



National Student Financial Aid Scheme

STATEMENT BY THE NATIONAL STUDENT FINANCIAL AID SCHEME ADMINISTRATOR MR FREEMAN SITHEMBISO NOMVALO ON THE OCCASION OF THE MEDIA BRIEFING ON NSFAS GOVERNANCE, MANAGEMENT AND ADMINISTRATION MATTERS HELD AT GCIS, TSHEDIMOSETSO MEDIA CENTRE – HATFIELD, PRETORIA

Programme Director Mr Ishmael Mnisi

The Administration Advisors

Members of the media

Ladies and gentlemen

Good Afternoon

This marks my second media briefing on progress in the Administration of the National Student Financial Aid Scheme. I was appointed the NSFAS Administrator on Friday, 12th April 2024 and addressed my first media briefing on the 27th May 2024 on matters relating to administrative reforms at NSFAS.

My gratitude especially goes to the current Minister of Higher Education and Training, Dr Nobuhle Nkabane, the Deputy Minister Buti Manamela and the Deputy Minister, Dr Mimmy Gondwe for providing the necessary support and guidance to this Administration. Thanks to the Director General, Nkosinathi Sishi and the entire Department of Higher Education and Training.

I would also like to take this opportunity to thank the former Minister of Higher Education, Science and Innovation, Professor Blade Nzimande for having appointed me in this position

It is an established practice that at least in 100 days, someone in my position must provide some kind of feedback, a reflection on the state of the organisation one is entrusted with. Ordinarily, the 100 days will be a drilling period to better appreciate the nuances, the constraints as well as priorities to recover and stabilise the organisation.

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The situation at NSFAS unfortunately does not permit us to only focus on the drilling exercise. With the same team and constraints, we also have to “fight the fires” so to speak, to resolve multiple outstanding queries, some dating back to 2017. Some of these have serious implications on the future of students (continuity of their academic programme) and the overall stability of the PSET system. We have spent a great deal of our time, combing through these challenges to try and stabilise the organisation, e.g.,

- **The delayed completion of 2017 to 2023 close out report that has disrupted the continuity of the academic programme of several students across the system. These students could not continue with their studies.**
- **The costly and unreliable direct payment mechanism of student allowances.**
- **Delayed payments for private student accommodation.**
- **Delayed finalisation of the 2023/2024 funded list as well as outstanding disbursements for 2023 academic year.**
- **Non-submission of Annual Reports and annual financial statements to parliament.**
- **Delayed finalisation of the 2024 Appeals.**

Having completed the first quarter of our term, we have also successfully completed the initial drilling exercise under very difficult circumstances. The outcomes are very worrying and alarming, viz;

- The current ICT Architecture and business process at NSFAS are not fit for purpose. The so called “defunding” debate that is looming in the sector is a direct product of a failing ICT system. This has presented far-reaching implications for the stability of the system.
- From a 37-million-rand organisation in 1991 to a 50 billion organisation in 2024, NSFAS spends only 0.7% of its allocation for its administrative and operational costs. It raises the question, ***Could NSFAS be overstretched and therefore constrained from meeting its obligations?***
- The introduction of intermediaries in the disbursement of student allowances and payment of student accommodation have compromised and veered NSFAS away from its mandated (In



National Student Financial Aid Scheme

terms of the NSFAS legislated mandate, NSFAS has no responsibility in accommodation accreditation etc.). NSFAS loses millions of rands monthly on intermediary activities that could have been sourced cheaper and build internally overtime.

- The demand for NSFAS assistance may at times exceed the available resources, especially during difficult economic times.

The centralised model of NSFAS with limited reach and access. NSFAS funds over a million students each year with its offices located in Capetown. It is clear that, the current centralised model is not beneficial to a broader constituency. The inefficiency in the organizational operating processes exacerbates the issue.

To respond to these outcomes, we have launched various projects including the following:

- **Organisational Re-engineering and Re-alignment Project:** The conclusion of this project will result into a new resource allocation model fit for the purpose and function of the size and shape of NSFAS. It will also provide a greater alignment of functions to improve the efficiency of NSFAS.
- **ICT and Business Processing Review Project:** The conclusion of this project will deliver a more efficient ICT system that provides for a seamless interface and data sharing between NSFAS and its key stakeholders including Universities, TVET's as well as AP's. The newly envisaged system is also intended to improve the management of applications for bursaries, loans and appeals.
- **Making NSFAS accessible to students and stakeholders:** A feasibility study is intended to consider various regionalisation models and cost implications looking at the location of beneficiaries. The appointed team will also be engaging with the PSET stakeholders to determine the most feasible model. The intention is to make NSFAS more accessible and responsive to its stakeholders.
- **Streamlining the disbursement of allowances and resolving the payments for student accommodation.**

- **Planning for 2025 and beyond:** We have commenced discussions on the development of the NSFAS planning matrix. The NSFAS planning matrix must be aligned to the PSET system. Having concluded discussions with the DHET on the 2025 planning, we have gone further to establish various structures with colleagues in the PSET system to strengthen our planning process and most importantly, to improve the working relations with Universities and the TVET system as well as experiences of NSFAS beneficiaries.

We have now set up monthly meetings with USAF, SACPO, SAASSAP, ACUHO-I and FAPSA in preparations for the 2025 academic year.

Ladies and Gentlemen, I now turn to the ongoing work of Administration at NSFAS for the period ending our first quarter, that is, “fighting the fires”

Administration Governance Framework

As you will recall, we announced the setting up of the Administration Governance Framework to support the work of Administration. In simple terms, the framework is intended to give effect to the appointment of Administration and functioning thereof. We are pleased to inform you that the framework is finalised and approved. The committee system is functioning well and enables us to process decisions but most importantly to keep with good governance practices.

TVETs PAYMENTS UPDATE FOR JUNE/ JULY/AUGUST 2024

You will also recall that one of the urgent interventions made by this Administration following frustrations experienced by students in receiving their allowances was to migrate the TVET NSFAS beneficiaries into a direct payment system through our banker. From the data received, we have been able to constantly process payment for all of the beneficiaries who submitted their banking details.

There is about 6% of students who either failed verification because they provided incorrect information and some who did not capture their banking details. These students are not receiving allowances.

Notwithstanding various efforts made to get these students to capture their banking details, including sending the affected students SMS's and sending the lists to TVET college financial aid officials requesting them to get the message through to students and engaging with the leadership of SATVETSA and SACPO, this category of students have not responded to NSFAS.

There are possible two scenarios; one that, these students have no means to reach us, possibly the messages did not reach them or regrettably, some of these could be non-existent students. What is more worrying is that todate we have not received complaints from students who may have not received their allowances.

NSFAS will continue to engage with institutions and students to submit their details for their allowances to be paid in the next payment run, while at the same investigating the validity and existence of these students.

UNIVERSITY PAYMENT UPDATES

Ladies and Gentlemen, you will also recall that, following consultations with USAF, we took a decision to extend the current arrangement with universities facilitating payment of allowances to NSFAS beneficiaries. This arrangement is extended until the end of the 2024 academic year. This decision was arrived at in response to USAF and in support of the beneficiaries as well as the stability of the PSET system.

Our intention is to also migrate the University allowances to a more cost effective and efficient payment system. The planning for the migration of universities was halted by the interdict awarded in favour of Ezaga and others by the Western Cape High Court on the 12th of July 2024, which NSFAS is appealing.

PENDING APPEALS, LOANS AND FUNDED LIST FOR 2023/2024.

As already pointed out above, the delays in finalising Student Appeals, Loans and the 2023/2024 funded

lists is directly connected to the current NSFAS ICT system. The only default position at this stage is to constantly introduce a manual process of verification which is completely cumbersome and overstretching staff.

In 2023 only, NSFAS received about 2million applications. It is almost impossible to expect NSFAS staff to manually conduct verification of these applications at some point in the value chain. Such a work environment is undoubtedly prone to errors.

We are happy to announce that with additional capacity acquired, we will be communicating with Universities, TVET Colleges and Students on final lists not later than the end of this Month of August 2024. On behalf of NSFAS we wish to express our sincere apologies to the affected students and our colleagues in the PSET system. We are working hard to ensure the 2025 academic year is less burdened with the same issues.

PRIVATE ACCOMMODATION PAYMENT UPDATES

Ladies and gentlemen, one of the critical stakeholders that I have on numerous occasions continued to consult are the landlords for private student accommodation, who amongst others, raised concerns regarding the outstanding payments of student accommodation allowances.

In response to accommodation providers' concerns, NSFAS processed bulk catch up payments of accommodation allowances in the past two months for all legitimate claims. As at the 31 July 2024, our disbursement for Private Student Accommodation have reached 1 billion rands. However, I am aware that there still remain some landlords that are aggrieved. The important issue now is to ensure all payments are done on time as this is the main remaining pain point for accommodation providers.

As part of our interventions, we will be hosting the Student Accommodation Roadshows across the country starting in KZN on the 7th of August 2024. Amongst others, these roadshows are intended to engage directly with affected landlords that are not able to travel to Cape Town and continues to be affected by payments. I will be taking all critical functions responsible for Student Data and Private Student Accommodation. I have also extended invitations to our colleagues at Universities' and TVET

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sector to ensure we all work together in resolving these challenges experienced by our beneficiaries and the landlords.

REPORT ON VARIOUS FINANCE MATTERS

NSFAS has defaulted on various obligations, and these have placed the organisation in an untenable position. Amongst others, the delayed submission of AFS as well as lack of progress in addressing some of the material findings by the AG.

The 2022/23 annual financial statements were submitted to the Auditor-General South Africa (AGSA) for audit. We have also developed an Annual Financial Statement (AFS) plan for the 2023/24 AFS and it runs from the 15th July to 30th October 2024 when the annual financial statements will be submitted to the AGSA.

We have also committed the monthly meetings with the AG to clear all outstanding findings and queries. These meetings will extend until the end of the 2024 financial year.

On Procurement

Following on the Werksman Report, we are following up on various alleged procurement irregularities including the Direct Payment mechanism. We are grateful to the support provided by the SIU on this issue. NSFAS is following up on all other procurement irregularities.

To address capacity challenges in the Procurement Unit, I am currently engaged with the National Treasury (NT) with the intention of drawing in a secondment from the NT for the period of six months to also help us with the review of SCM policies as well as procurement processes at NSFAS.

On Irregular expenditure and Fruitless and Wasteful Expenditure Registers

For the 2024/25 financial year, we have put measures in place to implement the irregular expenditure and fruitless and wasteful expenditure registers. We will also implement the non-compliance register.

These registers will not only ensure compliance with the PFMA but will also enhance transparency on the use of public resources by NSFAS.

On Contract Management

In order to deal with our contract management, we have put in place a contract register that will be kept by the Supply Chain Management unit. As part of this intervention, we are introducing role responsibility for users in the management of performance by service providers. This is triggered by some of our findings that some service providers were paid by NSFAS without any evidence of work performed.

ADDITIONAL CAPACITY

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We have concluded engagement with KPMG and BDO. The teams have already commenced with scoping. The teams will be committed to providing additional capacity in the Finance, OPS and Student Accommodation Business Units. These Units have been identified as High Priority Units.

On Close Out Project (COP)

Earlier in the year, we met with the Public Protector who expressed concerns about the delays in finalising the Close Out Report and its impact on thousands of students that are unable to continue with their studies. Following this engagement we conducted a review on the work of the Close Out Project. Part of the engagement of KPMG and BDO will also be to strengthen the team that is involved in the close out report.

Mindful of the complexities involved, we have resolved to isolate all affected legitimate beneficiaries and we will be communicating with their respective institutions to ensure that they are not affected by the delays of the Close Out Report. It is regrettable that some of these students were constrained from continuing with their studies due to delayed finalisation of the Close Out Report. For this, we want to unreservedly apologise to the parents and the beneficiaries for this unfortunate omission. We are working hard to ensure the same is not repeated in the coming years.

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National Student Financial Aid Scheme

We are also excited to report that since the intervention of the Administration to complete and submit the 2022/23 AFS, there has been a slight improvement in the close-out project process. The number of non-responsive institutions has reduced from eight (8) to four (4) institutions (one university and three TVET colleges).

Thirty-nine draft (39) agreements have been sent to institutions (22 universities and 17 TVET colleges) and one (1) agreement has been signed.

In addition, there is a project plan for the 2023 Close Out Project and the planning thereof is almost fully completed. The main outstanding matters are the AFS workshop with KPMG (which will be responsible for the preparation of the AFS) and the implementation of the AGSA recommendations from the audit of AGSA recommendations (2022/23 financial year).

Ladies and gentlemen, as part of the Administration intervention, I am delighted to report that four hundred and eighty-six million rands (R486 m) has been recovered by NSFAS from institutions over and above the four hundred and seven six million rands (R476 m) recovered by the SIU.

ON PROCUREMENT IRREGULARITY CONCERNING STUDENT ACCOMMODATION

In late-2021, NSFAS sought bids for a solution that would allow accommodation providers access to an automated process of applying for their respective student residences, thereafter, access will be made available to NSFAS-funded students.

NSFAS was taking a proactive role in the management of student accommodation with an online platform that has both electronic and process elements to manage student accommodation. This is a system that identify, accredit, and grade beds for student accommodation, then assign students to accommodation.

With that background in mind, a few years ago NSFAS issued two (2) tenders: -

- Provision of an online student accommodation solution for NSFAS students – SCM023/2021, where four (4) bidders were appointed;

- Panel of service providers to accredit student accommodation for a period of five (5) years, renewable - SCMNO03/2022, here thirty-nine (39) bidders were appointed.

Having been briefed on the progress in delivering this student accommodation service, I have serious reservations that stem mainly from the fact that value derived from service is at best is questionable. This is aggravated by the alleged flaunting of the procurement process, the envisaged profit-sharing model and security risks. It is on the basis of all the above, I have decided to review all these contracts in order to ensure compliance with legislation and better service the students.

NSFAS being aware of procurement irregularities, is obligated under the PFMA to investigate these and take corrective action where necessary.

CONCLUSION

Ladies and Gentlemen.

NSFAS funds over 1.4 million beneficiaries in the PSET at around 50 billion per year. From a 37 million rands in 1991. The growth in investment on education by Government must be the biggest and commendable. This investment cannot be taken for granted. Thousands of beneficiaries have successfully completed their studies and more stand to benefit from this investment. Many of these beneficiaries have gone on to lead better lives and changing the conditions of their families.

From the Yellow Book to the National Commission in Higher Education 1996, the White Paper, “A Programme for the Transformation and Higher Education in 1997, the Merges and Incorporation and finally, the Migration of TVET to a national competency, NSFAS has been the central feature in the transformation of system and society.

We believe that the success of NSFAS is essential to the development of the people of South African and ultimately the Country. Any disruption that seeks to derail NSFAS from this mission, must be treated as an attempt subvert the mission of the country. We call upon the PSET system to work closely together for success of NSFAS.



National Student Financial Aid Scheme

Finally, I wish to express our sincere gratitude to our colleagues and stakeholders (USAF, SACPO, SAUS, SATVETSA, SAASSAP, FAPSA and ACUHO-I) in the PSET system that have been supporting and always willing to go an extra mile to lessen the burden of our work.

This brings me to the end of our statement, and I now hand back the facilitation to the programme director.

Thank you very much.

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