 20% | 5 years |
| Motor vehicles | |
| ■ 20% | 5 years |
| Office equipment | |
| ■ 20% | 5 years |
| IT equipment | |
| ■ 33.33% | 3 years |
| Computer software | |
| ■ 33.33% | 3 years |

1.3 GROSS REVENUE

Gross revenue represents conditional grants received for student loans and administration, interest on student loans where repayment has commenced, irrecoverable debts recovered and interest on funds invested. Grants are recognised as and when received.

1.4 FINANCIAL INSTRUMENTS

Initial recognition

Financial instruments are initially measured at cost, which is the fair value of whatever was paid or received to acquire the financial instruments. Transaction costs are included for all financial instruments.

Subsequent to initial recognition, financial instruments are measured, recognised and disclosed as set out below.

Financial assets and financial liabilities are recognised on the Scheme's balance sheet when the Scheme becomes party to the contractual provisions of the instrument.

Fair value determination

The carrying amounts of the financial assets and liabilities reported in the Statement of financial position are approximate fair values at 31 March 2008.

Loans and receivables

Student loans and amounts owing by institutions are classified as loans and receivables.

Accounts payable

Accounts payable are recognised at cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value. Fixed deposits that mature within 3 months after reporting date are recognised as cash equivalents.

Financial assets

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned. Investments are measured initially and subsequently at fair value, gains and losses arising from changes in fair value are included in profit or loss for the period.

■ Available for sale financial assets

These financial assets are non-derivatives that are either designated in this category or not classified elsewhere. Non-coupon negotiable certificates of deposit (NCDs) and Committed rolling carry are classified as available

for sale. Available for sale financial assets are measured at fair value.

■ Held to maturity

Fixed deposits that mature after 3 months of reporting date are classified as held to maturity. These financial assets are measured at cost plus accrued interest.

The Scheme has the positive intention and ability to hold to maturity financial instruments that are classified as held to maturity.

1.5 IMPAIRMENT OF ASSETS

The Scheme assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Scheme estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Scheme also:

- ✓ tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually, by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- ✓ tests goodwill acquired in a busi-

ness combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for

Accounting policies

cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- ✓ first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- ✓ then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other

than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.6 PROVISIONS

Provisions are recognised when:

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

1.7 INTEREST

As at reporting date, interest was raised on student loans at an average 2% real rate of interest (average inflation rate, as assessed by the board, plus 2%). From 1 April 2008, the interest rate is pegged at 80% of the repo rate as determined by the South African Reserve Bank. The interest rate will therefore fluctuate from time to time in line with fluctuations in the repo rate. Once students have initiated repayment, the interest accumulated on their outstanding debt to date is recognised as income as follows: interest repaid is recognised as interest earned and

interest still to be repaid as at year end is raised as interest accrued. Interest on financial assets and cash and cash equivalents is accrued and is capitalised to the various instruments at amortised cost.

1.8 BORROWING COSTS

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.9 FOREIGN EXCHANGE

Foreign currency transactions

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

1.10 STUDENT AWARDS

These are primarily loans advanced to students. The repayment of these loans is dependent upon the employment and income level of the loanee. A portion of this loan may be converted into a bursary depending on academic performance. An amount which is considered adequate has been provided for doubtful debts. However, it is impossible to reliably predict the future academic performance or employment prospects of existing student loanees and hence determine the amount that will eventually be recovered. NSFAS has

commissioned its actuaries to develop a loan recovery projection model to enable more reliable and accurate projections into the future. Student loans are raised against an individual student when a claim submission has been made by the institution to NSFAS at capital amount. The amount projected to be collected within 12 months from reporting date is classified as a current asset and the balance as a non-current asset.

Notes to the Annual Financial Statements

Figures in Rand thousand

| | 2008 | | | 2007 | | |
|-------------------------|------------------|--------------------------|----------------|------------------|--------------------------|----------------|
| | Cost / Valuation | Accumulated depreciation | Carrying value | Cost / Valuation | Accumulated depreciation | Carrying value |
| Land and Buildings* | 4,783 | (337) | 4,446 | 4,783 | (256) | 4,527 |
| Furniture and equipment | 1,926 | (932) | 994 | 1,549 | (1,040) | 509 |
| Motor vehicles | 119 | (57) | 62 | 119 | (33) | 86 |
| IT equipment | 5,988 | (3,634) | 2,354 | 6,092 | (4,352) | 1,740 |
| Loan Management System | 1,632 | (1,088) | 544 | 1,632 | (1,632) | - |
| Total | 14,448 | (6,048) | 8,400 | 14,175 | (7,313) | 6,862 |

Asset useful life estimates are based on the cost model as per IAS 16 as the reliable basis of measurement. Where assets were fully depreciated in line with accounting policy note 1.2, the Scheme has determined the remaining useful life and restated the depreciation to create a carrying value.

* Depreciation is calculated on buildings only. The land and buildings were acquired on 2 July 2003 at a cost of R4 047 512 and restoration costs made thereto amounting to R472 660 had been capitalised by 31 March 2004. Land and buildings comprise erf numbers 66447, 66458, 66459, 66460 and 66461 in Wynberg, Cape Town.

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT – 2008

| | Opening Balance | | Disposals | Depreciation | Total |
|-------------------------|-----------------|------------|-------------|--------------|--------------|
| Land & Buildings* | 4,527 | - | - | (81) | 4,446 |
| Furniture and Equipment | 509 | 377 | (1) | 109 | 994 |
| Motor vehicles | 86 | - | - | (24) | 62 |
| IT equipment | 1,740 | 544 | (19) | 89 | 2,354 |
| Loan Management System | - | - | - | 544 | 544 |
| | 6,862 | 921 | (20) | 637 | 8,400 |

3. FINANCIAL ASSETS

| | 2008 | 2007 |
|--|----------------|----------------|
| Non-coupon Negotiable Certificates of Deposit (NCDs) | 16,145 | 47,927 |
| Committed rolling carry* | 270,148 | 138,067 |
| Fixed deposits** | 57,687 | 57,135 |
| | 343,980 | 243,129 |

*These investments are classified as "Available for sale". Refer note 22.

**These investments are classified as "Held to maturity". Refer note 22. See note 23 for the detail of the utilisation of financial assets.

Figures in Rand thousand

| | 2008 | 2007 |
|---|------------------|------------------|
| 4. STUDENT LOANS | | |
| Opening balance as previously reported | 4,179,770 | 3,349,915 |
| Prior year error: Under-stated interest reversal* | - | (26,372) |
| Opening balance as restated | 4,179,770 | 3,323,543 |
| In/(out)flows | | |
| Awards 2007 academic year - Donor funds | 1,443,734 | 1,063,450 |
| Awards 2007 academic year - NSFAS recovered funds | 294,860 | 296,917 |
| Interest accrued | 207,348 | 187,773 |
| Bursaries – HEIs** | (612,415) | (407,764) |
| Bursaries – FET colleges | (65,340) | - |
| Capital repayments | (363,944) | (296,416) |
| Awards paid to institutions for following academic year | 4,057 | 21,415 |
| (Increase)/decrease in provision for doubtful debts*** | (231,453) | 29,832 |
| Irrecoverable debts recovered | 27 | 77 |
| Irrecoverable debts | (5,034) | (39,662) |
| Other general movements | 1,001 | 605 |
| | 4,852,611 | 4,179,770 |
| Current portion | (501,000) | (473,000) |
| | 4,351,611 | 3,706,770 |
| Analysis of student loans | | |
| Net capital balance | 5,199,523 | 4,502,576 |
| Prior year interest accrued | 911,633 | 723,860 |
| Prior year interest accrued - Provision for doubtful debts*** | (211,499) | (165,040) |
| Current year interest accrued | 207,348 | 187,773 |
| Current year interest accrued - Provision for doubtful debts*** | (48,105) | (42,812) |
| Provision for doubtful debts on outstanding capital*** | (1,206,289) | (1,026,587) |
| | 4,852,611 | 4,179,770 |

* The prior year error relates to the historical reversal of interest raised on student loans when the decision was taken to report interest only once repayment has been initiated by loanees. The capital balance in the annual financial statements and the Loan Management System now reconciles.

** Bursaries on student loans have been calculated based on results received from institutions as at 31 March 2008, except for 100% bursaries. Adjustments to results and omissions/errors that may have occurred in the final reports would not be material.

*** The total provision for doubtful debts at 31 March 2008 is R1,465,893,000 (2007: R1,234,439,000).

5. AMOUNTS OWING BY INSTITUTIONS

Student credit balances refunded by institutions after 31 March 2008.

| | 2008 | 2007 |
|------------------------------|--------|--------|
| Amount owing by institutions | 58,095 | 26,140 |

6. AMOUNTS OWING BY DONORS

| | | |
|----------------------|--------|---|
| Department of Labour | 25,578 | - |
|----------------------|--------|---|

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

| | | |
|---|----------------|----------------|
| Bank and cash balances | 131,617 | 71,732 |
| Fixed deposits (maturing within 3 months of reporting date) | 270,642 | 184,672 |
| | 402,259 | 256,404 |

The increase in cash and cash equivalents is in large part due to an increase in general education, targeted scarce skills funding and funding for FET colleges. 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 R460,000.

A settlement facility of R600,000 is required for payroll.

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

Notes to the Annual Financial Statements

Figures in Rand thousand

8. PROVISIONS

Reconciliation of provisions - 2008

| | Opening Balance | Additions | Total |
|--|-----------------|-----------|-------|
| Accumulated leave pay and bonus due to employees | 674 | 8 | 682 |

9. EMPLOYEE BENEFITS

The Scheme operates a defined contribution retirement plan for all employees. During the year the Scheme contributed R1,365,146 (2007: R876,000) to the plan. In addition employees contributed R682,854 (2007:R 526,000). Both employer and employee contributions are included in the salaries expenditure in the administration expenses reflected in the Statement of financial performance.

10. GRANTS RECEIVED IN ADVANCE

These are funds received during the year under review for utilisation in the following year:

| | 2008 | 2007 |
|---------------------------|---------------|--------------|
| Department of Agriculture | 8,300 | 8,300 |
| Irish Aid | 1,776 | - |
| | 10,076 | 8,300 |

11. REVENUE

| | | |
|-----------------------------------|------------------|------------------|
| Interest received | 411,212 | 332,047 |
| Administration grant | 17,569 | 15,972 |
| Irrecoverable debts recovered | 27 | 77 |
| Grants received for student loans | 1,489,482 | 1,036,389 |
| | 1,918,290 | 1,384,485 |

12. INTEREST RECEIVED

| | 2008 | 2007 |
|-----------------------------------|----------------|----------------|
| Interest earned on student loans | 115,270 | 95,986 |
| Interest accrued on student loans | 207,348 | 187,773 |
| Interest on student loans | 322,618 | 283,759 |
| Interest on funds invested | 88,594 | 48,288 |
| | 411,212 | 332,047 |

13. GRANTS RECEIVED FOR STUDENT AWARDS

| | | |
|--|------------------|------------------|
| Department of Education* | 1,315,128 | 910,406 |
| Other South African government departments | 98,598 | 21,650 |
| Foreign aid and private sector | 444 | 3,411 |
| Higher education institutions | 75,312 | 100,920 |
| | 1,489,482 | 1,036,387 |

* Includes first-time grants to provide for teacher training at higher education institutions and vocational training at further education and training colleges.

Notes to the Annual Financial Statements

Figures in Rand thousand

14. OPERATING PROFIT

Operating profit for the year is stated after accounting for the following:

| | 2008 | 2007 |
|--|--------|--------|
| Profit on sale of property, plant and equipment | 3 | 2 |
| Depreciation on property, plant and equipment | (637) | 1,303 |
| Employee costs | 13,112 | 10,908 |

15. AUDITOR'S REMUNERATION

| | | |
|------|-----|-----|
| Fees | 577 | 519 |
|------|-----|-----|

16. BOARD MEMBERS AND OFFICERS' EMOLUMENTS

In terms of National Treasury Regulations 24.1 General Definitions, 'senior management' refers to the level of management that is directly accountable to the Chief Executive Officer or to the person in charge of the public entity, and was remunerated as reflected below. board members are not remunerated, but receive per diem allowances (except for those employed by government) for attending meetings.

Services as:

| | Salary/Fee | Bonuses | Pension contributions | Subsistence & Travel costs | Total |
|---------------------------------|--------------|------------|-----------------------|----------------------------|--------------|
| 2008 | | | | | |
| Board members | | | | | |
| Per diem allowances | - | - | - | 61 | 61 |
| Travel costs | - | - | - | 373 | 373 |
| | - | - | - | 434 | 434 |
| Officers emoluments | | | | | |
| Chief Executive Officer* | 239 | - | 20 | - | 259 |
| Chief Executive Officer** | 133 | - | 20 | - | 153 |
| Chief Financial Officer*** | 562 | 39 | 81 | - | 682 |
| Chief Operations Officer | 516 | 34 | 80 | - | 630 |
| Manager: Human Resources | 437 | 32 | 67 | - | 536 |
| Manager: Information Technology | 539 | 43 | 87 | - | 669 |
| | 2,426 | 148 | 355 | - | 2,929 |
| | 2,426 | 148 | 355 | 434 | 3,363 |
| | Salary/Fee | Bonuses | Pension contributions | Subsistence & Travel costs | Total |
| 2007 | | | | | |
| Board members | - | - | - | 357 | 357 |
| Officers' emoluments | 2,091 | 151 | 241 | 36 | 2,519 |
| | 2,091 | 151 | 241 | 393 | 2,876 |

* Outgoing CEO, resigned 31 July 2007.

** Incoming CEO, appointed 1 February 2008.

*** Includes acting allowance of R59,394 for period 1 August 2007 to 31 January 2008.

Notes to the Annual Financial Statements

Figures in Rand thousand

| | 2008 | 2007 |
|---|----------------|----------------|
| 17. CASH GENERATED FROM OPERATIONS | | |
| Profit before taxation | 976,545 | 942,247 |
| Adjustments for: | | |
| Depreciation and amortisation | (637) | 1,303 |
| Profit on sale of assets | (3) | (2) |
| Movements in provisions | 8 | 70 |
| Prior year error: Understated interest reversal | - | (26,372) |
| Change in fair value adjustment | (25) | (116) |
| | 975,888 | 917,130 |
| Changes in working capital: | | |
| Accounts receivable | 973 | (1,023) |
| Accounts payable | (557) | (347) |
| Change in amounts due by institutions | (31,955) | 9,752 |
| Change in amounts due by donors | (25,578) | - |
| Change in amounts due to institutions | (102) | 102 |
| Change in grants received in advance | 1,776 | (294) |
| Change in student loans | (672,841) | (829,855) |
| Interest on funds invested | (88,594) | (48,288) |
| | 159,010 | 47,177 |

18. COMMITMENTS

Authorised capital expenditure

The Scheme had no capital commitments at the reporting date.

19. CONTINGENCIES

There were no contingent liabilities that the Scheme is aware of at the reporting date.

20. RELATED PARTIES

The Scheme had the following related party transactions during the year under review.

Related party transactions

| ADMINISTRATION GRANT | 2008 | 2007 |
|-------------------------|--------|--------|
| Department of Education | 17,569 | 15,972 |

GRANTS RECEIVED FOR STUDENT AWARDS

| | 2008 | 2007 |
|--|-----------|---------|
| Department of Agriculture | 8,300 | 8,300 |
| Department of Education | 1,095,128 | 910,406 |
| Department of Education - FET Colleges | 100,000 | - |
| Department of Education - Funza Lushaka Teacher Bursaries | 120,000 | - |
| Department of Labour (Disability) | 25,578 | - |
| Department of Social Development | 50,000 | - |

21. COMPARATIVE FIGURES

Where necessary, comparative figures have been adjusted to conform with changes in presentation and classification in the current year. Certain comparative figures have been reclassified.

22. RISK MANAGEMENT

Market risk

Market risk – the risk that the value of the financial asset will change with general market conditions. NSFAS is exposed to one primary type of market risk, namely interest rate risk. The specific risk management objectives, policies and procedures relating to this type of market risk is described in the section below.

Interest rate risk management

Interest rate risk refers to the impact

on future cash flows on financial assets and student loans. Interest rate risk on financial assets is not significant as the investment profile is conservative in nature. From 1 April 2008 interest rate charged on outstanding student loans is linked to the repo rate as determined by the South African Reserve Bank from time to time.

Credit risk management

■ Credit risk

The Scheme limits its exposure to credit risk for receivables through implementing legislative policy. An adequate level of provision is maintained.

Credit and counterparty risk refers to the effects on future cash flows and earnings of debtors defaulting on

Notes to the Annual Financial Statements

their obligations. The Scheme limits its exposure to credit risk on loans advanced through implementing legislative policy. An adequate level of provision for doubtful debts is made at each reporting date.

Granting of credit is controlled by a well established criteria for awarding student loans namely, a national means test, which is reviewed on an annual basis. The maximum credit exposure at reporting date was R4.8 billion.

Unless otherwise indicated, the maximum exposure to credit risk is the carrying value of Student loans. Given the nature of the risk no collateral is taken against credit risk exposure.

■ Price risk

NSFAS has not invested in any financial assets with long-term interest rates and can negotiate rates in line with movements in money market rates.

Liquidity risk

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

22. RISK MANAGEMENT ... CONTINUED

Figures in Rand thousand

ANALYSIS OF FINANCIAL INSTRUMENTS

| | Carrying value | Fair value | Fair value adjustment |
|--|------------------|------------------|-----------------------|
| Financial assets | | | |
| Available for sale – Non coupon NCDs | 16,197 | 16,145 | 52 |
| Available for sale – Committed rolling carry | 270,267 | 270,148 | 119 |
| Held to Maturity – Fixed deposits | 57,687 | 57,687 | - |
| | 344,151 | 343,980 | 171 |
| Student loans | 4,351,611 | 4,351,611 | - |
| Amounts owing by institutions | 58,095 | 58,095 | - |
| Accounts receivable | 177 | 177 | - |
| Amounts owing by donors | 25,578 | 25,578 | - |
| Cash and cash equivalents | 402,259 | 402,259 | - |
| | 5,181,871 | 5,181,700 | 171 |
| Financial liabilities | | | |
| Accounts payable | 793 | 793 | - |
| Grants received in advance | 10,076 | 10,076 | - |
| | 10,869 | 10,869 | - |

Notes to the Annual Financial Statements

22. RISK MANAGEMENT ... CONTINUED

Figures in Rand thousand

MATURITY ANALYSIS OF FINANCIAL INSTRUMENTS

| | On demand/ callable | Due in 1 year | Due 1 – 10 years | Total |
|--|------------------------|----------------|------------------|------------------|
| Financial assets | | | | |
| Available for sale – Non coupon NCDs | 47,927 | - | - | 47,927 |
| Available for sale – Committed rolling carry | 138,067 | - | - | 138,067 |
| Held to Maturity – Fixed Deposits | 57,135 | - | - | 57,135 |
| Student loans | - | 501,000 | 3,850,611 | 4,351,611 |
| Amounts owing by institutions | 58,095 | - | - | 58,095 |
| Accounts receivable | 177 | - | - | 177 |
| Amounts owing by donors | 25,578 | - | - | 25,578 |
| Cash and cash equivalents | 402,259 | - | - | 402,259 |
| Less: Financial liabilities | | | | |
| Accounts payable | (793) | - | - | (793) |
| Grants received in advance | (10,076) | - | - | (10,076) |
| | 718,369 | 501,000 | 3,850,611 | 5,069,980 |

23. UTILISATION OF FINANCIAL ASSETS AND CASH AND CASH EQUIVALENTS

Financial assets and cash and cash equivalents totalling R746 million include R664 million recovered monies that NSFAS holds for re-injection into the Scheme. The balance is held on behalf of third parties for allocation by the Scheme.

The Scheme expects to provide awards to students amounting to approximately R2.2 billion for the 2008 academic year. This will be funded from expected new grants and the recovered monies reflected above. The projected cash flow for these expected funds and NSFAS recovered monies is as follows:

| QUARTER ENDING | Expected new grants | NSFAS re-injection | CUMULATIVE |
|----------------|------------------------|-----------------------|------------|
| June 2008 | 286,861 | - | 286,861 |
| September 2008 | 678,036 | 115,295 | 1,080,192 |
| December 2008 | 651,957 | 172,942 | 1,905,091 |
| March 2009 | 193,547 | 121,763 | 2,220,401 |
| | 1,810,401 | 410,000 | |

supplementary information

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

Figures in Rand thousand

1. GRANTS RECEIVED FOR STUDENT AWARDS

| | 2008 | 2007 |
|---|------------------|------------------|
| Grants received for student awards | | |
| Communicare | 444 | 350 |
| Department of Agriculture | 8,300 | 8,300 |
| Department of Education | 1,095,128 | 910,406 |
| Department of Education – FET Colleges* | 100,000 | - |
| Department of Education – Funza Lushaka Teacher Bursaries** | 120,000 | - |
| Department of Labour (Disability)*** | 25,578 | - |
| Department of Social Development | 50,000 | - |
| Eastern Cape Provincial Government | 14,720 | 13,000 |
| FNB (Corporate) | - | 25 |
| Irish Aid | - | 2,811 |
| Metallon Corporation Limited | - | 600 |
| | 1,414,170 | 935,492 |
| Capital grants from educational institutions | | |
| University of Cape Town | 2,948 | 4,738 |
| Central University of Technology | 2,572 | 2,704 |
| Durban University of Technology | 17,045 | 15,043 |
| University of KwaZulu-Natal | 24,553 | 52,903 |
| University of Pretoria | 4,987 | 5,000 |
| Rhodes University | 8,704 | 6,801 |
| University of South Africa | 8,004 | 8,901 |
| Tshwane University of Technology | 6,457 | 1,298 |
| University of the Western Cape | 42 | 126 |
| University of the Witwatersrand | - | 1,572 |
| University of Zululand | - | 1,809 |
| | 75,312 | 100,895 |
| | 1,489,482 | 1,036,387 |

* Bursaries for vocational training at further education and training (FET) colleges.

** Bursaries for teacher training at higher education institutions.

*** Amount owing as at 31 March 2008.



snapshot
life at NSFAS

