



National Student Financial Aid Scheme

MEDIA RELEASE

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NSFAS INVESTIGATES ROOT CAUSE OF IRREGULAR EXPENDITURE

The National Student Financial Aid Scheme (NSFAS) is declaring cumulative irregular expenditure of R7.5 billion in the 2018/19 financial year after reviewing data sets from prior years. In the previous financial year, the cumulative irregular expenditure was only R303.5 million.

It is important to understand that the cumulative figures to March 2019 and the restatement of cumulative figures to March 2018 result from the determination that the extent of the primary contributors also related to previous years.

The primary contributors of the R7.5 billion are:

1. R1.2 billion disbursements in excess of contract amounts
2. R2 billion shifting and use of earmarked historic debt funds
3. R4.3 billion disbursements with respect to Non-Compliance with Laws and Regulations (NOCLAR)

In the 2018 annual report, NSFAS disclosed a total of R303.5 million in irregular expenditure, as defined in the National Treasury framework on Irregular Expenditure. R284.7 million of this was due to the impact of payments in excess of contractual amounts.

R1.2 billion disbursements in excess of contract amounts

With the implementation of the student-centred model, students are only requested to sign once for the duration of the qualification. The amounts reflected on a number of these contracts were generated incorrectly by the system. This resulted in the prior year's audit qualification, and at the time, NSFAS could not adequately quantify the extent of disbursements in excess of contractual amounts. NSFAS system limitations resulted in further disbursements in the 2018/19 financial year on these contracts. NSFAS has quantified this and disclosed an amount of R1 billion (2017/18: R211 million restated).

Even though these payments were made in excess of contractual amounts, the amounts paid to students were in line with the amounts as claimed by the respective institutions.

R2 billion shifting and use of earmarked Historic Debt funds

In the prior year, the Auditor-General of South Africa (AGSA) found that NSFAS had utilised funds earmarked for Historic Debt (2013-2015) without obtaining appropriate approval from National Treasury. The Historic Debt fund had been made available on the basis of the November 2015 Presidential Task Team Report on Short Term Funding Challenges at Universities. The report identified the funds to provide short-term debt relief to 71 753 students who were funded inadequately or were unable to access financial aid over the 2013 to 2015 academic years.

This fund was not fully utilised because not all the identified students applied for the debt relief for various reasons, including that some had found alternative means to pay their debts and no longer required debt relief. The previous Board had therefore approved the use of some of the unutilised funds to settle the shortfall of registered qualifying and unfunded students in the 2016 and 2017 academic years. The irregularity was that it was used without obtaining approval from National Treasury, however it was utilised for supporting poor qualifying students to study. The amount disclosed in the current year is R581 million. This amount was utilised before the AGSA raised the audit finding in the prior year. The comparative amounts are R73 million and R1.3 billion for the 2017/18 and 2016/17 financial years respectively.

R4.3 billion disbursements with respect to NOCLAR

In the 2018/19 year, NSFAS was issued with a NOCLAR notice due to non-compliance with s51 of the Public Finance Management Act (Act 1 of 1999) by the Internal Auditor. This was primarily due to the lack of controls over the entire disbursement value chain. Primary instances of payments in contravention of s51 of the PFMA over multiple years were:

1. Students who have been funded for courses that NSFAS does not fund.
2. Disbursements in excess of the loan or bursary award.
3. Disbursements processed against the incorrect funder.

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OFFICE OF THE ADMINISTRATOR

The appointment of Dr Randall Carolissen as the Administrator to the National Student Financial Aid Scheme is in terms of Section 17A to 17D of the NSFAS Act (Act 56 of 1999 as amended), effective from August 21, 2019 as published in the Government Gazette by the Minister of Higher Education, Science and Technology, Dr Bonginkosi Emmanuel Nzimande, MP.

4. Disbursements for students (including returning students) where there is an unsigned bursary or loan agreement. Many of these relate to signatures that have been brought into question due to design flaws in the system.
5. Disbursements processed to the incorrect students.
6. Disbursement paid to a student in terms of multiple awards.

NSFAS is investigating the root causes of these contraventions and will take appropriate steps in terms of the National Treasury framework on irregular expenditure.

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