

# 2014/15 Annual Report

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NSFAS Toward a  
student-centred  
approach



TOMORROW STARTS NOW

# ABBREVIATIONS

<b>AGSA</b>	Auditor General of South Africa
<b>ASB</b>	Accounting Standards Board
<b>BBBEE</b>	Broad Based Black Economic Empowerment
<b>BTech</b>	Bachelor of Technology
<b>CAMS</b>	Corporate Access Management Services
<b>CGICTAS</b>	Corporate Governance of Information and Communication Technology Assessment Standards
<b>CFO</b>	Chief Financial Officer
<b>CIO</b>	Chief Information Officer
<b>COO</b>	Chief Operation Officer
<b>COBIT</b>	Control Objectives for Information and Related Technology
<b>DBE</b>	Department of Basic Education
<b>DHET</b>	Department of Higher Education and Training
<b>EO</b>	Executive Officer
<b>EXMA</b>	Executive Management
<b>FET</b>	Further Education and Training
<b>FETC</b>	Further Education and Training College
<b>Food &amp; Bev SETA</b>	Food and Beverage Sector Education and Training Authority
<b>GM</b>	General Manager
<b>GRAP</b>	Generally Recognised Accounting Practices
<b>HR</b>	Human Resources
<b>ICT</b>	Information and Communication Technology
<b>LAF</b>	Loan Agreement Form
<b>MQA SETA</b>	Mining Qualifications Authority - Sector Education and Training Authority
<b>MTEF</b>	Medium Term Expenditure Framework
<b>NCA</b>	National Credit Act
<b>NCV</b>	National Certificate (Vocational)
<b>NDP</b>	National Development Plan
<b>NIHSS</b>	National Institute for the Humanities and Social Sciences
<b>NSDS</b>	National Skills Development Strategy
<b>NSF</b>	National Skills Fund
<b>NSFAS</b>	National Student Financial Aid Scheme
<b>PCHET</b>	Portfolio Committee on Higher Education and Training
<b>PACS</b>	Payment and Collections Services
<b>PFMA</b>	Public Finance Management Act
<b>PIC</b>	Public Investment Corporation
<b>PPPFA</b>	Preferential Procurement Policy Framework Act
<b>SAICA</b>	South African Institute of Chartered Accountants
<b>SAMSA</b>	South African Maritime Safety Authority
<b>SARS</b>	South African Revenue Service
<b>SCM</b>	Supply Chain Management
<b>SCOPA</b>	Standing Committee on Public Accounts
<b>SETA</b>	Sector Education and Training Authorities
<b>SMART</b>	Specific, Measurable, Achievable, Realistic and Timebound
<b>SOP</b>	Schedule of Particulars
<b>TR</b>	Treasury Regulations
<b>TVET</b>	Tertiary and Vocational Education and Training

**The student enrolment numbers at universities have been obtained from the 2014 preliminary audited Hemis data.**

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**HONOURABLE DR BLADE NZIMANDE**

Minister of Higher Education and Training  
I am pleased to submit the annual report of the  
National Student Financial Aid Scheme for the period  
1 April 2014 to 31 March 2015



**Prof N. Themba Mosia**  
Chairperson (Acting)

# STATEMENT FROM THE MINISTER

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Our government intends to increase and expand the capacity of higher education institutions, and to substantially increase access to higher learning over the next 15 to 20 years to reach the expected participation rate of 25% by 2030. The government has made significant strides in broadening access for hundreds of thousands of students to higher education and training.



The National Student Financial Aid Scheme (NSFAS) has been tasked to provide an efficient and sustainable financial aid system for poor yet academically eligible students for loans and bursaries and 26 public higher education institutions and 50 Technical and Vocational Education and Training Colleges. The achievements of the NSFAS are remarkable and represent a major success in terms of Government's redress agenda. It is also an example of best practice in promoting the access of previously disadvantaged students into higher education.

The performance of NSFAS in achieving the goal to provide access is remarkable, given the increase of loans and bursaries awarded for poor academically eligible students increasing substantially from R441 million assisting 29 176 students in the 1999 academic year to R9 billion assisting 414 802 students in the 2014 academic year. The students funded were studying at universities, TVET colleges and other institutions. The number of students funded at universities in 2014 amounts to 186 150, while the number of students funded at TVET colleges amounts to 228 642. The increase in the number of students funded in TVET colleges is in line with the

White Paper for Post-School Education and Training, which states that the Department of Higher Education and Training's (DHET) priority is to strengthen and expand the public TVET colleges.

However, despite the considerable investment in financial aid we are still unable to fully meet the needs of all qualifying and deserving students. Insufficient student financial aid is a contributing factor that impedes equitable access to university education and undermines government's effort to respond to the socio-economic inequalities and challenges our country faces. We also have to look at university fees (i.e. tuition, accommodation and living expenses) as it is increasing at a higher rate than NSFAS funds.

Given the shortage of funds, I have mandated NSFAS to look at creative mechanisms to leverage additional sources of funding from the public and private sector and to increase the efficiencies and systems around the collection of loan repayments from students who have benefited, and have subsequently found gainful employment. The issue of financial aid must be viewed as a collective challenge. While the government will need to source

additional resources, beneficiaries of the Scheme and the private sector need to invest in our youth as well. I am glad that in addition to these efforts, many universities allocate some of their own funds to augment the NSFAS funds available at their institutions.

The Department has received several allegations of fraud and corruption involving recipients of financial aid through NSFAS. I have ordered a full forensic investigation into financial aid provided through NSFAS to determine the levels of fraud and corruption in the 2015/16 financial year.

Lastly, I would like to congratulate the NSFAS Board, Management and all employees on achieving an unqualified audit report. I am confident that the NSFAS will address the matters raised in the Report of the Auditor-General and will reposition itself to provide efficient and effective financial aid to students through the expansion of the new student-centric model.

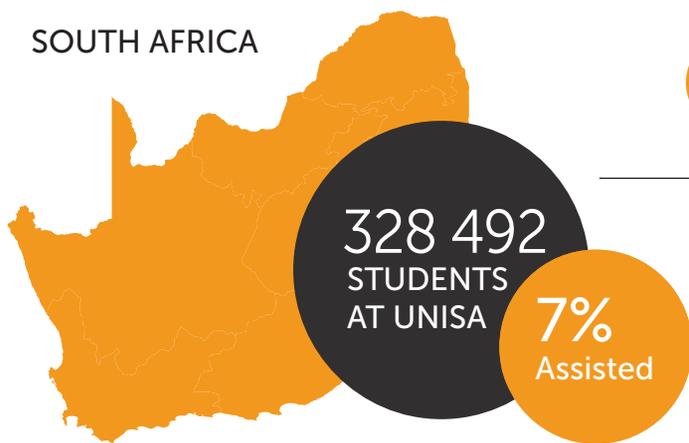
**Dr Blade Nzimande, MP**  
Minister of Higher Education and Training



University of South Africa  
R346.5 million NSFAS funding

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SOUTH AFRICA



24 118  
STUDENTS ASSISTED

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A photograph of a modern, multi-story building with a curved facade and large windows. The building is set against a cloudy sky. In the foreground, there is a circular graphic with an orange border and a white center. Inside the circle, the letter 'A' is followed by the text 'General Information'.

A General  
Information

# 01 ABOUT NSFAS

The National Student Financial Aid Scheme was established in terms of the National Student Financial Aid Scheme (Act 56 of 1999). It is responsible for providing loans and bursaries to eligible students at all public universities, technical vocational education and training (TVET) colleges (formerly known as further education and training [FET] colleges) throughout the country. Further mandates for the entity include the recovery of student loans and raising funds for student loans and bursaries.

In addition to managing funds granted by the Department of Higher Education and Training (DHET), NSFAS administers funding on behalf of the Department of Basic Education and the Department of Social Development amongst other national and provincial government departments.

## MANDATE

NSFAS is responsible for:

- providing loans and bursaries to eligible students;
- developing criteria and conditions for the granting of loans and bursaries to eligible students in consultation with the Minister of Higher Education and Training;
- raising funds;
- recovering loans;
- maintaining and analysing a database; and
- undertaking research for the better utilisation of financial resources and advising the Minister on matters relating to student financial aid.
- performing other functions assigned to it by the NSFAS Act or by the Minister

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## NATIONAL SKILLS DEVELOPMENT STRATEGY III

The key driver of this strategy is improving the effectiveness and efficiency of the skills development system. This strategy represents an explicit commitment to encouraging the linking of skills development to career paths, career development and promoting sustainable employment and in-work progression

## VISION

A model public entity that provides financial aid to all eligible public university and Technical and Vocational Education and Training (TVET) college students from poor and working class families.

## MISSION

To transform NSFAS into an efficient and effective provider of financial aid to students from poor and working class families in a sustainable manner that promotes access to, and success in, higher and further education and training, in pursuit of South Africa's national and human resource development goals.

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

**NSFAS exists to provide financial aid to** eligible students at public TVET colleges and public universities.

**NSFAS identifies eligible students, provides loans and bursaries** and collects student loan repayments to replenish the funds available for future generations of students.

**NSFAS supports access to, and success in, higher education** and training for students from poor and working class families who would otherwise not be able to afford to study.

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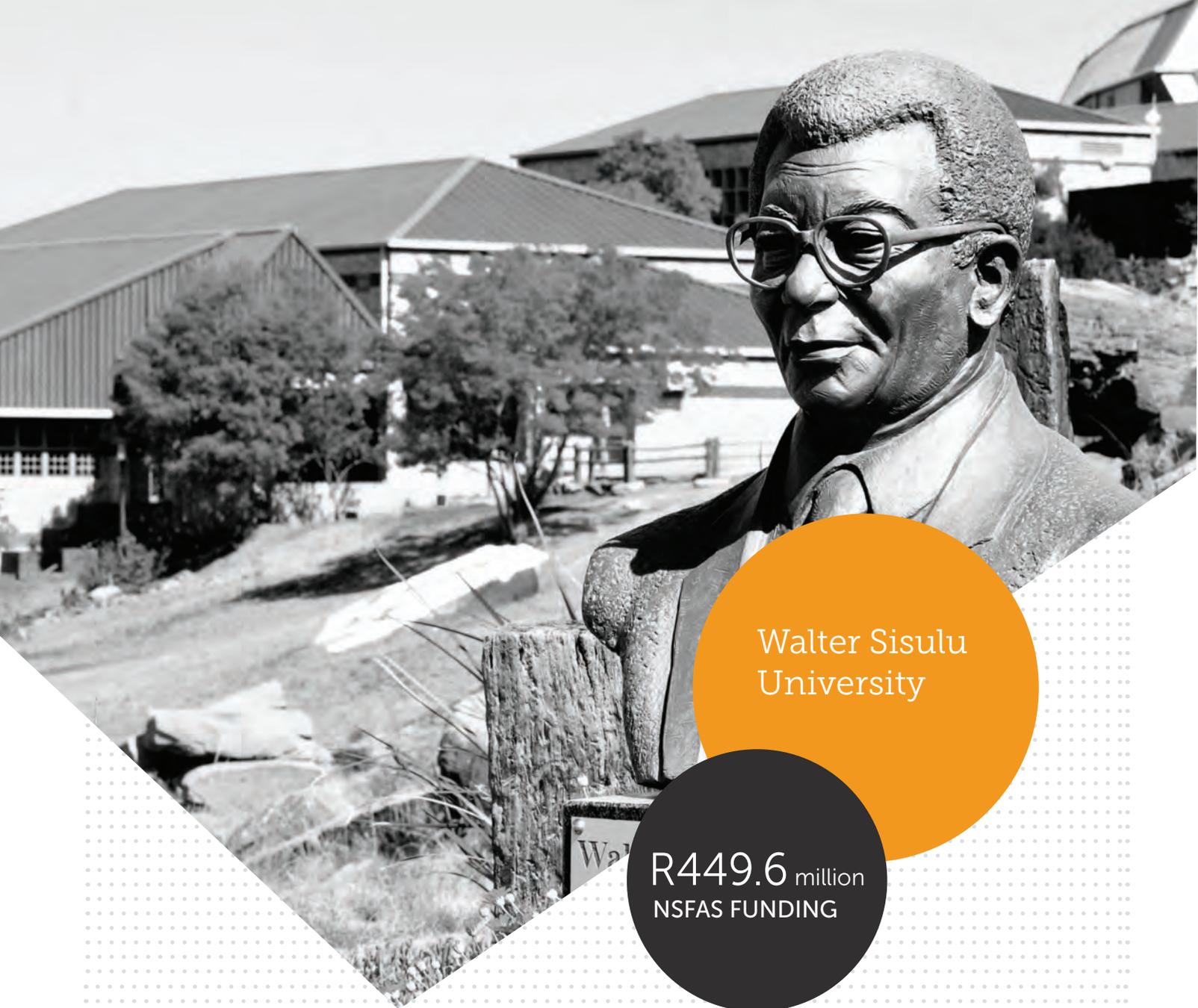
## VALUES

### External Values for our Students and Stakeholders:

- ACCESSIBILITY** - We create an environment that allows efficient, effective and direct access to NSFAS and the funding it provides to eligible students.
- TRANSPARENCY** - We are open and honest with all students and stakeholders.
- AFFORDABILITY** - We offer affordable solutions for students to study at public universities and TVET colleges.
- RELIABILITY** - We honour our commitments and strive to deliver on our mandate.
- AUTHENTICITY** - We protect our students and stakeholders by offering quality services and information.

### Internal Value For Staff And Organisation:

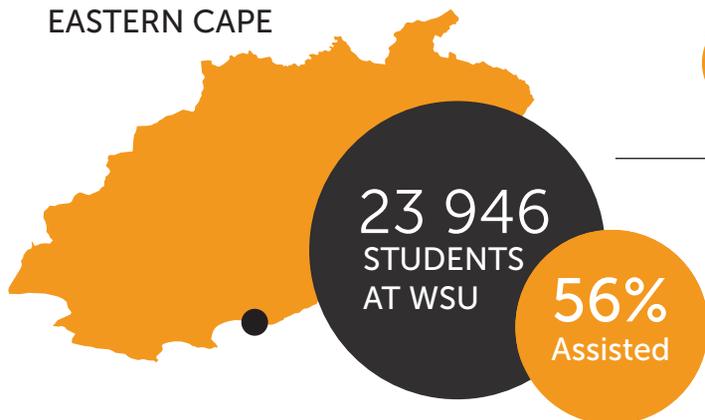
- INTEGRITY** - We act with integrity towards all stakeholders, and support clients that uphold the same values.
- ACCOUNTABILITY** - We take responsibility for our actions that drive performance management.
- RESPECT** - We treat all our staff members with respect and fairness.
- INNOVATION** - We strive to innovate in communicating with and serving students.



Walter Sisulu  
University

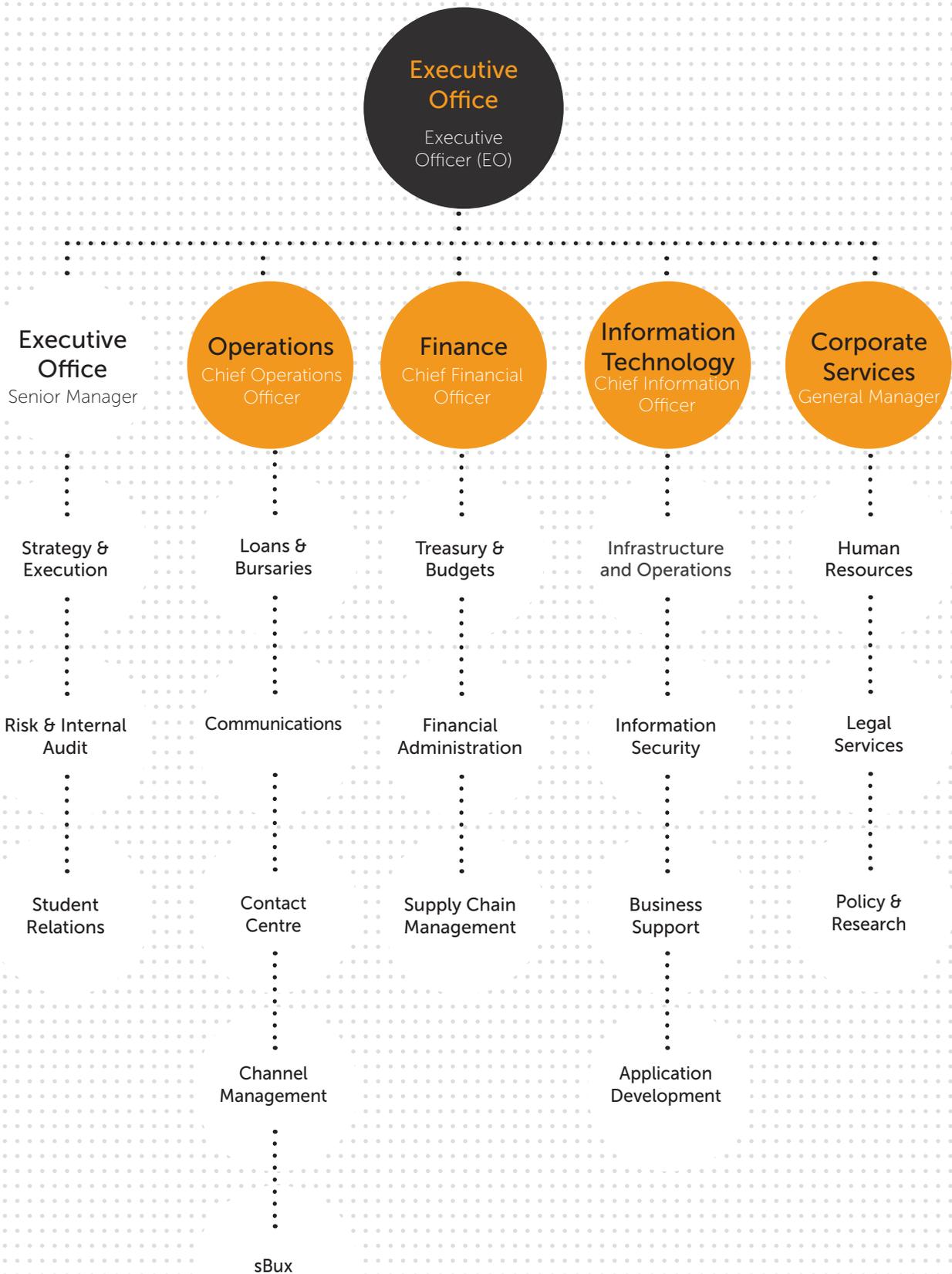
R449.6 million  
NSFAS FUNDING

EASTERN CAPE



13 539  
STUDENTS ASSISTED

# 02 ORGANISATIONAL STRUCTURE





University  
of Limpopo

R424.6 million  
NSFAS FUNDING

LIMPOMPO



23 384  
STUDENTS  
AT UL

54%  
Assisted



12 548  
STUDENTS ASSISTED

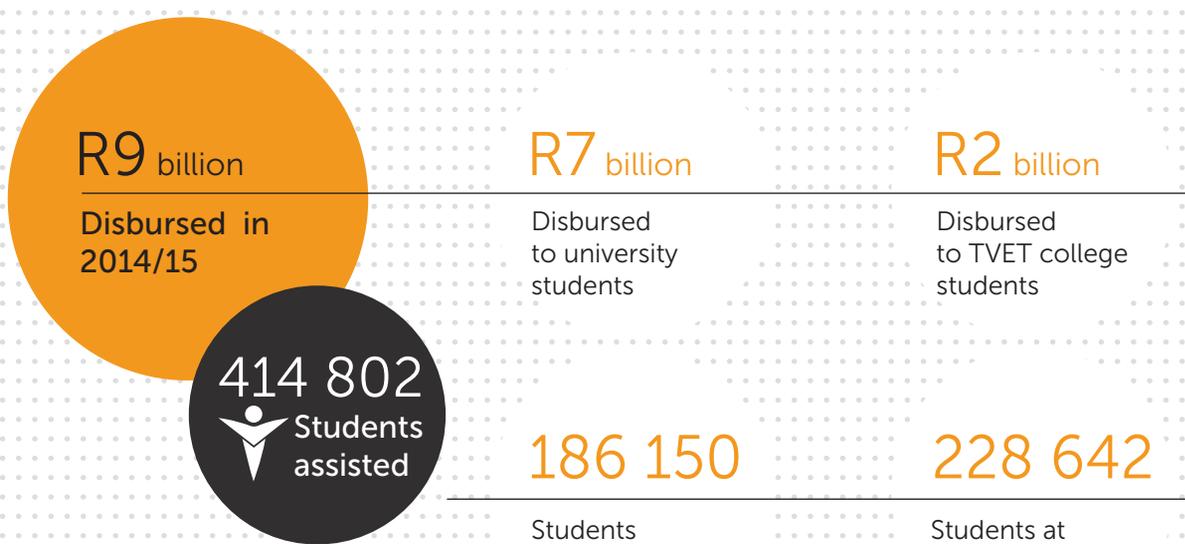
# A STUDENT-CENTRED LEGACY

**R50 billion**  
Disbursed since 1991

**1.5 million**  
Students assisted

R21.4 m	R41.3 m	R55 m	
1991	1992	1993	
R70.4 m	R154.3 m	R333.3 m	
1994	1995	1996	
R350.9 m	R394.4 m	R441 m	R510.8 m
1997	1998	1999	2000
R635 m	R733.4 m	R893.6 m	R985.4 m
2001	2002	2003	2004
R1.2 bn	R1.3 bn	R1.7 bn	R2.3 bn
2005	2006	2007	2008
R3.1 bn	R3.6 bn	R5.6 bn	R7.7 bn
2009	2010	2011	2012
		R8.7 bn	R9 bn
		2013	2014

# 2014/15 HIGHLIGHTS

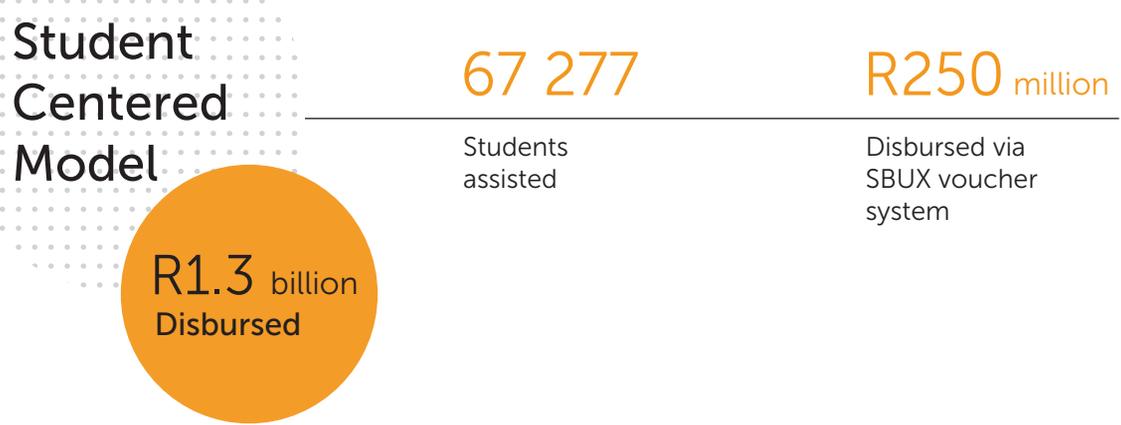


**10** Students at other institutions

**AUDIT OPINION**  
Fifth consecutive unqualified

Loan funding allocation increased by **R200 MILLION**

**R116 million** allocated for operations





University  
of Cape Town

R182 million  
NSFAS FUNDING



26 357  
STUDENTS  
AT UCT

14%  
Assisted



3 650  
STUDENTS ASSISTED

# 03 ACTING CHAIRPERSON FOREWORD

The National Student Financial Aid Scheme (NSFAS) continues to make a positive contribution in the lives of many ordinary South Africans in the post-school education and training sector. Prior to the establishment of the NSFAS predecessor, the Tertiary Education Fund of South Africa (TEFSA) in 1991, accessing financial aid for needy and academically deserving students from disadvantaged backgrounds was a near impossible task, unless, in isolated cases a student had exceptional academic performance that attracted some of the few bursaries from Lever Brothers, some Mining Houses and a few other sponsors such as the South African Council of Churches.



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## PROUD LEGACY

Fund raising efforts at the time from private donors and some European and Scandinavian countries accumulated approximately R21 million in financial aid for needy students at the former Historically Disadvantaged Institutions. Since the disestablishment of TEFSA and the birth of NSFAS in 1999, the scheme has made significant strides to make a difference in the lives of many professionals across the disciplines. In 1999, when the government took full control of NSFAS, R441 million in loans and bursaries were made available to students. The scheme has thus far assisted 1.5 million students over the years, and has disbursed over R50 billion in bursaries and loans since its inception. The significant growth of the scheme has been made possible by partnerships with other funders, institutions of higher learning, SETAs and numerous other entities that support equal education opportunities for poor and working class households in South Africa.

1.5 million  
Students assisted  
by NSFAS since  
its inception



R441 million  
Made available in  
bursaries & loans  
(in '99)



R50 billion  
Disbursed in  
bursaries & loans  
(since inception)

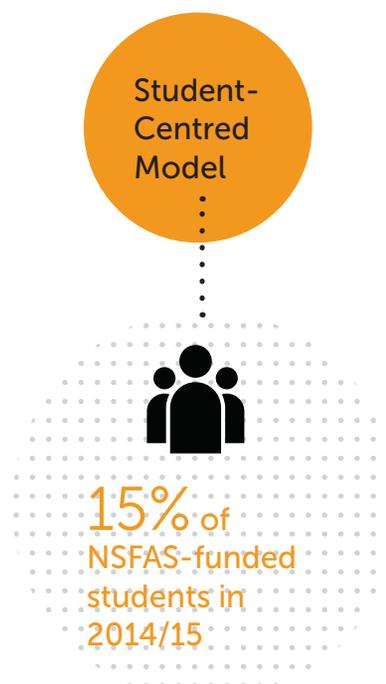
## CHALLENGING OPERATING ENVIRONMENT

Despite the many successes NSFAS can claim until 2014/15, there have been a number of challenges and inefficiencies that engulfed the scheme up to a point, in many instances, that culminated in violent protests in some university and college campuses. The reality of the matter is that the scheme has become bigger and more complex to administer, and the demand for financial assistance far outstrips the available funds much of which comes from the already strained national fiscus.

The rise in tuition fees at universities and the decline in subsidies in real terms create all the tension and the scrambling for scarce resources, despite education receiving the lion's share of our budget. The Ministerial Review on Student Funding recommended that NSFAS investigate and implement the student-centred model that would start a

direct relationship with the student from the initial application phase until completion of their study programmes.

The new model was piloted with approximately 15% of the NSFAS-funded student population in the 2014/15 financial year, and is expected to be rolled out to more institutions in the next financial year. In essence, approximately 85% of the student population remains with the old model. Starting new models that are heavily dependent on Information Technology has its own attendant technical challenges, and the Board of NSFAS decided to have a phased-in approach and learn from the glitches that may arise instead of going for a big-bang approach that could potentially quadruple the problems that may be encountered in the implementation phase, and thus paralyse the entire system.



## AUDIT OUTCOMES

An emerging risk that will impact on the roll out is the contingent liability of R2.8 million that has been raised by the AG on the 15% pilot on the student-centred model. This contingent liability will consequently increase with a growing number of students entering the new model.

The strategic goals set by the entity as outlined in this annual report indicate a solid intention to become an efficient and effective public entity that is geared towards increasing access to financial resources for needy students.

The Annual Performance Report for 2014/15 indicates a less than satisfactory performance with 21.4% of the strategic objectives achieved, 64.3% partially achieved, and 14.3% not achieved. The reasons for the variance are clearly outlined in this report and this has been one of the foci of the Board to implement an improvement plan whose positive results began to show in the quarterly report for 2015/16.

The Report of the Auditor General to Parliament on the National Student Financial Aid Scheme as at 31 March 2015 gives an unqualified audit. It goes further to present Emphasis of Matters that NSFAS should urgently give attention to.

**21.4%**  
of strategic  
objectives  
achieved

**64.3%**  
partially  
achieved

**14.3%**  
not achieved

## LOAN RECOVERIES

One of the challenges for NSFAS has been to collect money from its debtors owing to various reasons. In the 2014/15 financial year, recoveries declined to R247.5 million in 2015 from R338.8 million in 2014. The Board has put strategies in place in collaboration with other entities to recover money from debtors who are gainfully employed and can give positive consent for deductions from their payroll or make other acceptable arrangements. The repayment of loans can go a long way to assist existing students in the system. Irrecoverable debt of a total of 11 700 debtors who are reported to be deceased over the life of the entity amount to R285.6 million - and this is written off. The Board has also presented its Fund Raising Strategy and to Parliament in fulfilment of its mandate. In the 2014/15 financial year, there has been a marginal contribution by other funders to assist needy students, but there is room for improvement in this area.

## MISSING MIDDLE

The scheme is not able to assist all students from low income households with a threshold annual income of R120 000 per annum.

As a consequence, the Ministerial Review Committee on Student Funding further mandated NSFAS to investigate and report on how the so-called "Missing Middle" income earners (R121 000 – R400 000) could be assisted.

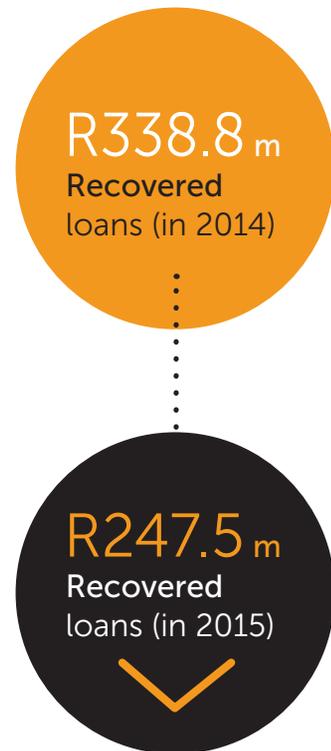
This project, that entails fund raising and exploration of a loan facility is underway and will be reported on in the next financial year.

It was my privilege to serve as interim chairperson of NSFAS during the period when there are so many challenges in the sector. The beginning of 2015 academic year, compared to the previous one has been relatively successful with minimal disruptions. This was, in part, as a result of the communication strategy that was put in place, dispatching NSFAS teams across the regions to be on the spot when problems arose, processing and payment of loan agreement forms in the shortest time in years, and preparation and planning in collaboration with the Department of Higher Education and Training to address challenges across the TVET Colleges and university campuses as they arose. These proactive steps assisted in improving the situation.

## BOARD EFFICACY

The entity's human resources stabilised in the 2014/15 financial year, although the remaining challenge was to attract senior employees with high level skills appropriate for the entity administering approximately R10 billion. The sub-committees of the Board functioned very well during the year under review. The Information Technology Committee oversaw the transition of the

transformation project into the NSFAS mainstream activities. The Finance, Audit & Risk and Human Resources committees made a huge impact in putting systems and policies in place, overseeing their implementation within set deadlines. This effort has resulted in the unqualified audit opinion that the entity has received from the AGSA in the 2014/15 Annual Report.



## MAINTAINING PUBLIC CONFIDENCE

In conclusion, although NSFAS continues to improve its performance, the strategic exercise undertaken within the entity as well as the public perceptions, including media coverage in the year under review, suggest that much work needs to be done to improve the image of the entity among those who do not have positive experiences in their interactions with NSFAS. There is also anecdotal evidence that many

South Africans appreciate the manner in which the National Student Financial Aid Scheme has improved their lives and those of their families in the past 20 years. Stakeholder engagement and improvement of service delivery to students and universities and TVET colleges has become a key requirement for the management team to implement going forward.

## GRATITUDE

I wish to thank fellow Board members who always showed commitment to address the challenges facing the entity, and sacrificed their time to do this job, which incidentally is equivalent to a full-time job given the enormity of the task. I would also like to thank the former Chairperson, Mr Zamayedwa Sogayise, whose term expired in December 2014. His leadership and commitment to ensure NSFAS delivered on its mandate is much appreciated. The management and staff of NSFAS do their best to deliver on the mandate and have to cope with volumes of work and a challenge to acquire fresh skills to cope with the high demand often under tight deadlines. I also wish to thank all the partners of NSFAS (universities, SETAs, TVET colleges, other government departments contributing to the scheme, private donors/banks, etc.) for their patience and deep understanding of the bigger picture that is to improve not only the lives of our people but to contribute to economic development and mitigate poverty, unemployment and inequality in South Africa.

The Board of NSFAS further wishes to thank the Minister and Deputy Minister of Higher Education and Training as well as the Minister of Finance (Treasury) for their support in directing the entity to comply with its legislative mandate. The hands-on approach of the Director-General and senior management of the Department of Higher Education and Training is much appreciated. Finally, we thank the Portfolio Committee on Higher Education and Training under the leadership of Honourable Yvonne Phosa, MPs for their oversight, guidance and sometimes cracking the whip to ensure that the entity fulfils its mandate and meet the expectations of the public, and needy students in particular.



**Prof N. Themba Mosia**  
Chairperson (Acting)

# 04 EXECUTIVE OFFICER'S REPORT

I am pleased to present a reflective and considered appraisal of the annual performance report of the National Student Financial Aid Scheme (NSFAS) for the year ended March 31, 2015. Pleased, because NSFAS continues to use its empowering and catalytic role to effect the desired socio-economic redress through the application of innovative and transformative student financial aid instruments.



The discharge of these loan and bursary instruments forms the central cog in the execution and realisation of a new socio-economic architecture for the country as a whole. These funding models provide substantial and real opportunities for the disadvantaged segment of the population to access educational opportunities as the requisite channel and conduit to the formal and mainstream economy.

As such, NSFAS carries on its shoulders the aspirations of hundreds of thousands of deserving young people from disadvantaged communities and affords them access to quality educational opportunities. It is common cause that access to educational opportunities is a necessary springboard to enhanced economic participation. This is a significant undertaking which requires the application of inventive approaches

which place the student at the centre of the education and socio-economic narrative. NSFAS therefore continues to recommit itself to entrenching this leadership role in the provision of funding models that ensure that access to educational opportunities is not hindered by economic circumstances.

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## DRIVING LOAN REPAYMENT CULTURE

However, the organisation is also acutely aware that loan disbursements should be matched by energised and effective loan collection strategies and tactics for effective mandate delivery. Despite a challenging economic environment, NSFAS continues to lobby the beneficiaries of its products to honour their obligations to the institution. This is a significant commission and assignment because it recognises that the future success and sustainability of the organisation relies on the ability and willingness of its loan recipients to repay their loans in order to effect the desired socio-economic dividend. In essence, the entire NSFAS ethos is a reciprocal one based on the obligation that today's beneficiaries will be their "brother's keeper" by ensuring continuing access to educational opportunities for future generations through the establishment and consolidation of a consistent, reliable and dedicated loan repayment culture.

In essence, the entire NSFAS ethos is a reciprocal one based on the obligation that today's beneficiaries will be their 'brother's keeper' by ensuring continuing access to educational opportunities for future generations

## DEMONSTRABLE IMPACT

Despite the myriad of challenges confronting the education sector, NSFAS is proud that its 24 year legacy stands firm and it is a practical demonstration of government's resolve to effect the desired social change in a systematic, methodical and progressive manner. NSFAS interventions are therefore geared toward funding tuition that provides and nurtures a skilled pool of human capital which is adequately equipped to respond to the demands of the domestic economy. In this regard, NSFAS has structured its loan instruments in a manner that prioritises the funding of scarce skills in priority areas such as teaching, engineering and the sciences.

As an active agent of socio-economic redress, NSFAS has also over the last few years begun a concerted effort to rebuild student and public confidence in the TVET college sector which provides the basis for the required technical skills pool. The organisation continues to offer bursaries to TVET college students to ensure that they become institutions of choice and for them to gain practical skills that will enhance their chances of gainful employment. NSFAS is therefore continually researching the societal impact of its mandate and the best ways to utilise available resources.

### The organisation continues to offer bursaries to TVET college students

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to ensure that they become institutions of choice and for them to gain practical skills that will enhance their chances of gainful employment.

## STRATEGIC POSTURE

During the period under review, the Board impressed upon management the urgent need for the development of a strategic posture that adopts a student-centric approach to loan disbursements.

In this regard, the Board led a strategy review process which culminated in the adoption of a five-year strategic outlook. The strategy recommits NSFAS to a robust implementation of the student-centred model which was adopted in the previous financial year. It also builds new pillars geared toward improved stakeholder satisfaction, enhanced employee engagement, research and development as well as turning around the negative trajectory of loan recoveries. The strategy is a continuing introspective and internal renewal exercise which should ensure that the organisation is in line with the demands of its customers.

## ENERGISED HUMAN CAPITAL

However, this came with the tacit acknowledgement that the objectives of the strategy will be realised with a resourced, capacitated and inspired human capital with the requisite skills to discharge the stated mandate. As such, the organisation is pleased with the R116 million funding allocation it received from the Department of Higher Education and Training (DHET) for 2014/15. This allocation represents a

R29 million increase from the previous year and it has positioned and primed the organisation for improved operational efficiencies. This increased allocation mainly assisted NSFAS in the effective implementation of the student-centred model.

In practical terms, this resulted in the expansion of the organogram and in the organisation's ability to acquire the requisite

goods and services in the implementation of the model. Notable highlights include key appointments in operations as well as the contract extension of the chief financial officer for a further two years. This should bring stability to the finance division. In the last quarter of the review period, the transformation project team was dissolved and integrated into the overall operations of NSFAS.

## FINANCIAL PRUDENCE

I am also pleased that the vigorous pursuit of these human capital and robust operational efficiencies have led to a fifth consecutive unqualified audit opinion for NSFAS.

This achievement entrenches the organisation's posture as an able steward of public funds and assets. However, the organisation has committed itself to strengthening compliance with laws and regulations as well as financial and performance reporting in line with the expectations of the auditor general.

While the organisation managed to collect R248 million in loan repayments, the significant loan impairment rate of 70% remains a challenge which management is committed to address.

## OPERATIONAL HIGHLIGHTS

From an operational perspective, I am delighted to report that a total of R9 billion in loans and bursaries were disbursed to 414,802 students across universities, TVET colleges and other institutions. The funds went to 186,150 university students, 228,642 TVET college students and 10 at other institutions. Again this year, more TVET students received financial assistance than university students.

This is a consequence of government's resolve to improve access to TVET colleges. It also could point to student confidence in the TVET college system. In terms of funding, the university and TVET college sectors are growing, however TVET colleges are growing faster because they come from a lower base.

The funding allocation reflects a R300 million increase compared to the R8.7 billion disbursed in the previous year.

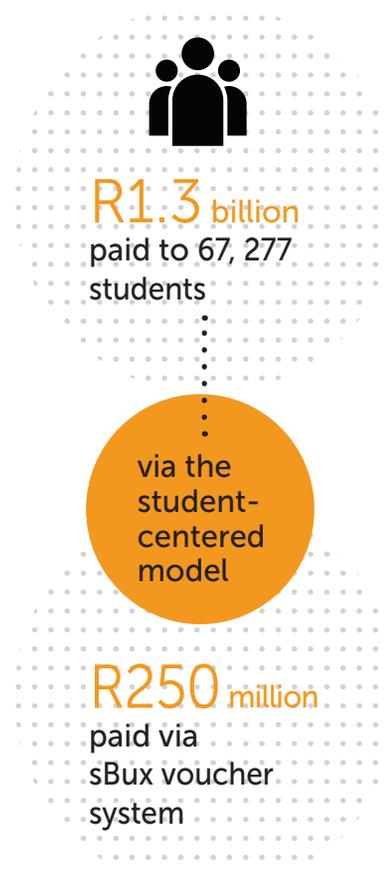
The period under review also coincided with the implementation of the first phase of the much-anticipated student-centred model. The implementation of the model was a key deliverable as it transformed the manner in which the organisation operates allowing it to deal directly with students.

The model is a complete overhaul of the NSFAS process which now allows students to apply directly to the organisation for loans as well as receive allowances

through a cellphone-based voucher system called sBux. The student-centred model is motivated by a need to establish direct relationships between NSFAS and its clients as well modernising its own systems of loan disbursement. Of the R9 billion disbursed to 414,802 students in the reporting period, R1.3 billion was paid to 67,277 students through the student-centred model. About R250 million was disbursed to students through the sBux voucher system. The model was piloted at six universities and five TVET colleges. Universities which formed part of the pilot are the Nelson Mandela Metropolitan University, University of Venda, Sol Plaatje University, University of Mpumalanga, University of South Africa and the Durban University of Technology. On the TVET front, the Motheo, King Hintsa, South Cape, Mfolozi and Ekurhuleni East took part in the pilot.

The sBux system provides NSFAS with the ability to drill down and understand the spending trends of students. This will assist in the research to determine appropriate allowance structure to enable students to succeed in post school education.

Of the R9 billion, DHET contributed R4.3 billion, Department of Basic Education R941 million, NSF R799 million, SETAs R349.6 million, other government departments R291.6 million as well as R325.6 million from other sources of funding.



The model was piloted at 6 universities and 5 TVET colleges

## TURNAROUND OF FUNDING CLAIMS

At the beginning of the review period, one of the organisation's key objectives was the efficient payment of claims to universities and TVET colleges within a 30-day period. However, this target could not be met because of the transition to the new system. Improved turnaround times in the management of claims are aimed at ensuring that students receive their allowances for accommodation, books, food and transport on time. Key to this is improving relations with students and maintaining our collaboration with our current funders. Improved claims turnaround also assists the cash flow of the higher education institutions.

## FUTURE FOCUS

Moving forward, the organisation will focus on the improvement and consolidation of internal efficiencies and human capital to ensure that these operational elements deliver the required dividend. As part of our Strategic Plan (2015/16 to 2019/20) we will be rolling out the new student centred model to 100% of NSFAS students by 2019.

We will also be implementing both our Recoveries and Fundraising Strategies in order to ensure sustainability of the scheme. Key to this is improving relations with students and maintaining our collaboration with our current funders. The deployment of capable human resources as well as the concomitant financial and other resources will be prioritised to deliver maximum stakeholder value in the execution of the student-centred model.

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As part of our Strategic Plan (2015/16 to 2019/20) we will be rolling out the new student centred model to 100% of NSFAS students by 2019.

## APPRECIATION

I would like to extend my appreciation to the Board under the leadership of outgoing chairperson Zamayedwa Sogayise for its strategic counsel and collective wisdom in pursuit of an inspired and maximum mandate delivery. I would also like to thank acting chairperson Professor Themba Mosia for his continued support during a challenging and demanding review period. My gratitude goes to the executive team for its unwavering support and diligence in the execution of its obligations in a challenging operating environment. My heartfelt gratitude goes to the NSFAS team for their dedication and determination to effect the desired impact on the hearts and minds of millions of students. I would like to thank the various strategic partners who support the execution of the NSFAS mandate through financial and other means.



**Msulwa Daka**

Executive Officer

August 2015

# 05 CHIEF FINANCIAL OFFICER'S REPORT

The 2014/15 review period presented an opportune moment for a reflective assessment of the organisation's financial performance and execution of the core business as well as an honest appraisal of the challenges facing NSFAS in the delivery of its mandate. From an entity's perspective, the finance division began the period under review with a resolve to sharpen its financial instruments to ensure that they were ideally positioned to respond to the demands of the business.



As such, the finance department continues to play a significant support role to other departments of the organisation to ensure that they are financially equipped to discharge their obligations. This is a significant assignment because the competent management and administration of public funds strengthens funder and public confidence in the organisation.

Similarly, the finance department has the task of helping administer the disbursement of

loans and bursaries to deserving students whose economic circumstances could potentially exclude them from meaningful participation in the formal higher education sector. As such, this calls for the finance department to practice financial prudence and display an educated and calculated balance between the entity's financial sustainability imperatives and the execution of the development mandate.

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## SOURCES OF FUNDING

Therefore, this report is intended to provide insight into the financial performance of the National Student Financial Aid Scheme (NSFAS). The report addresses two sources of funding for the entity split as follows: the Administration Grant received from

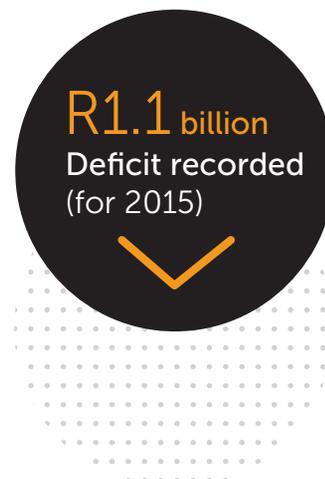
the Department of Higher Education and Training and the Administration Fees for the management of NSFAS operations and the Disbursement Grants for the disbursement of loans and bursaries to academically financially-needy and deserving students.

This report is to be read in conjunction with the complete set of annual financial statements. The financial year ended 31 March 2015 was a particularly challenging one for NSFAS. The organisation encountered challenges around the determination of the fair value of the loan book and this financial year was also the first time the new student-centered model was being fully audited.

The results have been materially impacted by the loan book valuation model adjustment loss of R2.2 billion due to lower than

expected conversion from non-payer to payer status. The impact of this resulted in the entity recording a deficit of R1.1 billion.

The entity had to also come to terms with the complex accounting treatment for the recognition and measurement of how it funds students at the "pilot institutions" for the duration of their studies if they meet promotion requirements. The impact of the implementation of the new student-centred model has resulted in the entity needing to disclose a contingent liability of R2.9 billion.



## ORGANISATIONAL SUSTAINABILITY

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

commitments will occur in the ordinary course of business. The entity has appropriated funds which are contained in the Medium Term Expenditure Framework (MTEF) and it is confident that it will continue to disburse funding in the new financial year.

The entity will continue to roll-out the new student-centred model as per the targets outlined in its Strategic Plan for 2015/16 – 2019/20. This will result in a significant investment in the Loans and Bursaries Management System and a further investment in highly specialised skills.

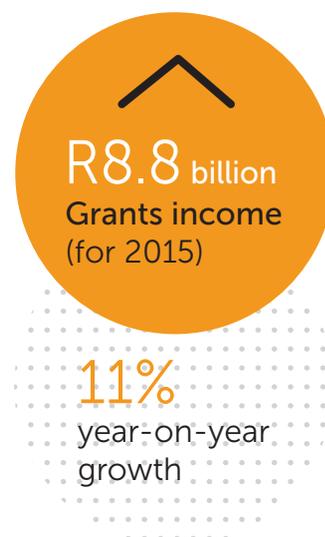
## FINANCIAL PERFORMANCE

The organisation's new grants income for student loans and bursaries has increased from R7.9 billion to R8.8 billion representing a year-on-year growth of 11%. The entity has disbursed R9 billion in student financial aid. Of this amount, R4.2 billion of bursaries went to university and TVET college students and a further R4.8 billion in convertible loans to university students.

The administration income has also increased significantly from R87 million to R116 million in comparison to the prior

year representing 33% growth year-on-year. However, despite this increase, the entity continues to be under pressure to be able to fully rollout its student-centred model and this is evidenced by low administration expenses to awards ratio of 1.89.

As at 31 March 2015, the entity recorded a loan book with a cumulative nominal value of R21.3 billion and a fair value amount of R6.1 billion.



**R116 million**  
Administration income  
for 2015

**33%**  
year-on-year growth  
from R87 million

The fair value amount disclosed in the statement of financial position is net of an impairment loss of R598 million. This is primarily due to the significantly lower than anticipated level of collections actually experienced and the fact that as a result of fewer than anticipated debtors commencing payment, a significant cohort of debtors have remained in the non-payer state than anticipated. The latter item has resulted in a lower value because non-payers have the lowest level of expected overall recovery of all categories of debtors.

The fair value amount is also net of the social benefit component of R1.4 billion that represents the difference between NSFAS interest charged on outstanding debt of 80% of the repo rate vs the prime interest rate. As the scheme is mainly structured to be more suitable to students, we also convert a significant portion of the loans awarded to students to bursaries based on their academic performance and the rules of the scheme(s). For this financial year, the entity recognised a bursary expense of R4.2 billion for students studying at universities. For the students at TVET colleges, the amount disbursed is treated as a bursary and for the financial year ending 31 March 2015, the entity recognised an expense of R2 billion.

The current environment related to legislation challenges and the entrenched culture of non-payment of debt by past students has not been conducive for debt collection and that has resulted in the entity only collecting outstanding loans to the value of R248 million.

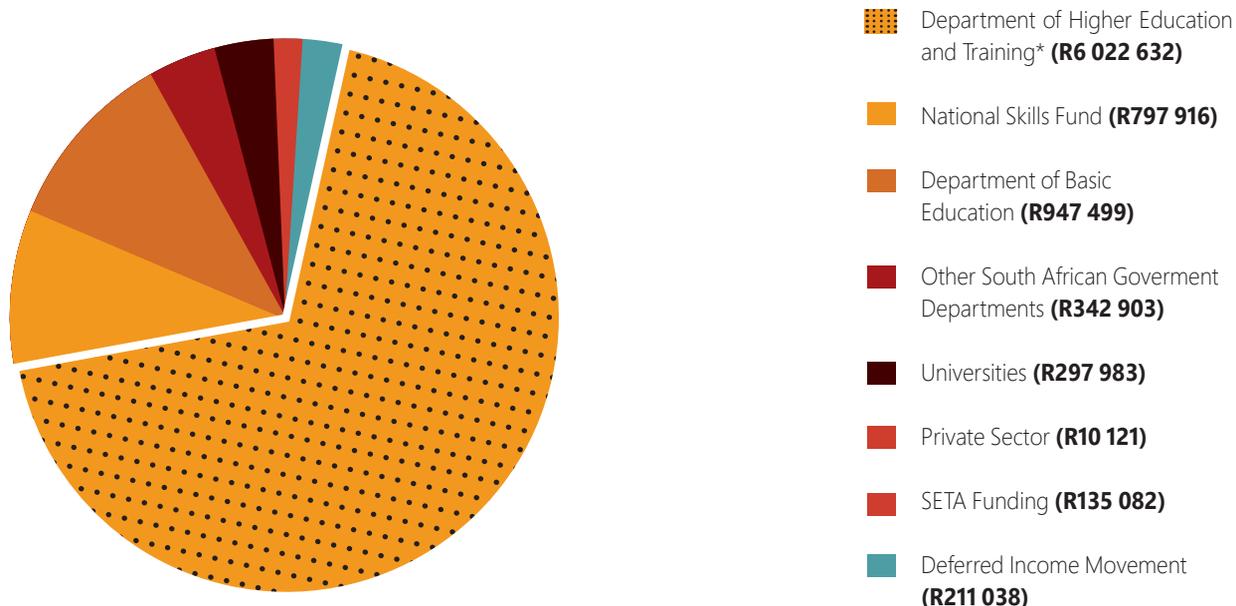
The entity has 25 funds that it administers which are made up of the Department of Higher Education and Training, the FUNZA Lushaka Teacher funding scheme, the National Skills Fund, the Sector Education and Training Authorities, and other national and provincial government department funds.

**A significant portion of the loans awarded to students are converted to bursaries based on their academic performance and the rules of the scheme(s)**

**R4.2 billion**  
bursary expense to universities

**R2 billion**  
bursary expense to TVETS

## SOURCES OF REVENUE INCOME FOR LOANS AND BURSARIES



\*Includes grants to provide for studies at Technical and Vocational Education Training colleges, received from the Department of Higher Education and Training and certain public entities.

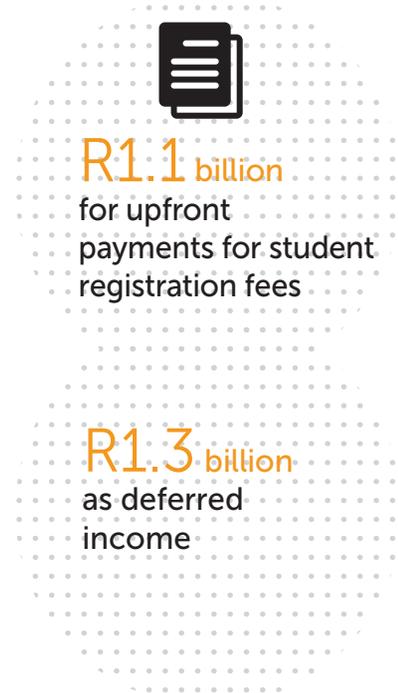
## STATEMENT OF FINANCIAL POSITION

At the end of this financial year, the entity had a cash and cash equivalents balance of R1.5 billion. However, this should be read in conjunction with the investment note to the annual financial statements that outlines the commitment to distribute funds to students in the following academic and financial year.

As part of assisting with the cash constraint at various institutions of higher learning, the entity made prepayments for initial student registration fees to the value of R1.1 billion. NSFAS has also recognised an amount of

R1.3 billion as deferred income. These funds relate to grants received during the year under review for utilisation in the following year and the unspent portions of current year grants including interest received which represents a real liability.

During the period under review, the entity had to impair an amount owed by institutions to the value of R10.6 million as it was outstanding for more than three years and the probability of recovering the funds are slim.



## KEY INTERNAL INITIATIVES

### SERVICE CULTURE

During the financial year under review, NSFAS has sought to reposition the finance department from one of maintaining financial control and stability to a more of a service unit with a greater role in the distribution and management of funds.

The finance department has also played a significant role in ensuring that the Information Communication Technology department is properly supported. However, the

procurement process and the level of service to the rest of the entity remains a great concern and will continue to be an area of focus for the finance department.

### ADEQUACY OF THE FINANCIAL FUNCTION

The entity performs a formal review of the adequacy of the finance function each

year. From this review NSFAS is confident that the finance function is adequately staffed with an appropriate level of experience and expertise. However, one area that is under resourced and needs focus is the outstanding student loans recoveries unit.

## FUTURE FOCUS

In the new financial year the organisation, through the finance department, in conjunction with the loans and bursaries department will play a significant role in improving relations with funders. The other area that needs serious attention is the tightening of internal controls and that is highlighted in the report of the Auditor General of South Africa.

The entity is now faced with an increasing contingent liability from the impact of implementing its new student-centred model. The continual roll-out of the model will increase this risk further and NSFAS will need to pay a closer attention to this emerging risk. The National Treasury has continued to warn of a tight fiscal environment. Government entities need to find alternative ways to be more sustainable.

NSFAS is not immune to this challenge. As part of ensuring the sustainability of the entity, the NSFAS Board has set up a Recoveries Task Team that is comprised of Board members and executives. The sole purpose of the task team is to look at ways the entity can be able to recover outstanding student loans effectively and efficiently.

**Lerato Nage**  
Chief Financial Officer



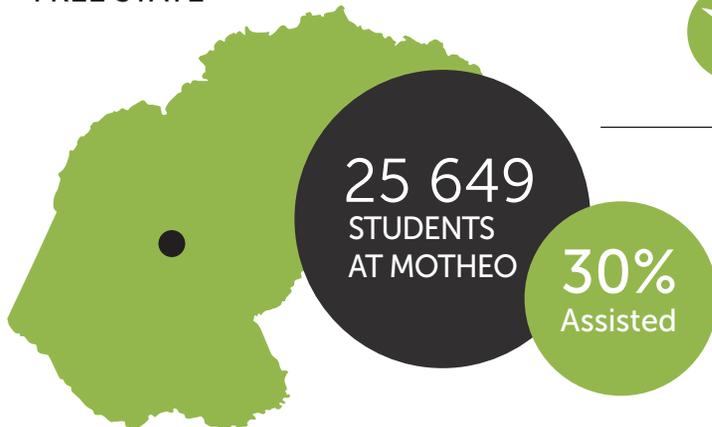
**B** Performance  
Information



MOTHEO FET COLLEGE  
R49.8 million NSFAS funding

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FREE STATE



7 702  
STUDENTS ASSISTED

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# 01 STATEMENT OF RESPONSIBILITY

## STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2015

In my opinion, the performance information fairly reflects the actual achievements against planned objectives, indicators and targets as per the strategic and annual performance plan of the public entity for the financial year ended 31 March 2015.

The NSFAS performance information for the year ended 31 March 2015 has been examined by the Auditor-General whose report is presented on page 64 to page 68. The performance information of the entity set out on page 26 to page 38 was approved by the Board of NSFAS.



**Msulwa Daka**  
Executive Officer

## 02 OVERVIEW OF PERFORMANCE

The organisation has grown considerably in the last few years of its 24 year existence. The disbursements made in the first 20 years of its existence are now made in a period of approximately two years. To illustrate this point further, NSFAS disbursed R19 billion in the first 20 years and R31 billion in the last four years.

This was the first year that we reported the provision of student funding through the new student-centred model. For the year under review, NSFAS set out its strategic plan in accordance with national imperatives and it represents the aspirations of NSFAS to deliver on its mandate.

We defined our strategic objectives, targets and key performance indicators (KPIs) which we utilised to measure performance. In this section, two programmes were identified as critical in setting out priorities for NSFAS:

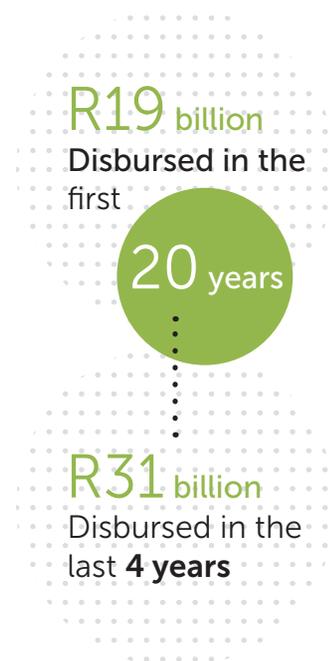
- Programme 1 focusing on Administration; and
- Programme 2 focusing on the Student-Centred Model

One of our key achievements was the development and implementation of processes and procedures for the new operating model to ensure NSFAS fulfills its mandate to students and stakeholders. In this area, we ensured that allowance for food, books, travel, and other necessities for students are paid to all qualifying students on the new student-centered model.

The old model of disbursement remains largely manual. This has increased the level of human intervention and probability of errors.

One of the critical challenges was to maximise recovery of outstanding loans from eligible debtors employed in both the formal and informal sectors of the economy. We have not met our target to increase the amount of funds recovered. This was largely attributed to the inability of the system to produce and send statement to debtors which affected the ability of the organisation to collect outstanding debt.

For us to create a high performance culture, we had to ensure that we have appropriate staff and skill to fulfill the organisation's vision and mission. NSFAS trained 93% of employees and ensured that at least 89% signed the performance agreement. This has assisted us to track performance and ensure that Mid-Year and Final Performance Reviews are conducted.



## STRATEGIC GOALS

STRATEGIC GOAL 1	AN EFFICIENT AND EFFECTIVE PUBLIC ENTITY IN STUDENT FINANCIAL AID AND ADMINISTRATION
<b>GOAL STATEMENT</b>	<p>Develop a comprehensive policy, procedure and governance framework (in line with the ministerial review of 2009) to support the new transformation strategy by 30 June 2012 and implement by 31 March 2013.</p> <p>Achieve a competency-based people model that attracts, develops and retains appropriate talent by 31 March 2013 through a comprehensive skills audit and gap analysis.</p> <p>Implement an agile, fully integrated information technology and organisational systems architecture by 31 March 2013 to support NSFAS's new operating model and loan management system.</p> <p>Plan and implement effective and efficient processes and operations to ensure stakeholder objectives are achieved by 31 March 2013.</p>
<b>PERFORMANCE INDICATOR</b>	NSFAS RECEIVES AN UNQUALIFIED AUDIT REPORT ANNUALLY
<hr/> <b>STRATEGIC GOAL 2</b> <b>ACCESS, SUCCESS AND PROGRESSION TO CONTRIBUTE TO IMPROVING BOTH THROUGHPUT AND PASS RATE</b> <hr/>	
<b>GOAL STATEMENT</b>	Increase access to funding for eligible students by creating a student-centred loans and bursaries model through improved marketing and communications support for students and a central applications process via regional offices by 31 March 2013
<b>PERFORMANCE INDICATOR</b>	INCREASED TOTAL NUMBER OF STUDENT LOANS AND BURSARIES
<hr/> <b>STRATEGIC GOAL 3</b> <b>IMPROVED STUDENT FINANCIAL AID ENVIRONMENT</b> <hr/>	
<b>GOAL STATEMENT</b>	Increase the pool of funds available for student loans and bursaries and maximise the recovery of outstanding loans from all eligible debtors by 30 June 2012.
	Expand the number of eligible students by developing policy recommendations for new student segments and other related financial aid innovations by 30 June 2012.
<b>PERFORMANCE INDICATOR</b>	INCREASED TOTAL NUMBER OF STUDENT LOANS AND BURSARIES



University  
of the  
Western Cape

R216.1 million  
NSFAS FUNDING



20 582  
STUDENTS  
AT UWC

27%  
Assisted



5 512  
STUDENTS ASSISTED

# 03 STRATEGIC PROGRAMMES INTERVENTIONS

## PROGRAMME 1: ADMINISTRATION

No.	Strategic objective	Audited Performance (2013/14)	Objective Statement	Performance Indicator
1.1	<b>Improve NSFAS governance to ensure full compliance with Government legislation and regulations</b>	Not Achieved	To comply with Applicable legislation and put in place key policies and procedures	Full compliance with relevant legislation
1.2	<b>Ensure each functional unit has a congruent policy and procedures manual so that individual roles and delegations are firmly instilled</b>	Achieved	To comply with applicable legislation and put in place key policies and procedures	Key policies and procedures in place
	<b>Integrate the new policy into the performance management framework so that executive management and employees are accountable for delivering on the policy</b>	Not Achieved		

**Achieved (21.4%) ● Partially Achieved (64.3%) ● Not Achieved (14.3%) ●**

Annual Target	Annual Performance	Reason for Variance	Variance %	Status
Full compliance as detailed in NSFAS compliance plan 2014	<p><b>Target partially achieved</b>                      Out of the 38 items listed in the compliance plan, NSFAS complied on 36 (95%). These relate to submissions to Department of Higher Education and Training (DHET), National Treasury, Department of Labour, South African Revenue Services and Parliament, including Occupational Health and Safety compliance as per the compliance plan.                      The 2 items (5%) where NSFAS did not comply relate to statements not being sent out to debtors</p>	NCR – The current outstanding balance in the loan management system is incorrect as interest is based on the simple method pending a customised solution to apply compound interest and the duplum rule simultaneously. Furthermore, the data scrub to enhance the quality of debtor contact details was only completed during the last month of the quarter.	-5%	●
All prioritised policies and procedures approved	<p><b>Target partially achieved</b>                      Out of the 16 policies planned for approval, 9 (56%) Policies were approved, 5 (31%) policies are under review 2 (13%) policies were not reviewed</p>	Debtor Management Policy – submitted to Board for approval but sent back for additional changes. Policy and Guidelines for loans and Bursaries – The draft document is still being reviewed. Employee Performance Management Policy– Reviewed by REMCO and will be submitted at the May 2015 Board meeting for approval. Investment Policy – Reviewed by FINCOM but sent back for additional changes. Cash Management Policy– Reviewed by FINCOM and rejected by the committee as it was deemed inadequate Fraud – The revised policy requires the Policy and Guidelines for Loans and Bursaries to be completed first, as the two documents must be consistent. Vendor selection – As 2014 was the first year of the Pilot, it represented an ideal opportunity to test the acquisition and on-boarding of merchants onto sBux. With the benefits of experience gained during 2014, NSFAS will be in a position to propose a policy for the selection and qualification of vendors by the conclusion of Quarter 1 of the 2015/16 financial year.	-44%	●

## PROGRAMME 1 (continued)

No.	Strategic objective	Audited Performance (2013/14)	Objective Statement	Performance Indicator
1.3	<b>Improve the governance system to provide a smooth transition from the old to new policy framework</b>	Achieved	To comply with Applicable legislation and put in place key policies and procedures	Improved audit outcomes
1.4	<b>Ensure staff have the appropriate skills and competency base to fulfill the entity's vision and mission</b>	Not Achieved	To create a high performance culture	Improved employee performance management
*1.5	<b>Assess the current level of staff skills and competencies to ensure the newly developed operating model is appropriately supported</b>	Not Applicable		
1.6	<b>Develop a skilled and trained workforce to provide sustainable delivery</b>	Achieved		Improved employee engagement
*1.7	<b>Develop an organisational IT reference architecture to support and enable the new operating model</b>	Not Applicable		
*1.8	<b>Procure and implement an improved IT system for efficient and effective delivery of services</b>	Achieved		

\*Achieved in 2012/13

**Achieved (21.4%) ● Partially Achieved (64.3%) ● Not Achieved (14.3%) ●**

Annual Target	Annual Performance	Reason for Variance	Variance %	Status
Full implementation of the NSFAS audit improvement plan 2014	<p><b>Target partially achieved</b> As at the 4th quarter 64% of the audit improvement targets had been completed, 22 % were in progress and 14% behind.</p>	<p>The targets not achieved as planned relate to the delays in rectifying the following issues: Obtaining updated contact details for debtors, non-compliance with NCA; putting controls in place to ensure that all employees have signed performance agreements that all supply chain management documents are stored in both hardcopy and electronic copies.</p>	-14%	●
Employee Performance Management System implemented	<p><b>Target partially achieved</b> Employees trained = 93% Performance agreements signed = 89% Midyear reviews conducted =90% Final reviews conducted =72%</p>	<p>Training: Not all employees attended the training due to leave and operational requirements. Performance agreements, Midyear and Final year reviews: The employees whose contracts were not signed are those whose jobs are being redesigned. Some reviews were only completed after the year-end.</p>	<p>Training = -7% Performance Agreements = -11% Midyear reviews = - 10% Final year reviews = -28%</p>	●
Employee engagement measured, intervention/s developed and the impact of implemented intervention is assessed	<p><b>Target partially achieved</b> Employee engagement measured to determine Baseline. There were 4 distinct deliverables per quarter and only the first quarter target was achieved, therefore only 25% of the targets was achieved.</p>	<p>There were significant delays in the procurement process resulting in the supplier only being secured in the 3rd quarter.</p>	<p>-75% There were 4 distinct deliverables per quarter and only the first quarter target was achieved, therefore only 25% of the targets was achieved.</p>	●

## PROGRAMME 1 (continued)

No.	Strategic objective	Audited Performance (2013/14)	Objective Statement	Performance Indicator
1.9	<b>Develop and implement processes and procedures for the new operating model to ensure NSFAS fulfils its mandate to students and stakeholders</b>	Achieved	To implement the new student centred operating model as determined by the implementation plan	An increase in the number of students migrated to the new student- centred model
				An increase in the number of new students at migrated Institutions applying online
				Allowances paid to all qualifying students on the new student centred model on time

**Achieved (21.4%) ● Partially Achieved (64.3%) ● Not Achieved (14.3%) ●**

Annual Target	Annual Performance	Reason for Variance	Variance %	Status
60% of students migrated to the new student centred model	<b>Target not achieved</b> The assessment of Phase 1 implementation phase was completed. Recommendations on the rollout were made to the Board.	A decision was made in Q2 by the Board not to add additional institutions to the pilot in this financial year in order to conduct a consolidation of system processes to ensure a smooth roll-out going forward.	-100%	●
30% of students at migrated institutions applying online	<b>Target achieved</b> Online applications: Quarter 1= 97% Quarter 2= 84% Quarter 3= 99.75% Quarter 4= 99.96%	The target is over-achieved as the count includes students who apply online directly to NSFAS and those whose applications are captured by the Financial Aid Office and submitted to NSFAS online on behalf of the students.	+216% average	●
Allowances paid to all qualifying students on the new student-centred model within 7 days of due date of the allowance	<b>Target partially achieved</b> For students that signed a LAF or SOP online, the following were paid sBux within 7 working days: Quarter 1= 81% Quarter 2= 92.5% Quarter 3= 79% Quarter 4= 93.6%	If a student does not validate their sBux account, or changes their cellphone number, then the payment is rejected, and delays are experienced by the student.	-13.5% average	●

## PROGRAMME 2: STUDENT-CENTRED FINANCIAL AID

No.	Strategic objective	Audited Performance (2013/14)	Objective Statement	Performance Indicator
2.1	<b>Improve marketing communications and support for students and prospective students</b>	Not Achieved	To be efficient in providing loans and bursaries to students	Improved processing and payment of claims from Universities and TVET colleges
2.2	<b>Develop a student value proposition per segment to service student needs more effectively</b>	Achieved		Learners in no fee schools reached
2.3	<b>Create a central applications process (CAP) through regional offices and other appropriate channels of delivery</b>	Achieved		Improved student satisfaction

**Achieved (21.4%) ● Partially Achieved (64.3%) ● Not Achieved (14.3%) ●**

Annual Target	Annual Performance	Reason for Variance	Variance %	Status
90% claims paid within 30 days of receipt provided funding is available	<b>Target not achieved</b> 98% of total claims were processed by 31 March 2015. Of these 99% were TVET claims and 98% were university claims. However the 30 day turnaround time target was not met.	Claims processing and payment only started in June of 2014 resulting in a number of claims accumulated since beginning of financial year to fall outside of the stipulated target of 90% paid within 30 days. Some claims were not paid due to incorrect claim forms submitted by universities and colleges, claims rejected and submitted after the closing date.	-100%	●
36 no fee schools reached through various types of communications media and awareness campaigns	<b>Target achieved</b> 362 no fee schools reached through school visits and exhibiting NSFAS offerings at career Expos.	The career expos were organized by other parties e.g. Universities and Provincial Departments in the various regions where a large number of schools were invited.	+905%	●
Student satisfaction measured, intervention/s developed and the impact of implemented intervention/s assessed	<b>Target partially achieved</b> A Facebook user sentiment analysis for period 01 April – 30 June showed a baseline result of 157 unique positive interactions and 371 unique negative interactions. A student satisfaction intervention was developed in the contact centre to assist students to easier change their cellphone numbers for sBux. A student feedback and analysis on the intervention which was conducted after Q4 had ended.	After implementation of the automated cellphone number change process in Quarter 3 it was discovered that the intervention had defects and had to be withdrawn for ICT to make further enhancements.	-75% There were 4 distinct deliverables per quarter and only the first quarter target was achieved, therefore only 25% of the targets was achieved.	●

## PROGRAMME 2: STUDENT-CENTRED FINANCIAL AID

No.	Strategic objective	Audited Performance (2013/14)	Objective Statement	Performance Indicator
2.4	Raise new funding for under-graduate study, for targeted student programmes, including the "missing middle"	Achieved	To raise funds and to improve loan recoveries	An increase in the sources of funding
2.5	Maximize recovery of outstanding loans from all eligible debtors employed in both the formal and informal sectors of the economy	Not Achieved		An increase in the amount of funds recovered from debtors
2.6	Develop a new programme for unfunded courses of study	Not Achieved	To improve access to funding to eligible students by creating new programmes and products	New programmes / products implemented
	Develop a new product for specific targeted student segments	Achieved		

**Achieved (21.4%) ● Partially Achieved (64.3%) ● Not Achieved (14.3%) ●**

Annual Target	Annual Performance	Reason for Variance	Variance %	Status
2 new sources of funding	<b>Target achieved</b> 4 new sources of funding with Food & Bev SETA, MQA SETA, NIHSS and SAMSA.	Target over achieved due to specific targeted campaign by the DHET to get more SETAs to provide student financial aid through NSFAS.	+100%	●
R467m in pure recoveries	<b>Target partially achieved</b> R247 563 000.	Not sending statements to debtors affected the ability to collect outstanding debt. See reasons for variance for 1.1.	- 47%	●
1 new programme/product implemented	<b>Target partially achieved</b> In the first Quarter of the year meetings were held with the Public Investment Corporation (PIC) and the financing term sheet was designed with different options, required funding level (i.e. debt and equity structure, the subsidization by NSFAS or pure debt structure with a guarantee from National Treasury). In Quarter 2, a product feasibility analysis was conducted and a financial model based on the PIC advancing the debt facility of R1bn and NSFAS making an equity injection of R333m was developed. In the third Quarter, PIC conducted a Pre-Due diligence of NSFAS. The product proposal was submitted to NSFAS FINCOM for approval. The final product proposal was presented to NSFAS Board in Quarter 4, who requested that additional information be included in the report.	The final product proposal for the missing middle is being updated for consideration by DHET.	-75%	●

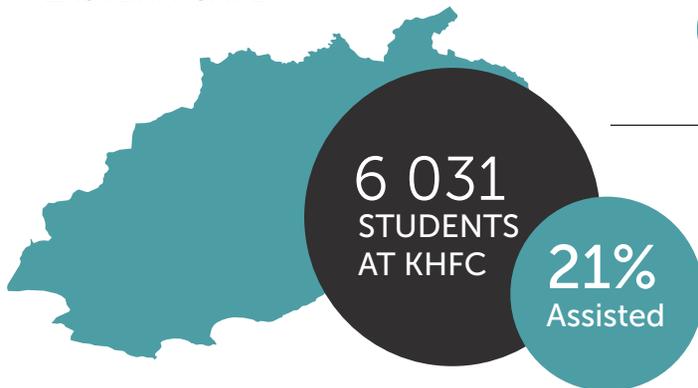


# KING HINTSA FET COLLEGE

R19.4 million NSFAS funding

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EASTERN CAPE



1 298  
STUDENTS ASSISTED

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C HUMAN  
RESOURCES &  
ADMINISTRATION

# 01 HR & ADMINISTRATION INTRODUCTION

During the period under review, the Board's Human Resources Committee embarked on a number of initiatives aimed at strengthening the ability of the organisation's human capital to efficiently and effectively deliver on the stated mandate.

These interventions focused on the need to fill vacant key positions in support of the new business model; reviewing skills and improving the performance management framework and aligning performance measures with organisational performance indicators.

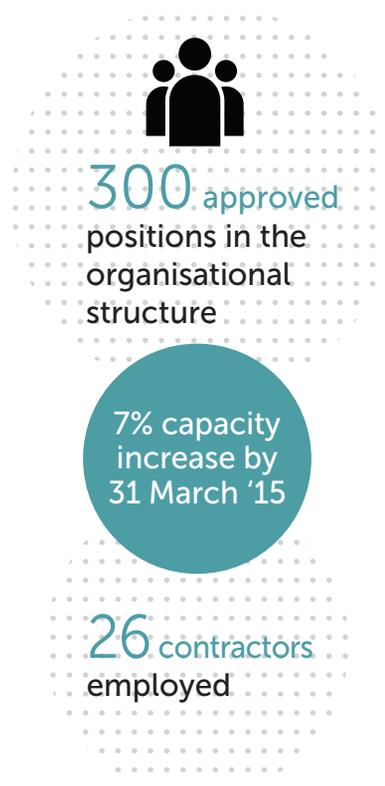
In addition, various policies were reviewed and approved including the Recruitment and Selection Policy, Cellphone Allowance Policy, Relocation Policy, Employee Assistance Policy, Substance Abuse Policy, Travel and Subsistence Allowance Policy. In order to strengthen engagements with staff, an Employee Engagement plan was initiated and an Employee Engagement Survey which serves as a baseline for future employee engagements was conducted.

These interventions had a significant impact in that they set revised baselines for the organisation as a whole and contributed toward the operationalisation of the transformation programme.

Significant effort has gone into drafting a workforce planning framework and developing strategies to attract and recruit a skilled and capable workforce.

The organisational structure reflects 300 approved positions. Executive and senior management level staff members were appointed and the operations department's capacity was further consolidated by the appointment of a Chief Operations Officer and various specialists to support the new student-centred model. Whilst the total growth in the organisation's capacity was only increased by 7% by 31 March 2015, a further 26 contractors were employed whose contracts expired during the year.

The Committee guided the development and implementation of revised job descriptions for the positions aligned to the business model and the annual performance plan. The process also included the review of the related processes and procedures, and associated training for staff at all levels.



## HUMAN RESOURCE OVERSIGHT STATISTICS

The organisation made use of staff in the approved structure as well as additional staff required as part of operationalisation of the transformation programme. Variances in the offset between total posts, number of employees and total vacancies are due to utilisation of such staff in addition to the approved structure.

## PERSONNEL COSTS

Programme	Total Expenditure for entity (R 000)	Personnel expenditure (R 000)	% of total Personnel expenditure	No. of employees	Average personnel cost per employee (R 000)
Administration	142 261	82 288	57.8%	229	359

## PERSONNEL COSTS BY SALARY BAND

Programme	Personnel expenditure (R 000)	% of total Personnel expenditure	2014/15 employees	Average personnel cost per employee (R 000)
Top Management	10 055	12.2%	5	2 011
Senior Management	16 907	20.5%	20	845
Professional/middle management	16 756	20.4%	27	621
Skilled	13 380	16.3%	41	326
Semi-skilled	22 905	27.8%	131	175
Unskilled	526	0.6%	5	105
Other (Provisions)	1 759	2.1%		
<b>Total</b>	<b>82 288</b>	<b>100%</b>	<b>229</b>	<b>359</b>

The employee numbers relate to the headcount as at 31 March 2015. During the year NSFAS employed seven officials in the Top Management category. The higher average reflected is due to the final averages being based on five officials as at 31 March 2015

## EMPLOYMENT AND VACANCIES

Programme	2013/14 employees	2014/15 Approved posts	2014/15 employees	2014/15 No. of vacancies	% of vacancies
<b>Administration</b>	215	300	229	71	23%
<b>Top Management</b>	6	4	5	-1	-25%
<b>Senior Management</b>	20	26	20	6	23%
<b>Professional/middle management</b>	24	45	27	18	40%
<b>Skilled</b>	38	65	41	24	36%
<b>Semi-skilled</b>	122	155	131	24	15%
<b>Unskilled</b>	5	5	5	0	0%
<b>Total</b>	<b>215</b>	<b>300</b>	<b>229</b>	<b>71</b>	<b>23%</b>

The high percentage indicated in the semi-skilled group accounts for seasonal employees vacancies which are filled annually between May and December each year as part of a strategy to manage peak operational workloads.

Senior management recruitment strategies included open adverts in the media, sourcing via recruiters, and headhunting initiatives. Current vacancies in this category are receiving high priority attention as part of the recruitment and selection strategy

## EMPLOYEE CHANGES

Level	Employees at beginning of period	Appointments	Terminations	Employees at end of period
Top Management	6	4	5	5
Senior Management	20	4	4	20
Professional/middle management	24	12	9	27
Skilled	38	11	8	41
Semi-skilled	122	43	34	131
Unskilled	5	-	-	5
<b>Total</b>	215	74	60	229

The high percentage of staff turnover indicated in the semi-skilled group accounts for seasonal employees who are filled annually between May and December each year as part of a strategy to manage peak workloads within operations

## REASONS FOR LEAVING

Reason	Number	% of total number of staff leaving
Death	0	0%
Resignation	14	23%
Dismissal	0	0%
Retirement	0	0%
Ill-health	0	0%
Expiry of contract	46	77%
Other	0	0%
<b>Total</b>	60	100%

## LABOUR RELATIONS: Misconduct and Disciplinary Action

Nature of disciplinary action	Number
Verbal warnings	2
Written warnings	1
Final written warnings	0
Dismissal	0
Total	3



UNIVERSITY OF

D Corporate  
Governance



F MPUMALANGA

UNIVERSITY OF MPUMALANGA

R3.2 million NSFAS funding

MPUMALANGA



140  
STUDENTS  
AT UM

52%  
Assisted



73  
STUDENTS ASSISTED

# 01 CORPORATE GOVERNANCE INTRODUCTION

NSFAS corporate governance embodies the processes and systems by which it is directed, controlled and held to account. In addition to the legislative requirements of the National Student Financial Aid Scheme Act (Act 56 of 1999), corporate governance is applied through the Public Finance Management Act (PFMA) (Act 1 of 1999) and incorporates the principles contained in the King Code of Governance Principles of South Africa, 2009

# 02 PORTFOLIO COMMITTEE

The Parliamentary Portfolio Committee on Higher Education and Training (PCHET) exercised its oversight role by evaluating the performance of NSFAS. The PCHET interrogates the Annual Report which contains the Annual Financial Statements. In addition, the PCHET also interrogated the Annual Performance Plan and Budget as well as other relevant documents during the financial year under review.

The key issues raised by the Portfolio Committee were utilisation of funds provided for student financial aid; the num-

ber of students assisted in the provision of student loans and bursaries, and the breakdown of funding between universities and further education and training colleges. NSFAS was not required to appear before the Standing Committee on Public Accounts (SCOPA) during the year under review.

The National Council of Provinces Select Committee on Education and Recreation invited NSFAS to appear before it on one occasion during the year to present its annual report.

# 03 EXECUTIVE AUTHORITY

Oversight by the Executive Authority was exercised throughout the year in terms of the PFMA.

The reports shown in the table below were submitted to the Executive Authority throughout the year and regular engagements took place on the utilisation of funds by universities and colleges. Interventions in the system to address issues such as the shortage of funding for loans at particular universities or the provision of allowances to students at colleges resulted from these reports and engagements

# 04 NSFAS BOARD

The accounting authority of NSFAS is the Board. The NSFAS Board comprises 13 members, appointed by the minister in terms of Section 5(1)(a) of the NSFAS Act, the Executive Officer who is the secretary to the Board and has no voting rights, and up to four members co-opted by the Board in terms of Section 5(1)(b) of the NSFAS Act. The Board may co-opt up to four additional members.

## BOARD COMMITTEES

The NSFAS Act requires the Board to establish a minimum of two committees, namely an Executive Committee and a Finance Committee. In order to attend to its duties effectively, the Board of NSFAS has established three other committees, an Audit and Risk

Committee, Human Resources and Remuneration Committee and an Information and Communications Technology Committee.

The NSFAS Board has been graded for remuneration purposes by the National Treas-

ury Central Evaluation Committee as Sub-category B1 of the service benefit packages for office bearers of certain statutory and other institutions.

## BOARD MEETING ATTENDANCE

No	Names	Total Attendance
1	Mosia, Themba (Acting Chairperson from 27 January 2015)	5
2	Sogayise, Zamayedwa (Chairperson term expired on 15 December 2014.)	7
3	Daca, Msulwa (Executive Officer from 1 February 2013)	7
4	Brown, Tim	5
5	de Bruyn, Julia	7
6	Dorrington, Rob	6
7	Johnstone, Nathan	8
8	Masinga, Sibongile	7
9	Mathonsi, Dumisani	8
10	Mohajane, Kelebogile	6
11	Moloja, Thabo	7
12	Ndhlovu, Ntombizodwa	6
13	Pillay, Yershen	5
14	Siyengo, Zozo	4
15	Smith, Stephen (Resigned on 31 July 2015)	3
16	Whittle, Pearl	8

## EXECUTIVE COMMITTEE MEETING ATTENDANCE

No	Names	Total Attendance
1	Mosia, Themba (Acting Chairperson from 27 January 2015)	1
2	Sogayise, Zamayedwa (Chairperson - term expired on 15 December 2014.)	4
3	Johnstone, Nathan	5
4	Masinga, Sibongile	4
5	Mohajane, Kelebogile	3
6	Whittle, Pearl	5

## FINANCE COMMITTEE MEETING ATTENDANCE

No	Names	Total Attendance
1	Nathan Johnstone (Chairperson until 18 February 2015)	6
2	Zamayedwa Sogayise (Term expired on 15 December 2014)	5
3	de Bruyn, Julia	6
4	Moloja, Thabo	6
5	Whittle, Pearl	6

## AUDIT AND RISK COMMITTEE MEETING ATTENDANCE

No	Names	Total Attendance
1	Johnstone, Nathan (Chairperson from 15 August 2014)	3
2	Smith, Stephen (Chairperson resigned 31 July 2014)	1
3	Benjamin-Swales, Ruth	4
4	Dorrington, Rob	4
5	Makgoba, Shai (Co-opted 19 February 2015)	-
6	Ndhlovu, Ntombizodwa	2
7	Tredoux, Theuns	4
8	Whittle, Pearl (resigned 18 February 2015)	3

## JOINT MEETINGS OF THE AUDIT AND RISK AND FINANCE COMMITTEES ATTENDANCE

No	Names	Total Attendance
1	Nathan Johnstone (Chairperson)	3
2	Benjamin-Swales, Ruth	2
3	de Bruyn, Julia	2
4	Dorrington, Rob	2
5	Moloja, Thabo	3
6	Mosia, Themba (27 January 2015)	-
7	Ndhlovu, Ntombizodwa	1
8	Smith, Stephen (Co-Chairperson)	1
9	Sogayise, Zamayedwa	3
10	Tredoux, Theuns	3
11	Whittle, Pearl	3

## HUMAN RESOURCES AND REMUNERATION COMMITTEE MEETING ATTENDANCE

No	Names	Total Attendance
1	Masinga, Sibongile (Chairperson)	5
2	Glaeser, Amanda	4
3	Mathonsi, Dumisani	5
4	Pillay, Yershen	3
5	Siyengo, Zozo	4

## INFORMATION COMMUNICATION TECHNOLOGY COMMITTEE MEETINGS ATTENDANCE

No	Names	Total Attendance
1	Tim Brown (Chairperson)	5
2	Friday, Quenten	5
3	Johnstone, Nathan	5
4	Labuschagne, Lessing	5
5	Masinga, Sibongile	5
6	Mosia, Themba	1

## BOARD APPOINTMENTS

### The NSFAS Board Members during the year up to 31 March 2015 were as follows:

Zamayedwa Sogayise	Appointed 15 December 2010
Brown, Tim	Co-opted 1 March 2013
Daca, Msulwa (Executive Officer)	Appointed 1 February 2013
de Bruyn, Julia	Appointed 1 August 2013
Dorrington, Rob	Appointed 24 June 2011
Johnstone, Nathan	Re-appointed 29 April 2013
Masinga, Sibongile	Appointed 2 June 2011
Mathonsi, Dumisani	Appointed 24 June 2011
Mohajane, Kelebogile	Appointed 24 June 2011
Moloja, Thabo	Appointed 29 April 2013
Mosia, Themba	Appointed 24 June 2011
Ndhlovu, Ntombizodwa	Appointed 24 June 2011
Pillay, Yershen	Appointed 29 April 2013
Siyengo, Zozo	Appointed 24 June 2011
Smith, Stephen	Co-opted 15 December 2010
Whittle, Pearl	Appointed 1 November 2013

## BOARD REMUNERATION

	Salary/fee amounts in (R 000)	Retirement fund contributions	Medical aid	Other	Total packages 2015	Total packages 2014
Meeting fees	525	-	-	-	525	614
Travel & accommodation	-	-	-	767	767	598
Exit strategy	-	-	-	-	-	130
	<b>525</b>	<b>-</b>	<b>-</b>	<b>767</b>	<b>1,292</b>	<b>1,342</b>

## 05 COMPLIANCE WITH LAWS AND REGULATIONS

- NSFAS is required to comply with the following laws and regulations:
- Public Finance Management Act (Act 1 of 1999)
- NSFAS Act (Act 56 of 1999)
- National Credit Act (Act 34 of 2005)
- Treasury regulations for departments, trading entities, constitutional institutions and public entities.

## 06 FRAUD AND CORRUPTION

NSFAS has a Fraud and Corruption Policy, Whistle Blowing Policy, as well as Fraud Prevention and Response Plans approved by the Board. No cases of fraud or corruption were reported or investigated.

## 07 MINIMISING CONFLICT OF INTEREST

No cases of conflict of interest were identified.

## 08 CODE OF CONDUCT

NSFAS developed a Code of Conduct and implemented it throughout the organisation in the year under review. The Code provides details of the process to be followed for a breach of the Code.

# 09 HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

## HEALTH AND SAFETY COMMITTEE

A Health and Safety Committee was appointed as per the Occupational Health and Safety Act, Section 17. The committee has been trained on the following: Health and Safety Representative Training, Incident Investigation and Emergency Planning Training. Their role is as follows:

- To conduct inspections of the workplace on specific intervals using check-list provided to report any health or safety hazards identified.
- To investigate and record accidents and incidents that occurs in the workplace.



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**9 First Aiders** were appointed and given level 1 first aid training

## FIRST AIDERS AND FIRE MARSHALS

Nine (9) First Aiders were appointed as per the Environmental Regulations for workplaces 9(1) And General Safety Regulation 2. They received Level 1 First Aid Training and are equipped with first aid kits enabling them to provide first level medical assistance and support in emergency situations.

Nine (9) Fire Marshals were appointed as per the Environmental Regulations for Workplaces 9(1) And General Safety Regulation 2. They received Basic Fire Training equipping them with necessary skills to coordinate and handle fire emergencies in the workplace.



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**9 Fire Marshals** appointed and given basic fire training

## EMPLOYEE HEALTH AND SAFETY TRAINING

Health and Safety Induction training was given to NSFAS employees as a way to create OHAS awareness organizationally.

## HEALTH AND SAFETY FILE

A health and safety file was opened to keep records of the all OHAS incidents and accidents. The file is actively managed by the Facilities Management Services Unit.

## HEALTH AND SAFETY AUDITS

A Health and Safety Audit was conducted at end of financial year 2014-2015 (March 2015) as planned to determine the status of the organisation's legal compliance in terms of the Occupational Health & Safety Act of 1993 and its regulations. A report

was subsequently completed and NSFAS is now implementing the recommended remedial actions from the audit findings.

## HEALTH AND SAFETY MEETINGS

Formal health and safety committee meetings are held once per quarter or as and when the need arises to address health and safety issues in the workplace.

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# 10 BOARD SECRETARY

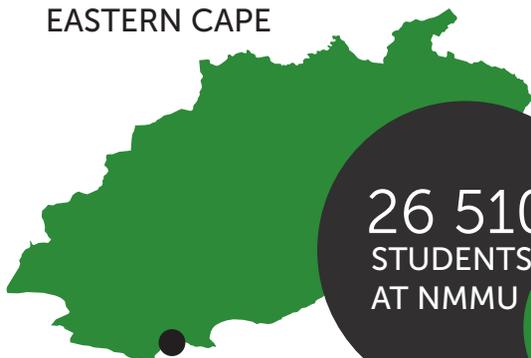
The Executive Officer is designated as the secretary to the Board in terms of the NSFAS Act. The Executive Officer is assisted by the Board Committee Officer in carrying out these duties.



Nelson Mandela  
Metropolitan  
University

R268.4 million  
NSFAS FUNDING

EASTERN CAPE



26 510  
STUDENTS  
AT NMMU

22.6%  
Assisted



6 008  
STUDENTS ASSISTED

# 11 REPORT OF THE AUDIT AND RISK COMMITTEE for the NSFAS Annual Report 2015

The Audit and Risk Committee of the National Student Financial Aid Scheme (NSFAS) is pleased to present its report for the financial year ended 31 March 2015.

The Audit and Risk Committee is an independent Committee appointed by the Board of NSFAS. The Committee has adopted and complies with a charter that has been approved by the Board.

During the year, the oversight of Performance Information Management was added to the Committee's charter as one of its responsibilities in accordance with the approved policy for Performance Information Management.

This responsibility includes ensuring that the internal and external audit plans include adequate coverage of the entity's performance information and the associated processes.

The Committee confirms that it carried out its functions responsibly and in compliance with its Charter for the period under review.

## MEMBERSHIP, MEETING ATTENDANCE AND ASSESSMENT

In terms of the Public Finance Management Act, No 1 of 1999 (PFMA), the Committee must consist of at least three persons of whom,

- (i) one must be from outside the public service;
- (ii) the majority may not be persons in the employ of the department, except with the approval of the relevant treasury; and
- (iii) the chairperson may not be in the employ of the department;

In terms of its Charter, the Audit and Risk Committee must hold at least three meetings per year, including joint meetings with the Finance Committee. Seven meetings of the Committee, of which two were joint meetings with the Finance Committee, were held during the year under review.

The Chairperson of the Board, external auditors and other assurance providers attend meetings of the Committee by invitation. The Executive Officer, Chief Financial Officer, Chief Information Officer, Chief Operations Officer, and internal auditors are permanent attendees at meetings of the Committee.

Mr Stephen Smith resigned as Chairperson and a member of the Committee in July 2014 after having led the Committee through challenging times since 2008. Ms Pearl Whittle resigned from the Committee in February 2015 due to her responsibilities in the Department of Higher Education and Training. Mr Nathan Johnstone was appointed as a member of the Committee and replaced Mr Smith as Chairperson in August 2014. Mr Shai Makgoba was appointed as an external member of the Committee on 19 February 2015. Mr Makgoba had previously served on the Committee during his term on the Board as the member from the Department of Higher Education and Training and has extensive experience in the sector.

## GOVERNANCE

The Audit and Risk Committee continually assesses the governance of the entity. In line with its mandate, the Board embraces the principles of the King III Code of Governance Principles (2009). All relevant legislation was considered and the entity was found to be in substantive compliance.

## INTERNAL CONTROLS (including financial controls)

Section 51 (a)(i) of the Public Finance Management Act (PFMA), No 1 of 1999, requires Accounting Authorities to establish and maintain effective, efficient and transparent systems of financial, risk management and internal controls to enable amongst other matters, the production of annual financial statements per Section 55 of the PFMA. To this end, s 55(1)(a) requires the keeping of "full and proper records".

Following the implementation of the new student-centred loans and bursaries management system in October 2013 greater emphasis has been placed on ICT processes and controls in the Strategic and Annual Internal Audit Plan with a number of internal audit reviews planned and already executed during the year.

In order to ensure the integrity of the year-end processes and outcomes, an independent risk assessment and assurance were commissioned by management. The risk assessment and assurance focused on the control environment affecting the preparation of the annual financial statements.

After a number of years of securing actuarial services on a year-to-year basis, a service provider was appointed on a three-year contract to undertake the annual actuarial valuation of the loan book. This arrangement makes more effective planning possible as well as enabling better integration of the processes required for the valuation into the operations of the entity.

The assumption set utilised for the 2014 valuation of the loan book was reviewed to ensure that refined data and assumptions towards recognising, measuring, presenting and disclosing loan instruments are maintained and improved. The Audit and Risk Committee is satisfied that there has been a thorough independent process to ensure that the results of the loan book valuation provide NSFAS stakeholders with an objective and verifiable outcome and that they are fair and free of material misstatement.



**The Executive Officer, Chief Financial Officer, Chief Information Officer, Chief Operations Officer, and internal auditors are permanent attendees at meetings of the Committee.**

NSFAS's internal control system is designed to ensure the integrity and reliability of financial information, compliance with applicable laws and regulations, the accomplishment of objectives, economy and efficiency of operations, and the safeguarding of assets. While the transition to the new operating environment and policies is ongoing, the Audit and Risk Committee is satisfied that the NSFAS's system of internal financial controls is adequately designed and applied to form a sound basis for the preparation of reliable financial reports.

The Committee has accordingly reviewed the accounting policies and the financial statements of the entity and is satisfied

that they are appropriate, comply with generally recognised accounting practice standards and fairly represent the affairs of NSFAS. The Committee has also reviewed the entity's annual performance information and is satisfied that it fairly represents the performance of the entity for the year under review.

The Committee has reviewed the Auditor-General's management report and management's response thereto. The Committee is of the opinion that the issues raised are correctly identified. The Committee has also met with the Auditor-General to ensure that there are no unresolved issues from the audit.

## MANAGEMENT

The Board resolved in November 2014 to extend the initial one-year fixed term contract of the Chief Financial Officer for a further period of two years to 31 November 2016.

This will enable continuity in the leadership of the Finance Department and consolidate the improvements that have been effected in the entity over the past year. A number of senior positions have been filled by suitably qualified and individuals to strengthen the depth of expertise in the Finance Department.

## INFORMATION TECHNOLOGY

The Audit and Risk Committee is satisfied that NSFAS information technology controls are appropriate to support the integrity of the financial reports. This is based on the continuous interaction with the ICT Committee, management, independent assurance providers and external audit.

## RISK MANAGEMENT

Management has commenced the process of developing a new risk register for the entity which takes account of the new operating model and loans and bursaries management system, following the Board's approval of the reviewed Risk Management Policy during 2014. The new risk register will incorporate the existing comprehensive ICT Risk Register which is updated on a quarterly basis for review by the ICT Committee.

## **SUSTAINABILITY**

The funding of the entity is principally dependent on grants from the Department of Higher Education and Training. Management has developed a strategy to improve revenue management from debtors as part of a sustainability model. Further work is required to ensure that the implementation of the strategy is appropriately and adequately resourced in order to yield the desired results.

## **INTERNAL AUDIT**

In line with the requirements of the PFMA, the Audit and Risk Committee is responsible for ensuring that the entity's internal audit function is independent and has the necessary resources, standing and authority within the entity to enable it to discharge its duties. Furthermore, the Committee oversees co-operation between the internal and external auditors, and serves as a link between the Board and these functions. The new internal audit service provided commenced work on a three-year contract on 1 April 2014. The Committee approved the new three-year Internal Audit Strategic Plan for the period 1 April 2014 to 31 March 2017 and the Annual Internal Audit Plan for the 2014/2015 financial year.

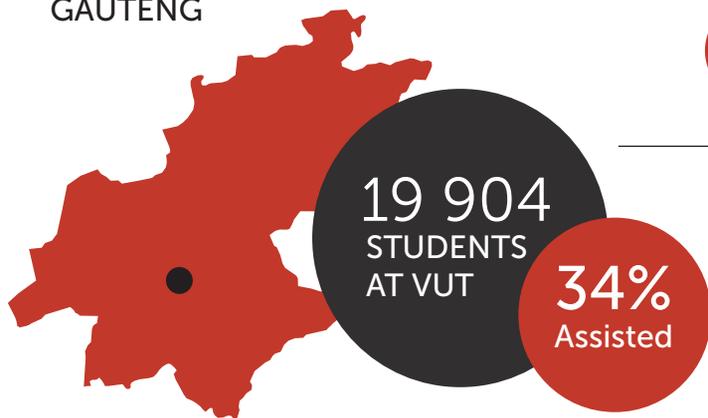


## VAAL UNIVERSITY OF TECHNOLOGY

R228.4 million NSFAS funding

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GAUTENG



6 747  
STUDENTS ASSISTED

---



**E** Financial  
Information

# GENERAL INFORMATION

**Country of incorporation and domicile**

South Africa

**Nature of business and principal activities**

The nature of the activities of the entity is to provide financial assistance in the form of loans or bursaries to eligible students at public higher education institutions and Technical and Vocational Education and Training (TVET) colleges, to administer such loans and bursaries, and to recover the loans from the students once they are employed and earning in excess of R30,000 per annum.

**Registered office**

18 - 20 Court Road  
Wynberg  
Cape Town  
7801

**Business address**

2nd Floor House Vincent  
Wynberg Mews  
10 Brodie Road  
Cape Town

**Postal address**

Private Bag X1  
Plumstead  
Cape Town  
7800

**Bankers**

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

**Auditors**

Auditor-General of South Africa

**Website Address**

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

# INDEX

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

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# 01 NSFAS BOARD'S STATEMENT OF RESPONSIBILITY AND APPROVAL

The NSFAS Board is required by the Public Finance Management Act (Act 1 of 1999), as amended, to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Board to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The Auditor General of South Africa will be engaged to express an independent opinion on the annual financial statements and will be given unrestricted access to all financial records and related data.

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

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

The NSFAS Board acknowledges that it is ultimately responsible for the system of internal financial control established by the entity and places considerable importance on maintaining a strong control environ-

ment. To enable the NSFAS Board to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards to ensure that the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Board is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Board has reviewed the entity's cash flow forecast for the year to 31 March 2016 and, in the light of this review and the current financial position, it is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The entity is dependent on the Department of Higher Education and Training for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the Department of Higher Education and Training has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

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

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

The annual financial statements set out on pages 79 to 127, which have been prepared on the going concern basis, were approved by the Board on 30 July 2015 for submission to the Auditor General of South Africa and were signed on its behalf by:



**Prof N. Themba Mosia**  
Chairperson (Acting)



**Msulwa Daka**  
Executive Officer

# 02 REPORT OF THE AUDITOR GENERAL

## INTRODUCTION

1. I have audited the financial statements of the National Student Financial Aid Scheme set out on pages 79 to 127, which comprise the statement of financial position as at 31 March 2015, the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

## ACCOUNTING AUTHORITY RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the National Student Financial Aid Scheme Act of South Africa, 1999 (Act No. 56 of 1999) (NSFAS Act), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR-GENERAL'S RESPONSIBILITY

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## OPINION

6. 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 2015 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA and the NSFAS Act.

# REPORT OF THE AUDITOR GENERAL

## EMPHASIS OF MATTERS

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

## RESTATEMENT OF CORRESPONDING FIGURES

8. As disclosed in note 2 to the financial statements, the corresponding figures for 31 March 2014 have been restated as a result of an error discovered during the 2015 financial year in the financial statements of the National Student Financial Aid Scheme at, and for the year ended, 31 March 2014.

## SIGNIFICANT UNCERTAINTIES

9. With reference to note 28 to the financial statements, the public entity entered into agreements with various donors and educational institutions to fund students. This arrangement resulted in a contingent liability of R91.3 million being disclosed in the financial statements as there is a possibility that these donors and educational institutions could request a repayment of funding from the monies recovered from students.

10. With reference to note 28 to the financial statements, the public entity has entered into contractual commitments to fund students for the duration of their qualification, as part of its student centric model. This commitment has resulted in a contingent liability of R2.86 billion being disclosed in the financial statements as the entity would need to fund the students for the duration of their studies, subject to them meeting the promotion requirements.

## MATERIAL FAIR VALUE AND IMPAIRMENT ADJUSTMENTS

11. As disclosed in note 7 to the financial statements, the public entity had student loans receivable with a nominal value of R21,25 billion as at 31 March 2015, which are reflected in the financial statements at R6,20 billion, after cumulative fair value and impairment adjustments of R15,05 billion.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report, non-compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

# REPORT OF THE AUDITOR GENERAL

## PREDETERMINED OBJECTIVES

13. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programme presented in the annual performance report of the public entity for the year ended 31 March 2015:

- Programme 2: student centred financial aid, on pages 35 to 38.

14. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

15. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programme. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPPI).

16. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

17. The material findings in respect of the selected programme are as follows:

## PROGRAMME 2: STUDENT CENTRED FINANCIAL AID

### Usefulness of reported performance Information

18. The FMPPPI requires indicators to relate logically and directly to an aspect of the auditee's mandate and the realisation of strategic goals and objectives. A total of 43% of the indicators did not relate logically and directly to an aspect of the auditee's mandate and the realisation of strategic goals and objectives as per the five-year strategic plan.

This was because proper performance planning and management practices had not been developed and implemented to provide for the relevance of the performance indicators and targets included in the annual performance plan.

19. Performance targets should be measurable, as required by the FMPPPI. I could not measure the required performance for 43% of the targets.

20. Performance targets should be specific in clearly identifying the nature and required level of performance, as required by the FMPPPI. A total of 29% of the targets were not specific.

21. Performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use, as required by the FMPPPI. A total of 29% of the indicators were not well defined.

These were due to a lack of proper systems and processes for the planning of performance information. In addition, the data definitions for each indicator were not clear and unambiguous.

# REPORT OF THE AUDITOR GENERAL

## ADDITIONAL MATTERS

22. I draw attention to the following matters:

### ACHIEVEMENT OF PLANNED TARGETS

23. Refer to the annual performance report on pages 26 to 38 for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness of the reported performance information for the selected programmes reported in paragraphs 18 to 21 of this report.

### ADJUSTMENT OF MATERIAL MISSTATEMENTS

24. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for programme 2: student centred financial aid. As management subsequently corrected only some of the misstatements, I identified material findings on the usefulness of the reported performance information.

### COMPLIANCE WITH LEGISLATION

25. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

### FINANCIAL STATEMENTS

26. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatements of disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

### REVENUE MANAGEMENT

27. Effective and appropriate steps were not taken to collect all money due, as required by section 51(1)(b)(i) of the PFMA and Treasury Regulations 31.1.2(a) and (e).

# REPORT OF THE AUDITOR GENERAL

## INTERNAL CONTROL

28. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on non-compliance with legislation included in this report.

## LEADERSHIP

29. Leadership did not exercise sufficient oversight responsibility regarding compliance with legislation relating to revenue management and the related internal controls to prevent material misstatements, as actions committed to by management to address the internal control deficiencies reported in the prior year were not sufficient to prevent repeat findings.

30. Leadership did not review the annual performance plan in sufficient detail to ensure that the key performance indicators were worded in such a manner that a system of internal control could be designed to collect valid and accurate source documents on a consistent basis throughout the reporting period.

## FINANCIAL AND PERFORMANCE MANAGEMENT

31. Management did not put adequate processes in place to ensure that the internal review procedures could identify and correct material disclosure misstatements in the financial statements before these were submitted for auditing.

*Auditor-General*

Cape Town  
30 July 2015



A U D I T O R - G E N E R A L  
S O U T H A F R I C A

*Auditing to build public confidence*

# REPORT OF THE BOARD MEMBERS

## 1. GENERAL REVIEW

### MAIN BUSINESS AND OPERATIONS

The National Student Financial Aid Scheme is a statutory entity acting in terms of the National Student Financial Aid Scheme Act (No. 56 of 1999) as amended.

### PERFORMANCE HIGHLIGHTS

**228,642**

**Students assisted**  
at 50 Technical and  
Vocational Education  
and Training (TVET)  
Colleges

**186,150**

**Students assisted at**  
25 public universities  
and one National  
Institute for Higher  
Education

**R8,962,470,233**

#### Disbursed in student financial aid

- R4,189,279,622 bursaries to TVET and university students
  - R4,754,322,397 in convertible loans to university students
- 
- R1,926,795,143 converted to bursaries based on student performance
  - R1,726,733,418 recognised as the social benefit component after bursary conversion

**R50,507,739,341**

#### Disbursed since inception

- Nominal value of loan balances: R21,255,073,403
- Carrying value of loan balances: R6,110,221,584
- R247,562,484 in loan repayments collected

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

<b>Results (Figures in Rands)</b>	<b>2015</b>	<b>2014</b>
New grants for student loans and bursaries*	8,765,174,000	7,911,873,000
Student loan recovery and interest injected	445,607,265	476,858,875
Total loans and bursaries awarded before bursary conversion	8,962,470,233	8,701,405,578
Operational expenses	(168,972,000)	(148,525,000)
Administration expenses to awards ratio (%)	1.89	1.71
University bursaries**	4,157,239,000	3,732,461,000
TVET Colleges 100% bursaries***	1,959,466,000	1,947,570,000
Percentage of courses passed****	85.68%	80,17 %

# REPORT OF THE BOARD MEMBERS

- \* During the period under review grants were received from the South African government via the Department of Higher Education and Training, the Department of Basic Education, the Department of Agriculture Forestry and Fisheries, the Department of Defence and Military Veterans, the National Skills Fund, the Department of Social Development, the Eastern Cape Provincial Government, the KwaZulu Natal Provincial Government, the National Institute for Humanities and Social Sciences, the Agricultural Sector Education and Training Authority, Bank Sector Education and Training Authority, Chemical Industries Education and Training Authority, Construction Education and Training Authority, Culture Art Tourism Hospitality Sport SETA, Education Training and Development Practices SETA, Fiber Processing and Manufacturing SETA, Financial and Accounting Services SETA, Food and Beverage SETA, Health and Welfare SETA, Local Government Education and Training Authority, Manufacturing Engineering and Related services SETA, Mining Qualifications Authority SETA, Safety and Security SETA, Services SETA, Wholesale and Retail SETA and various other donors.
- \*\* Final Year Programme loans are converted to a 100% bursary if the student meets the academic requirements for graduation. Up to 40% of all other loans may be converted to a bursary based on academic performance. Certain funding categories provide 100% bursaries for university students.
- \*\*\* Bursaries awarded to TVET College students less credit balances due to NSFAS.
- \*\*\*\* This is not an indication of the graduation rate for NSFAS beneficiaries, but of the number of courses/modules passed.

## 2. GOING CONCERN

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

# REPORT OF THE BOARD MEMBERS

## 3. BOARD

**The members of the entity during the year and up to the date of this report are as follows:**

Prof. Themba Mosia (Acting Chairperson)	Appointed 24 June 2011, Acting 27 January 2015
Brown, Tim (Dr.)	Co opted 1 March 2013
Daca, Msulwa (Executive Officer)	Appointed 1 February 2013
de Bruyn, Julia	Appointed 1 August 2013
Dorrington, Rob (Prof.)	Appointed 24 June 2011
Johnstone, Nathan	Re appointed 29 April 2013
Masinga, Sibongile	Appointed 24 June 2011
Mathonsi, Dumisani	Appointed 24 June 2011
Mohajane, Kelebogile	Appointed 24 June 2011
Moloja, Thabo	Appointed 29 April 2013
Ndhlovu, Ntombizodwa	Appointed 24 June 2011
Pillay, Yershen	Appointed 29 April 2013
Siyengo, Zozo	Appointed 24 June 2011
Smith, Stephen	Co opted 15 December 2010 - Resigned 31 July 2014
Sogayise, Zamayedwa	Appointed 15 December 2010 - term ended 15 December 2014
Whittle, Pearl	Appointed 1 November 2013

## 4. CORPORATE GOVERNANCE

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

In order to ensure the effective exercise of its functions in terms of the Act, the Board has established committees comprising Board members as well as co opted experts who are not members of the Board, where required. The Executive Committee and Finance Committee are established in terms of NSFAS Act as amended. The Audit and Risk Committee is established in terms of the Public Finance Management Act, as amended. The Board has also established the Human Resources and Remuneration Committee and the Information and Communication Technology Committee. Meetings of Board committees are held in accordance with approved terms of reference.

# REPORT OF THE BOARD MEMBERS

## 5. BOARD EXPENSES, EXECUTIVE AND SENIOR MANAGERS' EMOLUMENTS

Figures in rand thousand						
	Salary or Fee Retirement	Retirement fund contributions	Medical aid	Other	Total package 2015	Total package 2014
<b>Board expenses</b>						
Meeting fees	525	-	-	-	525	614
Travel & accommodation	-	-	-	767	767	598
Exit strategy	-	-	-	-	-	130
	<b>525</b>	<b>-</b>	<b>-</b>	<b>767</b>	<b>1,292</b>	<b>1,342</b>
<b>Executive Managers</b>						
Executive Officer	1,696	46	28	128	1,898	1,637
Chief Financial Officer*	-	-	-	-	-	773
Chief Financial Officer**	1,467	-	12	18	1,497	613
Chief Information Officer**	879	116	39	221	1,255	1,099
Chief Operation Officer	1,158	-	48	129	1,335	-
	<b>5,200</b>	<b>162</b>	<b>127</b>	<b>496</b>	<b>5,985</b>	<b>4,122</b>
<b>Senior Managers****</b>						
Manager: Loans and Bursaries	-	-	-	-	-	795
Manager: Human Resources	-	-	-	-	-	301
General Manager: Corporate Services***	888	17	45	81	1,031	557
Manager: Performance	573	86	27	149	835	446
	<b>1,461</b>	<b>103</b>	<b>72</b>	<b>230</b>	<b>1,866</b>	<b>2,099</b>

\* Eugene Johannes: Acting 1 February 2013 - 30 November 2013

\*\* Lerato Nage: Appointed 1 December 2013

\*\*\* Charles Raphoto: Appointed 1 September 2013

\*\*\*\* These are Senior Managers who report directly to the Executive Officer.

# REPORT OF THE BOARD MEMBERS

## 6. EFFECTIVENESS OF INTERNAL CONTROLS

Based on the results of the formally documented review of the entity's system of internal financial controls conducted by the internal audit function during the 2014/2015 financial year-end, the Audit and Risk Committee's consideration of information and explanations provided by management, the Board is of the opinion that the entity's system of internal controls forms a sound basis for the preparation of reliable financial statements. The Board's opinion is supported by the Audit and Risk Committee.

## 7. NATURE OF ACTIVITIES

NSFAS is mandated to provide financial assistance in the form of loans and bursaries to eligible students at public higher education institutions.

Eligible students are those who do not have the financial means to fund their studies and/or cannot access commercial bank funding, study loans or bursaries. NSFAS also disburses bursaries to students at Technical and Vocational Education and Training (TVET) colleges. The activities include administration of student loans and bursaries and the recovery of loans from students once they are employed and earning in excess of R30,000 per annum. Up to 40% of a student loan awarded in a particular year can be converted into a bursary dependent upon the number of courses a student passes in that year. From the 2011 academic year, students who qualify for DHET Final Year Programme funding have 100% of their loan converted to a bursary where the requirements for graduation have been met.

Student loans and bursaries are granted to individual students after an application has been submitted to NSFAS by the university at which the student is registered. In the prior year 11 institutions were on boarded into the new student centred model where the students applied directly to NSFAS for funding no additional institutions were added during the year under review. The repayment of student loans is dependent upon the employment and income level of the debtor. For the year under review, the NSFAS interest rate on student loans was pegged at 80% of the South African Reserve Bank Repurchase Rate, as at 1 April 2014, and was fixed for the year at 4.4%. This is consistent with the way in which the interest rate was determined in the prior year. The rate in which interest is charged on student loans and non market repayment terms contributes to the material losses recorded as impairment losses and social benefit component on the valuation of the loan book.

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

**4.4%**  
interest rate on  
student loans

**80%** of the  
South African  
Reserve Bank  
Repurchase Rate

# REPORT OF THE BOARD MEMBERS

## 8. ASSUMPTION SET USED IN THE LOAN VALUATION MODEL

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

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

### **ASSUMPTION SETTING HISTORY:**

31 March 2011: The original assumption setting exercise was undertaken for the valuation of the NSFAS loan book for the financial year ended 31 March 2011 using source data from 1991 as at 31 December 2010.

31 March 2012: The assumption set was updated in 2012, once again using source data from 1991 but with an additional year of data up to 31 December 2011. The new assumptions were informed by improvements in the quality of the NSFAS data, the passage of time and the announcement of a new interest policy in May 2011 by the Minister of Higher Education and Training.

31 March 2013: The assumptions were kept the same as the 2012 year.

31 March 2014: A new assumption setting exercise was undertaken for the 31 March 2014 valuation to take account of more recent loan data history and the passage of time. The exercise was informed by the following Management considerations and decisions relating to differences to the prior valuation practice:

- The data set for the assumption setting exercise would be based on loan data as at 30 September 2014.
- All loans issued before 1999 were excluded from the analysis to maintain a balance between the relevance and quantity of data used in the assumption setting process. The 1999 date was chosen, in part, as the NSFAS Act came into effect in 1999 and data before this time reflect the predecessor organisations policies and practices.

31 March 2015: In 2015 NSFAS applied the 2014 assumptions for the transition from student to exit (as these are relatively stable) and the profile of payments once payment has commenced (since current experience shows a reasonable alignment with the 'payer model' projections). For the transition from exit to commencing payment allowance was made for the fact that recent experience has shown that collections have been poor. In assessing and revising the assumptions it was considered appropriate to place a greater degree of weight on the more recent experience rather than on the older experience. This change caused a significant reduction in the assumed commencement of new repayments, being the transition from exiting studies to commencing payment. This change reflects both the relatively low level of conversions to repaying status achieved by NSFAS and the high levels of indebtedness in the South African economy which is also impacting on collection experience.

# REPORT OF THE BOARD MEMBERS

The impact of the revision of the cash flow expectations as a result of the changes in the assumptions for the transition from exit to commencing payment has resulted in a material reduction in the value of the loan book. In order to achieve the required repayments cash flows, the Board has required Management to develop and implement a strategy to improve the recovery of debt. The Board has set a target for the collection of loan repayments to match the valuation model projects within a period of five years. This will require annual collections targets supported by a detailed plan of action, including a public communications campaign and a resourcing plan to ensure that the annual targets are achieved. Initiatives already underway include engagement with employers, identified with the assistance of the South African Revenue Service, to assist with providing access to the individual debtors in order to obtain positive consent for payroll deductions. This exercise has included engaging with provincial government departments as well as public entities and private sector employers. In the latter part of the financial year the effort to improve recoveries has been intensified with dedicated resourcing having been identified as a critical requirement for success. The strategy to increase recoveries is an important component of the strategy to increase the funds available to assist the growing number of students who require and are eligible for NSFAS funding.

Some technical adjustments were also made to the assumption calculations to reflect a more appropriate treatment of the exit dates and the exclusion of loans from before 1999 in the calculations.

## 9. PRIOR PERIOD ERROR

The new loans and bursaries management system taken into operation in October 2013 required a change in the manner in which certain transactions are recorded in terms of a different chart of accounts structure. During the year under review it was found that certain accounts had been classified incorrectly in the prior year financial statements. These accounts have been correctly classified in the current year and the impact of the prior year error has been reported in note 2.

## 10. IRRECOVERABLE DEBTS WRITTEN OFF

For the financial year under review, the entity's debtor loan book was matched to the database of the Department of Home Affairs. A total of 11,700 debtors were identified as being deceased, in respect of whom the entity had not received notification of death since its establishment in 1999. The nominal value of the loans in respect of these deceased debtors is included the R285,610,889 disclosed in note 18. The entity's policy in respect of irrecoverable debts in respect of deceased debtors will be amended to provide for the writing off thereof on notification as well as the identification and confirmation of the death of a debtor.

# REPORT OF THE BOARD MEMBERS

## 11. CONTINGENT LIABILITY FOR STUDENT LOANS AND BURSARIES

The entity implemented the new student centred operating model in four universities and five Technical and Vocational Education and Training colleges for the 2014 academic year. The new model made it possible for students registered at these institutions to apply directly to NSFAS for loans and bursaries rather than through the respective institutions. Students who were eligible had loans and bursaries approved for the duration of their studies, subject to their meeting the promotion requirements, rather than being required to reapply for funding for each subsequent academic year. This contractual commitment by the entity to fund students at the 'pilot institutions' for the duration of their studies has resulted in a contingent liability of R2,863,155,920 being disclosed in note 28 as the future obligation in respect of these students.

## 12. STUDENT AWARDS AND REPAYMENTS

	Academic years					
	2014		2013		To Date	
	Rand value	Number of students <sup>^</sup>	Rand value	Number of students <sup>^</sup>	Rand value	Number of students <sup>^</sup>
<b>Student awards by institution category</b>						
Universities	6,969,940,822	186,150	6,729,069,970	194,923	42,581,040,662	1,359,434
TVET colleges	1,991,487,809	228,642	1,953,253,361	220,978	7,785,087,366	841,013
Other institutions*	1,041,602	10	19,082,247	464	141,611,314	386,970
	<b>8,962,470,233</b>	<b>414,802</b>	<b>8,701,405,578</b>	<b>416,365</b>	<b>50,507,739,342</b>	<b>2,587,417</b>

Repayments	Financial Years		
	2015	2014	1992 - 2015
Loan recoveries**	261,213,101	372,326,300	5,540,783,923
Less Credit Balances***	(13,650,617)	(33,505,687)	(917,593,789)
	<b>247,562,484</b>	<b>338,820,613</b>	<b>4,623,190,134</b>

Since its inception in 1991, the entity has awarded approximately R50,507,739,342 to students (2014: R41,545,269,109) in loans and bursaries. For the year under review, NSFAS assisted 414,699 students with 520,256 awards. Loan repayments, excluding donor settlements and credit balances on fee accounts, were at a monthly average of R20.6 million (2014: R29 million).

# REPORT OF THE BOARD MEMBERS

\* These are awards designated by certain funders for students/learners at specific agricultural colleges and/or schools, the National Institute for Higher Education, and other colleges.

\*\* Loan recoveries includes an amount of R6,463,394 from Wholesale and Retail SETA paid on behalf of debtors to reduce their accounts.

Recoveries from debtors have decreased from R372,326,300 in 2013/2014 to R261,213,101 in the year under review. Actual recoveries are significantly below the budgeted R467,000,000 and the collections projected by the valuation model for the loan book. The lower than expected recoveries can be attributed in part to the following factors:

- a) Due to the accrual of interest in the loan management system being done on the simple, rather than the compound basis, a recalculation of interest is done on an annual basis and debtor statements are only provided once a year as opposed to quarterly.
- b) The quality of debtor contact data held by the entity is poor due to debtors not updating their contact and employment details as required by the NSFAS Act. This results in a significant proportion of debtor statements being returned when these are issued and mailed.

Individual debtors are required to give positive consent for payroll deductions following the repeal of Section 23 of the NSFAS Act which enabled the entity to instruct employers to effect payroll deductions without the consent of the debtor. The poor quality of debtor contact details referred to above has resulted in the entity not being able to contact debtors to obtain consent for payroll deductions. However, in the limited number of instances where the debtor has been contactable more than 99% have consented to payroll deductions. The impact of the above factors is the entity has not been able to replace repaying debtors whose loans have been fully repaid with new repayments on loans that are due and payable.

- c) The strategy to improve recoveries includes an exercise to enhance the quality of debtor contact information by matching NSFAS debtor identity numbers against the database of the South African Revenue Service as provided for by the NSFAS Act.

\*\*\* Credit balances on student fee accounts returned by institutions are applied to reduce the original loan capital.

# REPORT OF THE BOARD MEMBERS

<b>Academic Years</b>				
	<b>2014</b>		<b>2013</b>	
	<b>Rand value</b>	<b>Number of students<sup>^</sup></b>	<b>Rand value</b>	<b>Number of students<sup>^</sup></b>
<b>Department of Higher Education and Training</b>				
General Allocation*	3,132,075,350	97,826	3,083,939,189	106,554
Final year programme	907,072,219	21,612	1,105,386,261	26,814
Teacher allocation	110,997,986	4,093	103,585,177	3,377
Students with disabilities	54,376,180	1,135	65,456,923	1,558
National Skills Fund	799,117,520	24,925	803,002,081	29,093
SAICA partnership - Thuthuka Fund	40,694,871	875	37,169,069	849
TVET Bursaries	1,989,710,939	228,495	1,933,998,430	219,974
<b>Department of Basic Education</b>				
Funza Lushaka teacher bursaries	941,201,654	14,328	890,104,296	14,473
Sector Education and Training Authorities	278,805,273	7,244	140,977,886	4,186
Other funding categories**	708,418,241	24,824	537,786,265	28,022
	<b>8,962,470,233</b>	<b>425,357</b>	<b>8,701,405,577</b>	<b>434,900</b>

<sup>^</sup> The difference between the number of students awards by institution and by funder is due to the fact students may be funded from more than one funder category.

\* The decrease in students funded is a result of percentage increases in both student fees and average awards provided by NSFAS compare to the percentage increase in annual appropriation provided to NSFAS.

\*\* Other funding categories include funds from Eastern Cape Provincial Government, KwaZulu Natal Provincial Government, private donors and institution recovered monies.

# STATEMENT OF FINANCIAL POSITION

Amounts in Rand thousand	Note(s)	2015	2014 Restated
<b>Assets</b>			
<b>Current Assets</b>			
Trade and other receivables (non-exchange)	5	60,267	5,480
Prepayments to institutions (exchange)	6	1,052,555	649,061
Student loans (exchange) short-term	7	457,856	580,311
Amounts owing by institutions (exchange) short-term	8	122,162	190,215
Cash and cash equivalents	9	1,535,853	1,842,415
		<b>3,228,693</b>	<b>3,267,482</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	3	11,332	13,484
Intangible assets	4	26,967	48,698
Student loans (exchange) - long term	7	5,652,366	6,862,450
Amounts owing by institutions (exchange) - long term	8	60,639	58,390
		<b>5,751,304</b>	<b>6,983,022</b>
<b>Total Assets</b>		<b>8,979,997</b>	<b>10,250,504</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables (exchange transactions)	13	58,978	55,890
Provisions	10	65,041	64,510
Amounts due to institutions (non-exchange)	11	215,733	256,540
Deferred income	12	1,265,016	1,400,805
		<b>1,604,768</b>	<b>1,777,745</b>
<b>Total Liabilities</b>		<b>1,604,768</b>	<b>1,777,745</b>
<b>Net Assets</b>		<b>7,375,229</b>	<b>8,472,759</b>
<b>Net Assets</b>			
Capital fund		7,375,229	8,472,759
<b>Total Net Assets</b>		<b>7,375,229</b>	<b>8,472,759</b>

# STATEMENT OF FINANCIAL PERFORMANCE

Amounts in Rand thousand	Note(s)	2015	2014 Restated
<b>Revenue</b>			
Administration fees (exchange)	14	16,155	14,856
Administration grants (non-exchange)	14	116,200	87,676
Grants received for student awards (non-exchange)	15	8,765,174	7,911,873
Interest revenue (exchange)	23	852,617	655,457
Commission Revenue - SBux (exchange)	24	2,625	284
Unallocated debtors receipts (non-exchange)	22	13	24
Other income (exchange)		17	-
<b>Total revenue</b>		<b>9,752,801</b>	<b>8,670,170</b>
<b>Expenditure</b>			
Personnel costs	16	(82,288)	(65,862)
Asset management fees	17	-	(72)
Depreciation and amortisation	3 & 4	(26,711)	(30,810)
Irrecoverable debts written-off	18	(285,660)	(13,278)
New credits - provisions	10	-	(4,437)
Bursaries - Other funding sources		(4,157,238)	(3,732,462)
Bursaries - TVET Colleges funding source		(1,959,466)	(1,947,570)
General Expenses		(30,768)	(34,269)
Consulting and professional fees	25	(18,958)	(5,827)
Broader communications strategy		(2,254)	(1,711)
Postage and courier services		(47)	(135)
Audit fees	19	(7,946)	(9,911)
<b>Total Operational expenditure</b>		<b>(6,571,336)</b>	<b>(5,846,344)</b>
Social benefit component on student loans issued	7	(1,430,567)	(1,661,764)
Impairment loss	7 & 31	(597,511)	(346,941)
Model adjustments	7 & 31	(2,240,258)	(16,656)
Realised gain on funds invested		-	16
Fair value gain on investments		-	679
Impairment loss - Amounts owing by institutions (exchange) - long term	38	(10,659)	-
<b>Other losses</b>		<b>(4,278,995)</b>	<b>(2,024,666)</b>
<b>(Deficit)/surplus for the year</b>	<b>37</b>	<b>(1,097,530)</b>	<b>799,160</b>

# STATEMENT OF CHANGES IN NET ASSETS

Amounts in Rand thousand	Capital Fund	Total reserves	Accumulated surplus/(deficit)	Total net assets
<b>Balance at 01 April 2013</b>	7,681,985	7,681,985	-	7,681,985
Surplus for the year	-	-	799,160	799,160
Transfer to Capital Fund	799,160	799,160	(799,160)	-
Prior period error correction (refer to note 2)	(8,386)	(8,386)	-	(8,386)
<b>Total changes</b>	<b>790,774</b>	<b>790,774</b>	<b>-</b>	<b>790,774</b>
<b>Balance at 01 April 2014 as restated</b>	<b>8,472,759</b>	<b>8,472,759</b>	<b>-</b>	<b>8,472,759</b>
Deficit for the year	-	-	(1,097,530)	(1,097,530)
Transfer to Capital Fund	(1,097,530)	(1,097,530)	1,097,530	-
<b>Total changes</b>	<b>(1,097,530)</b>	<b>(1,097,530)</b>	<b>-</b>	<b>(1,097,530)</b>
<b>Balance at 31 March 2015</b>	<b>7,375,229</b>	<b>7,375,229</b>	<b>-</b>	<b>7,375,229</b>
Note(s)	37			

# STATEMENT OF CASH FLOWS

Amounts in Rand thousand	Note(s)	2015	Restated 2014
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants for capital fund and administration costs		8,764,382	9,166,631
Student loan repayments - capital		529,530	348,869
Amounts due from institutions received		-	121,586
Amounts (owing by)/due to institutions (paid to)/received		(40,807)	253,260
		<b>9,253,105</b>	<b>9,890,346</b>
<b>Payments</b>			
For student awards		(8,943,681)	(8,629,245)
To employees and suppliers		(479,620)	(112,442)
Amounts due to institutions paid		(348,349)	-
		<b>(9,771,650)</b>	<b>(8,741,687)</b>
<b>Net cash (outflow)/inflow from operating activities</b>	20	<b>(518,545)</b>	<b>(1,148,659)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment - Normal Operations	3	(2,643)	(3,025)
Purchase of property, plant and equipment - Growth Transformation	3	-	(6,756)
Purchase of other intangible assets - Normal Operations	4	(185)	(2,303)
Purchase of other intangible assets - Growth Transformation	4	-	(57,233)
Movement in financial assets		-	187,105
Interest income		214,811	142,360
<b>Net cash flows from investing activities</b>		<b>211,983</b>	<b>260,148</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(306,562)</b>	<b>1,408,807</b>
Cash and cash equivalents at the beginning of the year		1,842,415	433,608
<b>Cash and cash equivalents at the end of the year</b>	9	<b>1,535,853</b>	<b>1,842,415</b>

# STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

<b>Budget on Accrual Basis</b>						
<b>Amounts in Rand thousand</b>	<b>Approved budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual amounts on comparable basis</b>	<b>Difference between final budget and actual</b>	<b>Reference</b>
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
Administration fees (exchange)	-	27,634	27,634	16,155	(11,479)	35.1
Administration grants (non-exchange)	125,493	923	126,416	116,200	(10,216)	35.2
Grants received for student awards (non-exchange)	8,375,767	-	8,375,767	8,765,174	389,407	
Interest revenue (exchange)	-	-	-	852,617	852,617	35.8
Commission Revenue - SBux (exchange)	-	-	-	2,625	2,625	35.8
Unallocated debtors receipts (non-exchange)	-	-	-	13	13	35.8
Other income (exchange)	-	-	-	17	17	35.8
<b>Total revenue</b>	<b>8,501,260</b>	<b>28,557</b>	<b>8,529,817</b>	<b>9,752,801</b>	<b>1,222,984</b>	
<b>Expenditure</b>						
Personnel costs	(78,920)	(2,500)	(81,420)	(82,288)	(868)	
Depreciation and amortisation	(7,135)	-	(7,135)	(26,711)	(19,576)	35.3
Irrecoverable debts written off	-	-	-	(285,660)	(285,660)	35.8
Bursaries - Other funding sources	(4,545,418)	(410,935)	(4,956,353)	(4,157,238)	799,115	35.4
Bursaries - TVET colleges funding source	(2,111,699)	-	(2,111,699)	(1,959,466)	152,233	
General Expenses	(41,939)	6,024	(35,915)	(30,768)	5,147	
Consulting and professional fees	(14,387)	(4,950)	(19,337)	(18,958)	379	
Broader communication strategy	(2,942)	(657)	(3,599)	(2,254)	1,345	35.5
Postage	(525)	160	(365)	(47)	318	35.6
Audit fees	(7,778)	1,000	(6,778)	(7,946)	(1,168)	35.7
<b>Total expenditure</b>	<b>(6,810,743)</b>	<b>(411,858)</b>	<b>(7,222,601)</b>	<b>(6,571,336)</b>	<b>651,265</b>	
<b>Surplus</b>	1,690,517	(383,301)	1,307,216	3,181,465	1,874,249	
Social benefit component on student loans issued	-	-	-	(1,430,567)	(1,430,567)	35.8
Impairment loss	-	-	-	(597,511)	(597,511)	35.8
Model adjustments	-	-	-	(2,240,258)	(2,240,258)	35.8
Impairment loss - Amounts owing by institutions (exchange) - long term	-	-	-	(10,659)	(10,659)	35.8
	-	-	-	<b>(4,278,995)</b>	<b>(4,278,995)</b>	
<b>(Deficit) / Surplus for the year</b>	<b>1,690,517</b>	<b>(383,301)</b>	<b>1,307,216</b>	<b>(1,097,530)</b>	<b>(2,404,746)</b>	

# ACCOUNTING POLICIES

## 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The National Financial Student Aid Scheme is a statutory body established by the National Student Financial Aid Scheme Act (No. 56 of 1999) as amended, and a Schedule 3A public entity in terms of the Public Finance Management Act (No. 1 of 1999) as amended.

### 1.1 BASIS OF ACCOUNTING

#### BASIS OF PREPARATION

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

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention except for financial instruments measured at fair value unless specified otherwise. They are presented in South African Rand, which is the functional currency of the entity, and prepared on a going concern basis.

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

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

The cash flow statement has been prepared in accordance with the direct method. The amount and nature of any restrictions on cash balances are disclosed.

#### COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where the accounting errors have been identified in the current year, the correction is made retrospectively as far as

is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### GRAP STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

##### **GRAP 18** Segment Reporting

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

# ACCOUNTING POLICIES

## **GRAP 20** Related Party Disclosure

The objective of this Standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. Preliminary investigations indicate that the impact on the financial statements will be minimal.

## **GRAP 32** Service Concession Arrangements: Grantor

This Standard is to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

No significant impact is expected as the entity does not participate in such business transactions.

## **GRAP 105** Transfer of Functions Between Entities Under Common Control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. No significant impact is expected as the entity does not participate in such business transactions.

## **GRAP 106** Transfer of Functions Between Entities Not Under Common Control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. No significant impact is expected as the entity does not participate in such business transactions.

## **GRAP 107** Mergers

The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger. No significant impact is expected as the entity does not participate in such business transactions.

## **GRAP 108** Statutory Receivables

This Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. Preliminary investigations indicate that the impact on the financial statements will be minimal.

## **ADOPTION OF NEW AND REVISED STANDARD(S)**

In the current year the Entity has adopted all new and revised standards and interpretations issued by the Accounting Standards Board (ASB) that are relevant to its operations, and effective. The adoption of these new and revised standards and interpretations has resulted in changes to the accounting policies.

Two revised standards have become effective for the period ended 1 April 2014 and is presented below:

Annual period commencing on or after 1 April 2014

**GRAP 5** Borrowing Costs (as revised in 2013)

**GRAP 100** Discontinued Operations (as revised in 2013)

# ACCOUNTING POLICIES

## 1.2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

### INITIAL RECOGNITION OF STUDENT LOANS AT FAIR VALUE

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

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

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

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

NSFAS loans have no fixed repayment terms and the debt is only due and payable one year after exit from the higher education system and, if the student has become employed and is earning more than R30,000 per annum. Prescription on NSFAS loans is only deemed to start when these specific conditions have been met and the debtor has informed NSFAS of this fact.

The following parameters have been applied effective 1999:

- Transition from being a registered student to graduation or exit does not exceed 10 years
- Period to first repayment is based on a 15 year analysis of commencement of repayment by students.
- Graduates and students who exited for other reasons are assessed independently
- The cash flow or repayment profile is calculated as a percentage of the outstanding balance at each month
- The interest rate used to discount the projected cash flows is referenced to long term government bond yields as a proxy for the risk free rate.
- The mortality of borrowers has been included in forecasting the cash flow profile of the loans.
- Assumptions regarding future mortality experience in South Africa are set, based on published South African actuarial information.
- Although the entity does write off loans in the event of permanent disability and death, this has not been included in the model as the impact is not considered material.
- The contingency relating to the awarding of the student loans for a full qualification of study rather than on an academic year basis.

# ACCOUNTING POLICIES

## DEFERRED INCOME

The entity has a number of fund administration agreements with donors. The entity believes that the transferor could enforce a requirement to return the asset or unspent monies in the event that the funds are not used for the intended purposes. The entity also believes that the transferor would enforce the stipulation in the agreements in the event of a breach. The stipulations in the agreement therefore meet the definition of a condition.

## CONTINGENT LIABILITIES

The entity has a number of fund administration agreements with donors which include the under mentioned clause:

*“The entity will retain all funds recovered from all institution borrowers from time to time, in order to re-lend these funds to further institution borrowers selected by the institution from time to time in the manner contemplated in the agreement, or to refund the funds to the institution at the request of the institution.”*

The entity believes that the recovered funds should as a result of the above clause be treated as a contingent liability.

## BUDGET INFORMATION

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

## STUDENT LOANS IMPAIRMENT

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

The entity writes-off certain loans when they are deemed to be uncollectible.

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

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

# ACCOUNTING POLICIES

## DEPRECIATION

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where appropriate, the term of the relevant lease, and are recognised in the Statement of Financial Performance.

## AMORTISATION

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

## 1.3 PROPERTY, PLANT AND EQUIPMENT

### INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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

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

Property, plant and equipment is initially measured at cost or at fair value where acquired at no or nominal cost.

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

### INITIAL MEASUREMENT

Property, plant and equipment is initially measured at cost at the acquisition date.

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

and restoring the site on which it is located. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is de-recognised.

Where an asset is acquired through a

non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

# ACCOUNTING POLICIES

## **SUBSEQUENT MEASUREMENT – COST MODEL**

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

## **DEPRECIATION**

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

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

<b>Item</b>	<b>Average useful life</b>
Land	Indefinite
Buildings	50 years
Furniture and equipment	5 years
Motor vehicles	5 Years
IT equipment	3 Years

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

## **IMPAIRMENT**

All NSFAS's items of property, plant and equipment are considered to be non-cash generating assets as no commercial return is generated from these assets.

The carrying amounts of assets are reviewed at each reporting date to determine whether there is an indication of impairment. If there is an indication that an asset may be impaired, its recoverable service amount is estimated. The estimated recoverable service amount is the higher of the asset's fair value less cost to sell and its value in use. When the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. The reduction is an impairment loss.

The value in use is determined through depreciated replacement cost, restoration cost approach or service units approach. The decision to the approach to use is dependent on the nature of the identified impairment. The impairment loss is recognised immediately in the Statement of Financial Performance. After the recognition of an impairment loss, the depreciation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value if any, on a systematic basis over its remaining useful life.

# ACCOUNTING POLICIES

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss and is recognised in the Statement of Financial Performance. The increased carrying amount attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in the prior periods.

## DE-RECOGNITION

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

The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in surplus or deficit when the item is de-recognised. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

## 1.4 INTANGIBLE ASSETS

### INITIAL RECOGNITION

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights or other legal rights, regardless of whether those rights are transferable or separate from the entity or from other rights and obligations.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

### SUBSEQUENT MEASUREMENT

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

# ACCOUNTING POLICIES

## AMORTISATION

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

Item	Useful life
Computer software, internally generated	3 Years
Computer software, other	3 years

Intangible assets are considered to have finite useful lives. The depreciable amount of an intangible asset with a finite useful life is allocated on a systematic basis over its useful life. Amortisation begins when the asset is available for use and ceases at the earlier of the date on which the asset is classified as held for sale, or included in a disposal group that is classified as held for sale, and the date on which the asset is de-recognised.

## COMPUTER SOFTWARE

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

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

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

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

## IMPAIRMENT

The Phoenix loan and bursaries management system is considered to be a cash generating asset as a commercial return is expected from the use thereof. All other items of intangible assets are considered to be non-cash generating assets as no commercial return is expected from these.

# ACCOUNTING POLICIES

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

## **DE-RECOGNITION**

Intangible assets are de-recognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **1.5 FINANCIAL INSTRUMENTS**

### **CLASSIFICATION**

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

- Financial assets measured at amortised cost
- Fair value financial assets
- Financial liabilities measured at amortised cost

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

### **(I) NON-DERIVATIVE FINANCIAL ASSETS**

The entity initially recognises financial assets on the trade date, which is the date on which the entity becomes a party to the contractual provisions of the instrument.

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

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

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

# ACCOUNTING POLICIES

## **FINANCIAL ASSETS MEASURED AT AMORTISED COST**

Financial assets comprise cash and cash equivalents and trade and other receivables.

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

Financial assets are non-derivative financial assets with fixed or determinable payments, excluding those that the entity designates at fair value on initial recognition, or are held for trading that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition financial assets are measured at amortised cost using the effective interest rate method, less any impairment.

Cash and cash equivalents comprise cash on hand and demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially measured at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost. Fixed deposits that mature within three months after reporting date are recognised as cash equivalents.

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

## **INVESTMENTS**

Investments are designated at fair value and are initially recognised at fair value with transaction costs directly attributable to the acquisition being expensed.

Subsequent to initial recognition, all changes to fair value are recognised through the Statement of Financial Performance..

## **(II) NON-DERIVATIVE FINANCIAL LIABILITIES**

Financial liabilities are recognised initially on the trade date at which the entity becomes a party to the contractual provisions of the instrument.

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

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

Fair value, which is determined, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

# ACCOUNTING POLICIES

## **TRADE AND OTHER PAYABLES**

Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

## **FINANCE INCOME AND COSTS**

Finance income comprises interest on funds invested and interest income on financial instruments measured at amortised cost.

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

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

## **IMPAIRMENT OF FINANCIAL ASSETS**

At each reporting date the entity assesses whether there is objective evidence that financial assets not carried at fair value are impaired. A financial asset or a group of financial assets is/are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

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

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

The entity writes-off certain loans when they are deemed to be uncollectible.

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

# ACCOUNTING POLICIES

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

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

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

## STUDENT LOANS

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

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

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

A model has been developed for, and in consultation with, the entity by actuaries. The model estimates the fair value at initial recognition as well as the ongoing

amortised cost by estimating a cash flow profile for broadly homogenous groups of loans. The student loans are separated into smaller groups with similar characteristics such as age of loan, loan number and the gender and age of the borrower. The fair value of these homogenous groups is calculated individually and then combined to calculate the aggregated value of the portfolio.

The key assumption parameters used in the discounting model are listed in the use of estimates and judgement note 1.2 above.

## SOCIAL BENEFIT COMPONENT OF STUDENT LOANS

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

# ACCOUNTING POLICIES

## 1.6 LEASES

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

### OPERATING LEASES - LESSEE

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

## 1.7 IMPAIRMENT OF CASH-GENERATING ASSETS

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return.

When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

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

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

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

Depreciation/Amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the entity.

Criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets are as follow:

# ACCOUNTING POLICIES

## 1.8 EMPLOYEE BENEFITS

### SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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

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

### DEFINED CONTRIBUTION PLANS

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

## 1.9 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 28.

## 1.10 REVENUE

Revenue consists of conditional grants received for student loans and bursaries, administration grants and fees, Sbus commission, interest on student loans, irrecoverable debts recovered and interest on investments.

# ACCOUNTING POLICIES

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

Exchange transactions are defined as transactions where the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to the other entity in exchange. Revenue from interest received on student loans and interest on investments is considered to be revenue from exchange transactions.

## **DEFERRED INCOME**

Conditional grants are classified as deferred income until such time as the conditions attached to the grant are met. Once the conditions have been met the liability is transferred to revenue.

## **GRANTS, TRANSFERS AND DONATIONS RECEIVED**

Unconditional grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

## **IRRECOVERABLE DEBTS RECOVERED**

Amounts received after student loans have been written-off as irrecoverable debts are recorded as irrecoverable debt recovered.

## **FINANCE COSTS**

Finance income comprises interest on funds invested and interest income on financial instruments measured at amortised cost.

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

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

## **1.11 TRANSLATION OF FOREIGN CURRENCIES**

### **FOREIGN CURRENCY TRANSACTIONS**

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

# ACCOUNTING POLICIES

## 1.12 PREPAYMENTS

Payments are made to institutions during January, February and March of each year for initial student registration fees. For the 2015 academic year, institutions were able to claim up to 30% of their annual NSFAS allocations as prepayments as approved by the NSFAS Board.

The academic year for institutions runs from 1 January to 31 December and is therefore different to the NSFAS financial reporting year which runs from 1 April to 31 March. Prepayments made to institutions during the financial reporting period 1 January to 31 March for the following academic year are initially recognised as prepayments at the end of the reporting period.

At the beginning of the subsequent reporting period, the prepayments to institutions are reclassified as amounts owing by institutions until awards are made to students against these amounts.

## 1.13 BUDGET INFORMATION

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

The preparation of budget information which is performed on an accrual basis is the same as the accounting records.

## 1.14 RELATED PARTIES

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

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. All individuals at the level of Executive Officer and Executive Managers are regarded as key management per the definition of the financial reporting standard.

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

Related party disclosures are provided in respect of transactions and balances with identified related parties, other than transactions that would occur within a normal supplier or client/recipient relationship, on terms and conditions no more or less favourable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances.

# ACCOUNTING POLICIES

## 1.15 RESERVES

### CAPITAL FUND RESERVE

The reserve comprises accumulated surpluses

## 1.16 IMPAIRMENT OF CASH AND NON-CASH GENERATING ASSETS

Cash generating assets are those assets held by the entity with the primary objective of generating a commercial return. Non-cash generating assets are assets other than cash generating assets.

At the end of each reporting period, carrying amounts of cash generating and non-cash generating assets are reviewed to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount or recoverable service amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual cash generating asset, the Entity estimates the recoverable amount of the cash generating unit to which the asset belongs. Cash generating units shall be identified consistently from period to period for the same asset or types of assets, unless a change is justified.

Intangible assets with indefinite useful lives as well as intangible assets not yet available for use are tested for impairment annually at the same time every year, as well as whenever there is an indication that the asset may be impaired. The recoverable amount of a cash generating asset is the higher of fair value less cost to sell and value in use. The value in use is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount or recoverable service amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## 1.17 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Public Finance Management Act (Act No. 1 of 1999 as amended) or is in contravention of the Entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2015	2014 (Restated)
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## 2. PRIOR PERIOD ERROR

### Correction of reclassification error:

In the current period it was identified that various accounts were classified incorrectly and as a result the comparative figures have been restated. There is no impact on the Statement of Financial Performance. Presented below are those Statement of Financial Position items which have been affected by the prior year reclassification adjustments:

The preparation of budget information which is performed on an accrual basis is the same as the accounting records.

(in Rand thousands)	As previously reported	Correction of errors	Restated
<b>2014 Statement of Financial Position</b>			
Trade and other receivables (non-exchange)	25,674	(20,194)	5,480
Amounts owing by institutions (exchange)	191,877	(1,662)	190,215
Student Loans (exchange) - long term	6,864,178	(1,728)	6,862,450
Trade and other payables (exchange)	(27,585)	(28,305)	(55,890)
Amounts due to institutions (non-exchange)	(300,042)	43,502	(256,540)
Capital fund	(8,481,145)	8,386	(8,472,759)

## 3. PROPERTY, PLANT AND EQUIPMENT

	2015			2014		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land*	770	-	770	770	-	770
Buildings	4,047	(901)	3,146	4,047	(820)	3,227
Furniture and fixtures	4,585	(3,451)	1,134	4,288	(2,943)	1,345
Motor vehicles	119	(119)	-	119	(119)	-
IT equipment	19,358	(13,076)	6,282	17,011	(8,869)	8,142
<b>Total</b>	<b>28,879</b>	<b>(17,547)</b>	<b>11,332</b>	<b>26,235</b>	<b>(12,751)</b>	<b>13,484</b>

### RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2015

	Opening balance	Additions	Depreciation	Total
Land*	770	-	-	770
Buildings	3,227	-	(81)	3,146
Furniture and fixtures	1,345	296	(507)	1,134
IT equipment	8,142	2,347	(4,207)	6,282
	<b>13,484</b>	<b>2,643</b>	<b>(4,795)</b>	<b>11,332</b>

### RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2014

	Openin balance	Additions	Depreciation	Total
Land*	770	-	-	770
Buildings	3,308	-	(81)	3,227
Furniture and fixtures	1,393	443	(491)	1,345
IT equipment	2,653	9,338	(3,849)	8,142
	<b>8,124</b>	<b>9,781</b>	<b>(4,421)</b>	<b>13,484</b>

\* Depreciation is calculated on buildings only. Land and buildings comprise erf numbers 66447, 66458, 66459, 66460 and 66461 in Wynberg, Cape Town.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2015	2014 (Restated)
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## 3. PROPERTY, PLANT AND EQUIPMENT (continued)

### PLEGGED AS SECURITY

As at the reporting date, NSFAS had no property, plant and equipment pledged as security.

### OTHER INFORMATION

#### PROPERTY, PLANT AND EQUIPMENT FULLY DEPRECIATED AND STILL IN USE (CARRYING AMOUNT)

Furniture and equipment	1,558	1,463
IT hardware	6,182	5,465
Motor vehicles	119	119
	<b>7,859</b>	<b>7,047</b>

## 4. INTANGIBLE ASSETS

	2015			2014		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
<b>Computer software</b>	<b>80,337</b>	<b>(53,370)</b>	<b>26,967</b>	<b>80,152</b>	<b>(31,454)</b>	<b>48,698</b>

### RECONCILIATION OF INTANGIBLE ASSETS - 2015

	Opening balance	Additions	Amortisation	Total
<b>Computer software</b>	<b>48,698</b>	<b>185</b>	<b>(21,916)</b>	<b>26,967</b>

### RECONCILIATION OF INTANGIBLE ASSETS - 2014

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software **	4,253	59,536	11,298	(26,389)	48,698
LMS system*	11,298	-	(11,298)	-	-
	<b>15,551</b>	<b>59,536</b>	<b>-</b>	<b>(26,389)</b>	<b>48,698</b>

\* The Phoenix loans and bursaries management system enhancement relates to the new core loans and bursaries management system which was put into operation on 7 October 2013 and capitalized to Computer software for the loans and bursaries management system.

\*\* Capitalized to Computer software as additions is an amount of R57,233,114 for Phoenix core loans and bursaries management system which was put into operation on 7 October 2013.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2015	2014 (Restated)
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## 4. INTAGIBLE ASSETS (continued)

### INTANGIBLE ASSETS FULLY AMORTISED AND STILL IN USE (CARRYING AMOUNT)

Computer software	20,628	14,492
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## 5. TRADE AND OTHER RECEIVABLES (NON-EXCHANGE)

Sbux - Commission receivable*	3,783	568
Prepayments	1,162	855
Amounts owing by other funders**	19,066	4,002
Advance to Institutions***	33,896	55
Other receivables	2,360	-
	<b>60,267</b>	<b>5,480</b>

\* Sbux - Commission receivable relates to commission earned on transactions for the Sbux voucher system used to disburse allowances to students funded by NSFAS through the implementation of the new student centred model.

\*\*Amounts owing by other funders relates to various funders whom owe NSFAS for payments made on their behalf.

\*\*\*Advance to institutions is a result of monies owed by universities.

## 6. PREPAYMENTS TO INSTITUTIONS (EXCHANGE)

Prepayments to institutions for initial student registration fees	1,052,555	649,061
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## 7. STUDENT LOANS (EXCHANGE) - LONG TERM

### Student Loan Nominal Value

The nominal balance is the total obligations that borrowers have including loan principal and interest. The change in nominal value from year to year reflects the net growth of the portfolio through new lending less repayments, bursary conversions and other adjustments such as irrecoverable debt written-off due to death and permanent disability. The nominal balance is the basis for the calculation of the 'Student loan Carrying Value' as reflected in the Statement of Financial Position.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2015	2014 (Restated)
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## 7. STUDENT LOANS (EXCHANGE) - LONG TERM (continued)

### Student Loan Carrying Value

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

	2015	2014
<b>Carrying value reconciliation:</b>		
Prepayments to institutions for initial student registration fees:		
Opening balance	7,550,063	6,452,407
New loans	2,827,508	2,947,751
Social benefit component**	(1,726,733)	(1,699,572)
Interest	637,806	513,097
Repayments	(247,563)	(338,820)
Model adjustments*	(2,240,258)	(16,656)
Impairment loss*	(597,511)	(308,145)
	<b>6,203,312</b>	<b>7,550,062</b>
<b>Unallocated debtor receipts</b>	<b>(93,090)</b>	<b>(107,301)</b>
<b>Carrying value</b>	<b>6,110,222</b>	<b>7,442,761</b>

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

	2015	2014
Opening carrying value	7,550,063	6,452,407
Plus new loans	2,827,508	2,947,751
Less payments	(247,563)	(338,820)
Plus interest	456,249	571,953
Irrecoverable debtor write-off	(285,660)	(17,189)
Plus prior year valuation adjustments	10,954,476	8,976,463
<b>Nominal value</b>	<b>21,255,073</b>	<b>18,592,565</b>

\* Refer Note 31

The impairment loss on Student Loans as disclosed in 2014 for the table above, is different to the component disclosed in the Statement of Financial Performance of R346,941,275 by R38,796,105. This relates to the impairment of 201,866 non-migrated loans from LMS/AMS. These loans were not migrated from LMS/AMS to Phoenix on 1 October 2013. This was due to loans that could not be properly mapped during the one to one mapping process from LMS to AMS for the migration. R36,029,778 of this amount relates to loans in 1998 and prior.

\*\*The social benefit component (fair value adjustment) on student loans as disclosed in the table above differs from the social benefit component disclosed in the Statement of Financial Performance of R1,430,566,731 by R296,166,686 (2014: R1,661,764,435 by R37,807,565). This difference is due to the above table only including the social benefit component on student loans issued in the year under review for the reconciliation, whereas the Statement of Financial Performance figure includes an adjustment relating to student loans issued in prior years as a consequence

of model adjustments and specifically the deceased debtor write-off in the current year of R285,659,583.

The balance on student loans includes a current portion of R457,855,959 (2014: R580,310,925). The current portion of the student loan is measured as the expected cash flows for the next twelve months based on the amortised cost calculation.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2015	2014 (Restated)
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## 8. AMOUNTS OWING BY INSTITUTIONS (EXCHANGE) - LONG TERM

<b>Credit balances on student fee accounts due by institutions.</b>		
Amounts owing by institutions - Current portion	122,162	190,215
Amounts owing by institutions - Non-current portion	60,639	58,390
	<b>182,801</b>	<b>248,605</b>

## 9. CASH AND CASH EQUIVALENTS

<b>Cash and cash equivalents consist of:</b>		
Bank balances	7,466	3,984
Call- and Money Market Accounts	1,528,387	1,838,431
	<b>1,535,853</b>	<b>1,842,415</b>

## 10. PROVISIONS

Provision for credit balances to be refunded	65,041	64,510
Opening balance	64,510	61,534
New credit balances**	1,083	6,008
Amount paid as refunds	(552)	(3,032)
<b>Closing balance</b>	<b>65,041</b>	<b>64,510</b>

### Provision for credit balances to be refunded comprises:

Credit balances still owing from original 2011 credit provision*	R31,395	R31,734
Credit balances from normal operations	R33,646	R32,776
<b>Total</b>	<b>R65,041</b>	<b>R64,510</b>

\* During the 2010 Ministerial Review it was discovered that the NSFAS Loan and Bursaries Management System had not applied the legal principle of in duplum to accrue interest on student loans in compliance with the National Credit Act. As a result, some loan accounts have been overpaid and therefore effectively have credit balances. It was also discovered during the 2010 audit that the loan management system had since incep-

tion been applying repayments incorrectly against student debt, by applying the student repayments against the outstanding capital balance first, rather than accrued interest. The Board resolved that where students have been advantaged, NSFAS will not attempt to recover the additional interest, as this was an error on NSFAS's part. However, where students have been charged interest in excess of in duplum, every attempt

should be made to trace the respective account holders and to refund the credit balances.

\*\* New credit balances include credits of R1,082,869 (2014: 1,565,214) that relate to excess credits due from institutions.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2015	2014 (Restated)
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## 11. AMOUNTS DUE TO INSTITUTIONS (NON-EXCHANGE)

Payments due to institutions for student loans and bursaries awarded		
Amounts due to institutions	215,733	256,540

## 12. DEFERRED INCOME

This relates to grants received during the year under review, for utilisation in the following year and the unspent portions of current year grants including interest received, which represents a real liability. In the prior financial year additional funding was provided by the National Skills Fund to be utilised over two financial years, as well as new funding received on contract from the Sector and Education Training Authorities.

These amounts are held in a segregated investment account until utilised		
Grants received in advance	230,777	155,527
Deferred income	1,034,239	1,245,278
	<b>1,265,016</b>	<b>1,400,805</b>

## 13. TRADE AND OTHER PAYABLES (EXCHANGE TRANSACTIONS)

Trade payables	15,637	10,793
Accruals	15,227	13,115
Accrued leave pay due to employees**	2,854	1,866
Accrued bonuses due to employees	1,179	958
Other payables	23,303	28,769
Operating lease (asset) / liability***	(96)	105
Sbux - Commission payable*	874	284
	<b>58,978</b>	<b>55,890</b>

\* Sbux - Commission payable is a result of an agreement between NSFAS and the service provider for a percentage of revenue share per transaction in respect of disbursement of student allowances.

\*\* The increase in accrued leave pay due to the increase in staff compliment at NSFAS which was approved by the Board as a result of the implementation of the new student centred model.

\*\*\* The movement is a result of a new lease agreement signed, refer to note 21

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2015	2014 (Restated)
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## 14. ADMINISTRATION FEES AND GRANTS (NON-EXCHANGE)

<b>Administration fees</b>		
Administration Fees - Sector Education and Training Authorities	4,127	9,545
Administration Fees - Department of Agriculture Forestry and Fisheries	721	-
Administration Fees - National Skills Fund	10,744	4,978
Administration Fees - Nedbank	203	213
Administration Fees - Department of Defence and Military Veterans	360	120
	<b>16,155</b>	<b>14,856</b>
<b>Administration grants</b>		
Administration Grant: Department of Higher Education and Training	<b>116,200</b>	<b>87,676</b>

## 15. GRANTS RECEIVED FOR STUDENT AWARDS (NON-EXCHANGE)

Department of Higher Education and Training*	6,022,632	5,681,729
National Skills Fund	797,916	1,630,058
Department of Basic Education	947,499	893,867
Other South African government departments	342,903	271,951
Universities	297,983	473,532
Private sector	10,121	10,650
Non-governmental organisations	-	220
SETA funding	135,082	-
Deferred income movement	211,038	(1,050,134)
	<b>8,765,174</b>	<b>7,911,873</b>

\* Includes grants to provide for studies at Technical and Vocational Education Training colleges, received from the Department of Higher Education and Training and certain public entities.

## 16. PERSONNEL COSTS

Salaries	51,441	41,225
Leave	988	800
Employee Benefits - other*	29,859	23,837
	<b>82,288</b>	<b>65,862</b>

\*Other employee benefits include Medical and Pension Fund contributions, Disability and all other costs. The entity operates a defined contribution retirement plan for all employees.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2015	2014 (Restated)
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## 17. ASSET MANAGEMENT FEES

Administration and management fees - third party*	-	72
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Asset management fees for the period ended 31 March 2015 of Rnil (2014: R72,000) were incurred on the funds invested.

\*During the financial year all financial assets classified at fair value were de-recognised and placed in accounts with the Corporation for Public Deposits, as required by National Treasury Regulations.

## 18. IRRECOVERABLE DEBTS WRITTEN-OFF

Debt write-off - Student Loan*	285,660	13,278
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\* Irrecoverable debts written-off amount includes, death, disability, and migration write-offs required with the transfer of loan data to the new loans and bursaries management system.

Migration write-off:	R0	R11,959,701
Less than R50 debtor balance write-off	R48,693	R41,358
Deceased debtors write-off	R285,610,889**	R1,182,617
Disabled debtors	R0	R94,668
<b>Total</b>	<b>R285,659,582</b>	<b>R13,278,344</b>

\*\* In the current financial year, the NSFAS debtors loan book was matched to the Department of Home Affairs database. The outcome of this exercise resulted in the identification of 11,700 debtors, with

an outstanding balance of R285,610,889, on the NSFAS loan book deemed and confirmed as deceased in respect of whom the entity had not received notification of death since its establishment

in 1999. NSFAS policy states that once a debtor has been confirmed as deceased by the Department of Home Affairs, the outstanding debt will be written off.

## 19. AUDIT FEES

External audit fees*	4,554	4,101
Internal audit fees and other services	3,392	5,810
	<b>7,946</b>	<b>9,911</b>
<b>External audit fees*</b>		
Fees for 2012/2013 audit	R0	R3,188
Fees for 2013/2014 audit	R3,831	R913
Fees for 2014/2015 audit	R723	R0
<b>Total:</b>	<b>R4,554</b>	<b>R4,101</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2015	2014 (Restated)
<b>20. CASH GENERATED (UTILISED) FROM OPERATIONS</b>		
(Deficit)/Surplus for the year	(1,097,530)	799,160
<b>Adjustments for:</b>		
Depreciation and amortisation	26,711	30,810
Model adjustments	2,240,258	16,656
Fair Value adjustments	-	(679)
Impairment loss - Amounts owing by institutions (exchange) - long term	10,659	-
Social benefit component on student loans*	1,726,732	1,699,572
Profit on funds invested	-	(16)
Impairment loss*	597,511	308,145
Net interest income	(852,617)	(655,457)
Movements in provisions	531	2,976
Prior period error**	-	(8,386)
<b>Changes in working capital:</b>		
Trade and other receivables (non-exchange)	(54,787)	(3,793)
Prepayments to institutions (exchange)	(403,494)	148,249
Student loans (exchange) short-term	(2,827,508)	(2,947,752)
Amounts owing by institutions (exchange) short-term	55,145	(26,663)
Student loans receipts	247,563	338,820
Trade and other payables (exchange transactions)	3,088	27,413
Unallocated debtor receipts written back	(14,211)	12,740
Amounts due to institutions (non-exchange)	(40,807)	254,922
Deferred income	(135,789)	1,151,942
	<b>(518,545)</b>	<b>1,148,659</b>

\* Refer to note 7

\*\* Refer to note 2

## 21. OPERATING LEASE (ASSET)/LIABILITY

Operating lease payments represent rental payable for the leasing of office space in Wynberg Mews. Below are the terms of the new lease agreement:

- A new lease agreement for the 1st and 2nd Floor Wynberg Mews for the period 1st March 2014 till 28 February 2016 was entered into with an escalation rate of 8.5% per annum.
- no contingent rent is payable on both rental agreements

## 22. UNALLOCATED DEBTORS RECEIPTS (NON-EXCHANGE)

Unallocated debtor receipts (Historical)	13	24
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# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2015	2014 (Restated)
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## 22. UNALLOCATED DEBTORS RECEIPTS (NON-EXCHANGE) - (continued)

Amounts received by the entity without a valid reference to loan accounts or not yet allocated at year end to individual loan accounts, are recorded in the annual financial statements against student loans. Every attempt is made with the relevant bank to establish the identity of the depositor. When these unidentified amounts have been outstanding for more than five (5) years, they are written-off to income. In the event that debtors subsequently claim and prove amounts which had previously been deposited by them, the amounts will at that stage be set-off against the students loan account as a payment and reflected as an expense in the financial statements. The amount written back to income is R12,955 (2014: R23,763).

## 23. INTEREST REVENUE (EXCHANGE)

Interest on student loans	637,806	513,097
Interest on funds invested*	214,811	142,360
	<b>852,617</b>	<b>655,457</b>
<b>* Interest on funds invested relates to the following categories:</b>		
Administration grants and fees	2,619	1,483
Donor funds	184,394	104,201
Recovered funds	27,798	36,676
	<b>214,811</b>	<b>142,360</b>

## 24. COMMISSION REVENUE - SBUX (EXCHANGE)

Commission Revenue - SBux*	2,625	284
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\* The entity implemented a mobile payment solution (sBux) for the disbursement of allowances to students registered at institutions included in the first phase of the new student centred op-

erating model. Commission is payable by accredited merchants for student transactions on their food and learning materials allowances at no cost to the students. The commission is shared

equally between NSFAS and Celbux, the provider of the mobile payments platform. The commission disclosed is the amount payable to NSFAS.

## 25. CONSULTING AND PROFESSIONAL FEES

Consultancy Fees - IT	489	3
Consultancy Fees: Management Finance	2,991	1,497
Transformation : Consultants Fees*	11,079	1,962
Compliance Consultancy Fees	57	137
Other professional fees	2,849	-
Legal expenses	1,493	2,228
	<b>18,958</b>	<b>5,827</b>

\* The significant increase in consulting fees is a result of additional services relating to the implementation of the new Loans Management system which were approved by the board.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2015	2014 (Restated)
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## 26. TAXATION

The entity has an obtained income tax exemption from the Commissioner for the South African Revenue Services under Section 10(1)(cA)(i) of the Income Tax Act, 1962 as amended. This exemption is applicable from the date on which the entity was established.

## 27. COMMITMENTS

### Authorised expenditure

The entity had commitments for the following items as at 31 March 2015

IT equipment	530	1,308
Consulting and other services	27,736	21,933
	<b>28,266</b>	<b>23,241</b>
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	2,701	1,275
- in second to fifth year inclusive	-	1,508
	<b>2,701</b>	<b>2,783</b>

Refer to note 21

## 28. CONTINGENCIES

### Contingent assets: Investments

There is a contingent asset of market value R9,774,569 in the form of the NSFAS contribution to the Fundisa Fund. The Fundisa Fund is a dedicated educational savings scheme with a unique co-contribution feature of an additional 25% of an investor's savings added annually to a maximum of R600 per annum. This feature was made possible through a joint

venture between government, through NSFAS, and the Association for Savings and Investment South Africa (ASISA) and is intended to help South Africans afford a high quality, accredited qualification for their children or a learner of their choice at a public college or university. NSFAS transferred R20 million to the Fundisa Fund on 19 April 2012 as its

total commitment to the cocontribution feature. Vesting of the NSFAS co-contribution amount occurs on successful registration by nominated beneficiaries who are eligible in terms of the NSFAS criteria for financial assistance.

### Contingent liabilities: Financial Structure

NSFAS holds a Corporate Access Management Services/ Payment and Collections Services agreement (CAMS/PACS) with the corporate bankers that facilitates electronic payments and debit order processing. The Payments and Collections Services agreement that facilitates debit order deductions from debtors requires a settlement facility of R1,200,000 (2014 R1,200,000). A settlement facility of R8,500,000 (2014: R8,500,000) is required for payroll. An encashment facility of R2,000 is in place to facilitate Petty Cash.

NSFAS has entered into agreements with various donors and educational institutions to fund students. The arrangement with the educational institutions is that NSFAS will take up loan agreements forms from the institutions and include these as part of the NSFAS loan book. These arrangements do not include any transfer of cash between NSFAS and the Universities. Any recoveries against this portion of the book are then re-injected to fund future generations of students. This arrange-

ment is in line with the NSFAS mandate of increasing the pool of funds available to students. The total amount of institution recoveries that is available to fund future students as at reporting date is R91,371,836. As a result there is a possibility that in future more Universities might request to be paid back money from the recoveries.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2015	2014 (Restated)
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## 28. CONTINGENCIES (continued)

### - Student funding

The entity implemented the new student centred operating model in four universities and five Technical and Vocational Education and Training colleges for the 2014 academic year. The new model made it possible for students registered at these institutions to apply directly to NSFAS for loans and bursaries rather than through their respective institutions. Students who were eligible had loans and bursaries approved for the duration of their studies, subject to their meeting the promotion requirements, rather than being required to reapply for funding for each subsequent academic year. This possible contractual commitment by the entity to fund students at the 'pilot institutions' for the duration of their studies, if they meet the promotion requirements, has resulted in an estimated contingent liability of R2,863,155,920.

## 29. RELATED PARTIES

Relationships	
Board Members	Refer to the Report of the Board members
Executive Authority	Dr. Bonginkosi Emmanuel Nzimande, MP
Controlling Entity	Department of Higher Education and Training
Other Government Departments	Department of Agriculture, Forestry and Fisheries
	Department of Labour
	Department of Social Development
	Department of Basic Education
	Department of Defence and Military Veterans
<b>Public Entities</b>	Agricultural Sector Education and Training Authority
	Bank SETA
	Chemical Industries Education and Training Authority
	Construction Education and Training Authority
	Culture Art Tourism Hospitality Sport SETA
	Education Training and Development Practices SETA
	Fiber Processing and Manufacturing SETA
	Financial and Accounting Services SETA
	Food and Beverage SETA
	Government Communication and Information Service
	Health and Welfare SETA
	Local Government Education and Training Authority
	Manufacturing Engineering and Related services SETA
	The Mining Qualifications Authority SETA
	Media Information and Communication Technologies SETA
	National Institute for Humanities and Social Sciences
	National Skills Fund
	Safety and Security SETA
	Services SETA

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# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2015	2014 (Restated)
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## 29. RELATED PARTIES (continued)

Relationships	
	The Energy and Water SETA
	Transport Education and Training Authority
	Wholesale and Retail SETA
Members of key management	Msulwa Daca (Executive Officer - 1 February 2013)
	Lerato Nage (Chief Financial Officer - 1 December 2013)
	Xolisa Peter (Chief Information Officer - 1 January 2013)
	Luxolo Rubushe (Chief Operating Officer – 17 May 2014)

## Related Party Transactions

Administration grants and fees		
Department of Higher Education and Training	116,200	87,676

## Administration fees from related parties

National Skills Fund	10,744	4,978
Department of Agriculture, Forestry and Fisheries	721	-
Department of Defence and Military Veterans	360	120
Agricultural SETA	-	368
Financial and Accounting Services SETA	3,000	3,500
Education Training and Development Practices SETA	-	800
Health and Welfare SETA	-	950
Local Government Education and Training Authority	-	1,250
Safety and Security SETA	-	450
Services SETA	-	2,228
Fibre Processing and Manufacturing SETA	1,100	-
Bank SETA	27	-
	<b>15,952</b>	<b>14,644</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2015	2014 (Restated)
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## 29. RELATED PARTIES (continued)

### Grants received for student awards

Department of Agriculture, Forestry and Fisheries	14,427	1,475
Department of Higher Education and Training - Universities	3,914,893	3,693,295
Department of Higher Education and Training - TVET Colleges	2,107,739	1,988,434
Department of Basic Education - Funza Lushaka Teacher Bursaries	947,499	893,867
National Skills Fund	761,715	1,630,058
Department of Social Development	264,000	250,000
Department of Defence and Military Veterans	12,000	3,880
Agricultural SETA	-	6,983
Bank SETA	549	-
Financial and Accounting Services SETA	57,000	66,500
Education Training and Development Practices SETA	-	15,200
Construction Education and Training Authority	-	46,836
Safety and Security SETA	-	8,550
Fiber Processing and Manufacturing SETA	21,999	-
Local Government Education and Training Authority	-	48,750
Health and Welfare SETA	5,470	10,942
Manufacturing Engineering and Related Services SETA	-	20,000
Services SETA	-	146,464
Mining Qualifications Authority SETA	35,000	-
	<b>8,142,291</b>	<b>8,831,234</b>

### Grants received in advance from related parties

Financial and Accounting Services SETA	59,000	60,000
Department of Agriculture, Forestry and Fisheries	15,927	14,727
Department of Defence and Military Veterans	111,550	12,000
Mining Qualifications Authority SETA	-	35,000
Manufacturing Engineering and Related services SETA	44,000	-
	<b>230,477</b>	<b>121,727</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2015	2014 (Restated)
<b>29. RELATED PARTIES (continued)</b>		
<b>Receivables from related parties</b>		
Government Communication and Information Service	-	329
Bank SETA	1,590	819
Chemical Industries Education and Training Authority	3,488	2,254
Transport Education and Training Authority	928	928
Energy and Water SETA	5,406	-
Fiber Processing and Manufacturing SETA	806	-
Health and Welfare SETA	7,042	-
Education Training and Development Practices SETA	4	-
	<b>19,264</b>	<b>4,330</b>

## Expenditure by related parties

Government Communication and Information Service**	987	942
<b>Compensation to Board members and key management</b>		
Meeting fees and per diem allowances	525	614
Short-term employee benefits	7,386	6,244
Exit Strategy remuneration*	-	130
Post-employee benefits to key management	465	341
	<b>8,376</b>	<b>7,329</b>

\* Exit Strategy remuneration was paid to a designated board member who was requested by the Executive Authority to commit additional time to support of NSFAS during the period under review.

\*\* Expenditure relates to communication services and advertising to enable the visibility of NSFAS and its mandate to the public

## 30. BOARD MEMBERS' AND KEY MANAGEMENT EMOLUMENTS

2015	Basic salary	Bonuses	Employer contributions	Total
<b>Key Management</b>				
Executive Officer	1,696	-	202	1,898
Chief Financial Officer	1,467	-	30	1,497
Chief Information Officer	879	-	376	1,255
Chief Operation Officer	1,158	-	177	1,335
Senior Managers*	1,461	-	405	1,866
	<b>6,661</b>	<b>-</b>	<b>1,190</b>	<b>7,851</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2015	2014 (Restated)
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## 30. BOARD MEMBERS' AND KEY MANAGEMENT EMOLUMENTS (continued)

2014	Basic salary	Bonuses	Employer contributions	Total
<b>Key Management</b>				
Executive Officer	1,410	-	227	1,637
Chief Financial Officer **	703	-	70	773
Chief Financial Officer***	604	-	9	613
Chief Information Officer	946	-	153	1,099
Senior Managers*	1,837	-	262	2,099
	<b>5,500</b>	<b>-</b>	<b>721</b>	<b>6,221</b>

\* Includes the following Senior Managers  
General Manager: Corporate Services  
Manager: Performance

\*\* Acting CFO 1 February 2013 - 30 November 2013 (Eugene Johannes)

\*\*\* Appointed 1 December 2013

\*\*\*\* Includes the following Senior Managers:  
Human Resources and Administration  
Loans and Bursaries  
Performance  
General Manager: Corporate services

## Board members and key management emoluments

2015	Emoluments	Pension paid or receivable	Total
Travel costs	767	-	767
Board meeting fees	525	-	525
	<b>1,292</b>	<b>-</b>	<b>1,292</b>

2014	Emoluments	Pension paid or receivable	Total
Exit Strategy remuneration*	130	-	130
Travel costs	598	-	598
Board meeting fees	614	-	614
	<b>1,342</b>	<b>-</b>	<b>1,342</b>

\* Exit Strategy remuneration was paid to designated Board members who were requested by the Executive Authority to commit additional time in support of NSFAS during the prior financial period.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2015	2014 (Restated)
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## 31. DEBTORS LOAN BOOK MOVEMENTS (NON-EXCHANGE)

### Assumption set used in the loan valuation model:

For the 31 March 2015 valuation it was considered appropriate to make allowance for the fact that the conversion of students from exiting studies to commencing repayment of their loans has been lower than anticipated from the prior valuation model. The assumptions have been reconsidered in the light of this and adjusted accordingly.

### Model adjustments

The model adjustment in the current year assumptions have been updated and adjusted to take into account:

- the increase in the repo rate from 5.0% to 5.75% on 17 July 2014
- reassessment of the assumptions regarding the transition from exit to paying in the light of poor experience in recent periods
- some technical adjustments to the way in which the loans before 1999 have been excluded and how the date of exit has been applied in the determination of the assumptions
- As a result of both these changes in assumptions and model changes, a net difference in value of the student portfolio of R2,240,257,545 (2014: R16,655,657) is recorded. The reassessment of the assumptions regarding the transition from exit to paying makes up R2,268,363,293 of the model adjustments.

The table below shows the impact of the model adjustments per loan year of issue:

Amounts in Rand thousand	2015	2014 (Restated)
<b>Year of issue of student loan</b>		
1991 - 2001	17,823,041	(26,840,215)
2002 - 2007	(334,098,959)	(83,200,608)
2008	(151,629,015)	(6,897,773)
2009	(193,334,881)	(2,061,082)
2010	(222,356,096)	17,226,791
2011	(278,669,933)	30,241,877
2012	(339,501,655)	29,860,482
2013	(390,704,804)	24,206,208
2014	(347,785,243)	808,661
	<b>(2,240,257,545)</b>	<b>(16,655,659)</b>

In order to enable the user of the financial statements to have a sense of the potential impact of changes to certain assumptions in the model, the following sensitivity analysis has been performed:

### Sensitivity to change in transition from Exit to Payer

The assumption for the transition from debtor to payer is key to the determination of the value of the loans. The table below considers the impact of a level change in the transition from exit to paying percentages by 10% at each duration since exit.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2015	2014 (Restated)
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## 31. DEBTORS LOAN BOOK MOVEMENTS (NON-EXCHANGE) (continued)

Sensitivity to transition from exit to payer	Carrying value	-10% change	Difference	+10% change	Difference
Student	3,275,255	2,947,729	-10.0%	3,602,780	10.0%
Non-payer	2,445,435	2,130,059	-12.9%	2,790,786	14.1%
Payer	482,622	482,622	0.0%	482,622	0.0%
	<b>6,203,312</b>	<b>5,560,410</b>	<b>-10.4%</b>	<b>6,876,188</b>	<b>10.8%</b>

### Sensitivity to change in the payment profile

The payment profile reflects an average expected level of recovery at each month since payment commenced. Since there are no clear contractual relationship between the loan value and the payment amount, the history of aggregate experience of payments as a percentage of outstanding value has been used to set these assumptions.

The table below shows the impact of a 10% reduction in the payment profiles.

Sensitivity to change in payment profile	Carrying value	-10% change	Difference
Student	3,275,255	3,205,288	-2.1%
Non-payers	2,445,435	2,402,281	-1.8%
Payers	482,622	460,565	-4.6%
	<b>6,203,312</b>	<b>6,068,134</b>	<b>-2.2%</b>

### Sensitivity to the delay in achieving the modelled cash flow projections

The valuation models assume that the assumptions used apply consistently from the valuation date forward. It would therefore be instructive to users of the financial statements to have a sense of the potential impact of a delay in attaining the full level of cash flow indicated by the models for the student and non-payer models when the full reported assumptions are used. The payer model cash flows are unaffected by such a delay. The table below shows the impact of this portion changing from 0% to 100% collections over 12, 24 and 36 months.

Sensitivity to transition from exit to payer	Carrying value	12 months	Difference	24 months	Difference	36 months	Difference
Student	3,275,255	3,268,831	-0.2%	3,218,201	-1.7%	3,132,147	-4.4%
Non-payers	2,445,435	2,343,492	-4.2%	2,179,505	-10.9%	1,994,659	-18.4%
Payers	482,622	482,622	0.0%	482,622	0.0%	482,622	0.0%
	<b>6,203,312</b>	<b>6,094,945</b>	<b>-1.7%</b>	<b>5,880,328</b>	<b>-5.2%</b>	<b>5,609,428</b>	<b>-9.6%</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2015	2014 (Restated)
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## 31. DEBTORS LOAN BOOK MOVEMENTS (NON-EXCHANGE) (continued)

### Impairment loss

The expected future cash flows anticipated to arise from the loan book are reassessed each year. They take into account the status of the individual loans in the loan book and the adjusted assumptions based on an analysis of the historic experience of the loans. As the data related to the loan book changes with the passage of time, the value of the loan book will be reassessed and the cumulative impairment adjusted accordingly.

An impairment loss of R597,511,072 (2014: R308,145,170) is reported as at 31 March 2015. This is primarily due to the significantly lower than anticipated level of collections actually experienced and the fact that as a result of fewer than anticipated debtors commencing payment, a significant cohort of debtors have remained in the non-payer state than anticipated. The latter item has resulted in a lower value because non-payers have the lowest level of expected overall recovery of all categories of debtor.

## 32. RISK MANAGEMENT

### Financial risk management

The entity manages its net assets to ensure that it will be able to continue as a going concern, while meeting its overall objectives. The strategy was consistent with that applied in prior years. Funding is obtained primarily from grants received for student awards

The entity has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk.

This note presents information about the entity's exposure to each of the above risks. Further quantitative disclosures are included throughout these financial statements.

The Board has overall responsibility for the establishment and oversight of the entity's risk management framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring the entity's risk management policies.

The entity's risk management policies are established to identify and analyse the risks faced by the entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the entity's activities. The entity, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The entity's Audit and Risk Committee oversees how management monitors compliance with the entity's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the entity. The entity's Audit and Risk Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year. The entity has invested all surplus funds with the Corporation For Public Deposits of the South African Reserve Bank.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2015	2014 (Restated)
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## 32. RISK MANAGEMENT (continued)

### Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is considered medium due to the entity's conservative funding structure and its own cash generation. Management monitors rolling forecasts of the entity's cash and cash equivalents on the basis of the expected cash flow. NSFAS engages with the Department of Higher Education and Training on a continuous basis to ensure that it has the cash flows to meet the expected payments to universities as they fall due.

### Risk Management

The carrying value of financial instruments approximates fair value.

### Maturity analysis of financial liabilities

Amounts in Rand thousand	Less than 1 month	1 - 3 months	3 months to 1 year	Total
<b>At March 2015</b>				
Accounts payable and provisions	58,978	-	65,041	124,019
Amounts due to institutions	215,733	-	-	215,733
	<b>274,711</b>	<b>-</b>	<b>65,041</b>	<b>339,752</b>
<b>At March 2014</b>				
Accounts payable and provisions	55,890	-	64,510	120,400
Amounts due to institutions	256,540	-	-	256,540
	<b>312,430</b>	<b>-</b>	<b>64,510</b>	<b>376,940</b>

### Market risk

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

### Interest rate risk

Interest rate risk refers to the impact on future cash flows from student loans. Interest rate risk on other financial assets is not significant as the investment profile is conservative in nature. Interest rate risk on student loans is managed principally through linking interest charged on outstanding student loans to the Repurchase rate, as determined by the South African Reserve Bank from time to time.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2015	2014 (Restated)
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## 32. RISK MANAGEMENT (continued)

### Interest rate risk profile

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

Variable rate instruments		
Student loans	6,203,312	7,550,063
Other variable rate instruments	1,535,853	1,842,415
	<b>7,739,165</b>	<b>9,392,478</b>

### Valuation sensitivity analysis for variable rate interest instruments

A change of 100 basis points in interest rates at the reporting date would have (increased)/decreased deficit or surplus by R15,358,531. This analysis assumes that all other variables remain constant.

### Valuation sensitivity analysis for student loans

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) surplus or deficit by the amounts shown below. This analysis assumes that all other variables remain constant.

Student loans		
100 basis points increase	24,123,508	0.39%
100 basis points decrease	(22,348,623)	-0.36%

### Credit risk

Credit risk is the risk of financial loss to the entity if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the entity's receivables from student loans. This risk is mitigated by the loan terms which make the loans due and payable only in the event of a borrower becoming employed and having an income above a predetermined threshold level. Fair value financial assets, loans and receivables and cash and cash equivalents are exposed to credit risk. The initial day-one loss adjustment is therefore not considered to be a reflection of credit risk, but actually represents the social benefit element of the loans.

The maximum credit risk exposure is: R7,889,143,000 (2014: R9,539,261,000), which is the total of all assets excluding prepayments, property, plant and equipment and intangible assets.

The entity limits its exposure to credit risk on loans advanced as a result of implementing legislative policy. The granting of student loans is governed by well established criteria, including a national means test which is updated on an annual basis. Internal systems are regularly enhanced to ensure constant improvement in the entity's loan recovery strategy.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2015	2014 (Restated)
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## 32. RISK MANAGEMENT (continued)

### Allowances for impairment

The entity establishes an allowance for impairment that represents its estimate of incurred losses in respect of its assets. A collective loss is established for groups of similar assets in respect of losses that may have been incurred but not yet identified, on an individual basis. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets and in the case of the student loan portfolio based on the mortality over the following year.

The impairment is calculated as the difference between the expected cash flow profile and the experienced payment, transitions from the student state and mortality.

### Maturity Analysis

It is impractical to disclose an age analysis of the debtor due to the nature of determining a point of when the debtor is required to pay back the debt.

### Write-off policy

The entity writes off a student loan and any related allowances for impairment losses, when the entity determines that the loan is uncollectable. This determination is made after verification of the notification of the death or permanent disability of the debtor.

A list of identity numbers is verified against the Department of Home Affairs website on a quarterly basis for verification of deceased debtors while medical certification of permanent disability is required. The specific loans are then written off on approval by the Board.

During the financial year under review the entity wrote off debts amounting to R285,610,889 (2014: R1,182,617) after verification of deceased and permanently disabled debtors in respect of whom the required notification had been received.

### Loans and other receivables and Cash and cash equivalents

The entity only deposits cash with major banks with high quality credit standing (P-2 short term local currency credit rating) and limits exposure to any one counter party. Consequently, the entity does not consider there to be any significant exposure to credit risk.

### Impairment losses

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2015	2014 (Restated)
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## 32. RISK MANAGEMENT (continued)

### Portfolio Status

The entity's exposure to credit risk is influenced mainly by the number of loans issued to the borrowers. The fifth loan to a single borrower is considered more risky than the first. The demographics of the NSFAS's student base is also considered as this has an influence on credit risk, that is age and gender are factors that influence the expected mortality of the borrowers. There is no significant exposure to a single student. Geographically there is no concentration of credit risk.

The portfolio has been segregated in the table below to indicate the composition of the portfolio by loan number. The repayment experience is higher on the initial loans than on the later loans.

Amounts in Rand thousand	Number of loans	Transaction value	Percentage of total value
<b>Loan number</b>			
1	609,485	8,006,955,011	38%
2	411,314	6,231,900,461	29%
3	259,794	4,097,664,294	19%
4	127,576	1,982,999,348	9%
5+	62,706	935,554,289	4%
	<b>1,470,875</b>	<b>21,255,073,403</b>	<b>100%</b>

The portfolio has been segregated to indicate the number of loans that were settled over the last year as well as the number of loans that are currently be-

ing paid and not being paid. Where the loans are not being paid this is not due to a credit event but due to the loans not being due and payable as a result of the

borrower being unemployed or earning below the repayment threshold.

	Loans in force	Currently paying	Not currently paying
Student	619,759	-	619,759
Graduate	473,398	63,261	410,137
Drop-out	377,718	37,158	340,560
	<b>1,470,875</b>	<b>100,419</b>	<b>1,370,456</b>

### Price risk

The entity's other financial assets are low risk investments. Therefore, fair value or future cash flows as a result of market price changes is immaterial.

The Fair Value movements would increase/decrease as a result of gains or losses on securities designated at fair value. All financial instruments are classified at amortised cost except for investments designated at fair value.

## 33. EVENTS AFTER THE REPORTING DATE

As at 29 May 2015 not all TVET colleges had declared credits owed to NSFAS. Subsequent to submission of the annual financial statements, an additional 10 TVET colleges submitted their credits to the value of R2,577,668. This has been adjusted for in the Amounts owing by Institutions and bursary expenditure in the annual financial statements.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2015	2014 (Restated)
<b>34. IRREGULAR EXPENDITURE</b>		
Opening balance	70,327	69,960
Add: Irregular Expenditure - Historic suppliers*	-	130
Sub Total:	-	130
Specific suppliers for which the PPPFA was not applied**	-	83
Subtotal specific suppliers for which the PPPFA was not applied	-	83
Other areas of non-compliance Three quotations not obtained***	478	154
Subtotal other areas non-compliance	478	154
Irregular expenditure for the year	478	367
Less: Amounts condoned	-	-
	<b>70,805</b>	<b>70,327</b>

#### Current Year Irregular Expenditure:

- \* These suppliers and the related expenditure has been classed as irregular as no competitive bids process was followed.
- \*\* These suppliers have been classed as irregular as the PPPFA was not applied in the procurement of these services.
- \*\*\* This represents the total value procured from a number of smaller suppliers without obtaining the required number of quotations

As part of enhancing the control environment and to comply with supply chain regulations going forward, NSFAS has put in place processes and procedures to assist in regularising the procurement environment and to reduce the amount irregular expenditure going forward. These include:

- A SCM policy has been approved and implemented
- Disciplinary action will be taken against staff members who do not comply with the NSFAS' SCM policy
- Efforts made to develop a preferred supplier database and to qualify suppliers on this database. As part of this process, tax clearance certificates and declarations of interest were obtained from suppliers.
- Many of NSFAS historical long standing suppliers that have been reported as irregular in the past and current year, have been subjected to tendering processes. NSFAS will continue to take the necessary disciplinary procedures in relation to irregular expenditure, where appropriate.

The entity has engaged National Treasury with regard to the condonation of historic irregular expenditure and has provided the supporting documentation requested by National Treasury following the first submission of the condonation request.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2015	2014 (Restated)
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## 35. BUDGET INFORMATION

Legislation requires the entity to submit a budget for the Minister's approval in August each year. The variance arose due to refinements performed by NSFAS on the initial approved budget. All changes to the initial approved budget were approved by the Accounting Authority.

### Revenue:

Note 35.1: Administration fees (exchange)

Administration fees relate to fees charged on grants received from other government institutions, these fees which are received during the period and will be utilised in the following financial year. The final budget amount relates to the administration fees expected to be received in the current financial year.

Note 35.2: Administration grants (non-exchange)

The Final Budget amount includes the current year administration grant, approved retention of surplus, the roll-over of the prior year transformation budget; whereas the actual amount received is only the administration grant for the current year.

### Expenditure:

Note 35.3: Depreciation and amortisation

Depreciation on intangible assets was not included in the budget.

Note 35.4: Bursaries - Other funding sources

The under expenditure is due to the fact that fewer loans than budgeted for were converted to bursaries based on actual student results which can vary from year to year.

Note 35.5: Broader communication strategy:

Under expenditure was due to the following factors namely:

- Resourcing the department with the correct skills to carry out the functions
- The interim communications strategy was to create awareness and communicate through public relations tactics, which did not require paid media coverage or advertising;
- Printing of any promotional or marketing material was put on hold due to the current re-branding strategy being developed, which will result in the creation of the new NSFAS logo.

Note 35.6: Postage:

The under expenditure is due to loan account statements being emailed to debtors on request rather than being posted. The need to courier promotional materials for the communications service unit declined during the year under review due to NSFAS staff attending events taking the required promotional material with them rather than using courier services.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2015	2014 (Restated)
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## 35. BUDGET INFORMATION (continued)

Note 35.7: Audit fees:

The overspending on this line item is due to two areas of audit:

External Audit: Overspending is due to a timing difference between when the invoices were actually received and when it was originally budgeted for based on prior year expenditure trends. During the current financial year, the AGSA decided to commence the planning stage and some of the control testing earlier compared to the prior year audit.

Internal Audit: The original budget for Internal Audit was based on the cost of the approved Internal Audit Plan for the current financial year. The over expenditure on this line item is as a result of shifting of budget in previous quarters when this line item showed underspending. Subsequently, during the fourth quarter, an accrual was raised up to the full cost of the approved Internal Audit Plan.

Note 35.8

The following items are not budgeted for:

Interest revenue  
 Commission Revenue - Sbus  
 Unallocated debtors receipts  
 Other Income  
 Irrecoverable debts  
 Social benefit component on student loans issued  
 Impairment loss  
 Model adjustments  
 Realised gain/(loss) on funds invested  
 Fair value gain/(loss) on investments  
 Impairment loss - Amounts owing by institutions (exchange) - long term

## 36. UTILISATION OF INVESTMENTS AND CASH AND CASH EQUIVALENTS

Investments and cash and cash equivalents totalling R1,535,853,070 (2014: R1,842,415,048) include R212,397,815 (2014: R255,335,074) recovered funds that NSFAS holds for re-injection into student loans and bursaries. A further R1,265,015,865 is held by NSFAS on behalf of funders for allocation by the entity on instruction of the funder.

These funds represent unspent grants and interest thereon. A further amount of R26,231,396 is committed to issued sBus vouchers. The balance remaining of R32,206,494, inclusive of interest, comprises operational funds attributed to administration grants.

The entity expects to provide loans

and bursaries to students amounting to approximately R 9,067,656,000\* for the 2015 academic year. This will be funded from expected new grants and the recovered funds money referred to above. The projected cash flow for these expected funds and NSFAS recovered money is as follows:

Amounts in Rand thousand	Expected new grants	NSFAS reinjection	Cumulative
<b>Quarter Ending</b>			
June 2015	4,996,066	27,305	5,023,371
September 2015	2,514,880	23,181	2,538,061
December 2015	1,502,100	4,124	1,506,224
	<b>9,013,046</b>	<b>54,610</b>	<b>9,067,656</b>

\*Prepayments to the value of R1.05 billion (2014: R623million), utilising recovered funds, have been made to institutions as at 31 March 2015.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2015	2014 (Restated)
<b>37. ANALYSIS OF SURPLUS</b>		
<b>Operational</b>		
Administration grants	116,200	87,676
Administration fees	16,155	14,856
Interest received	852,617	655,457
Other income	17	-
Sbux - Commission revenue	2,625	284
Unallocated debtors receipts	13	24
Less: Administration and investment costs	(168,972)	(148,598)
Realised profit/(loss) on funds invested (non-exchange)	-	16
<b>Sub-Total</b>	<b>818,655</b>	<b>609,715</b>
<b>Capital</b>		
Grants received for student awards*	8,765,174	7,911,873
Bursaries	(6,116,704)	(5,680,031)
Irrecoverable debts	(285,660)	(13,278)
Impairment loss	(597,511)	(346,941)
Social benefit component on student loans	(1,430,567)	(1,661,764)
Model Adjustments	(2,240,258)	(16,656)
Fair Value adjustments for investments	-	679
Credit balances on student loans	-	(4,437)
Impairment loss - Amounts owing by institutions (exchange) - long term	(10,659)	-
<b>Sub-Total</b>	<b>(1,916,185)</b>	<b>189,445</b>
<b>Total</b>	<b>(1,097,530)</b>	<b>799,160</b>

\* Grants received for student awards are reflected after the deferred income movement amount of R211,038,021 has been netted off.

The difference of R2,648,468,362 between "Grants received for student awards" and "Bursaries" is attributable to:

- Eligible students registered at public Technical Vocational Education and Training Colleges receiving 100% bursaries
- University students eligible for Final Year Programme funding benefiting from a 100% bursary conversion on meeting the requirements for graduation
- University students eligible for all other categories of loan funding qualifying for a bursary conversion of up to 40% based on academic criteria
- University and other students eligible for National Skills Fund, Funza Lushaka and other categories of Bursary funding receiving 100% bursary funding.

## 38. IMPAIRMENT LOSS - AMOUNTS OWING BY INSTITUTIONS (EXCHANGE) - LONG TERM

During the period amounts due by institutions were impaired with an amount of R10,658,871 due to amount being outstanding for more than a three year period.

# SUPPLEMENTARY INFORMATION

<b>Amounts in Rand thousand</b>	<b>2015</b>	<b>2014</b>
<b>1. Grants received for student awards</b>		
Communicare	-	220
Department of Agriculture, Forestry and Fisheries	14,427	1,475
Department of Higher Education and Training	3,914,893	3,693,295
Department of Higher Education and Training - TVET Colleges*	2,107,739	1,988,434
Department of Basic Education - Funza Lushaka Teacher Bursaries**	947,499	893,867
National Skills Fund	761,715	1,630,058
Department of Social Development	264,000	250,000
Eastern Cape Provincial Government	40,476	20,476
Nedbank	10,121	10,650
Agricultural Sector Education and Training Authority	-	6,983
Financial and Accounting Services SETA	57,000	66,500
Department of Defence and Military Veterans	12,000	3,880
Bank SETA	549	-
Education Training and Development Practices SETA	-	15,200
Construction Education and Training Authority	-	46,836
Safety and Security SETA	-	8,550
Local Government Education and Training Authority	-	48,750
Health and Welfare SETA	5,470	10,942
Manufacturing Engineering and Related Services SETA	-	20,000
Mining Qualifications Authority SETA	35,000	-
Services SETA	-	146,464
Kwa-Zulu Natal Provincial Government	12,000	-
Fibre Processing and Manufacturing SETA	21,999	-
	<b>8,204,888</b>	<b>8,862,580</b>

\* Bursaries for training at Technical and Vocational Educational and Training Colleges.

\*\* Bursaries for teacher training at Universities.

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

## SUPPLEMENTARY INFORMATION (continued)

Amounts in Rand thousand	2015	2014
<b>Capital grants from universities</b>		
University of Cape Town	21,531	14,188
University of the Free State	616	606
University of Johannesburg	26,437	-
Nelson Mandela Metropolitan University	3,300	3,250
University of Kwa-Zulu Natal	1,067	-
University of Pretoria	9,500	8,830
Rhodes University	31,112	-
University of South Africa	-	67,687
Tshwane University of Technology	62,102	-
Vaal University of Technology	8,698	-
Durban University of Technology	6,893	865
	<b>171,256</b>	<b>95,426</b>

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

## SUPPLEMENTARY INFORMATION (continued)

Amounts in Rand thousand	2015	2014 (Restated)
<b>2. Operational expenses</b>		
Accommodation	97	80
Advertising	537	359
Assessment rates & municipal charges	449	233
Audit fees - external	4,554	4,101
Audit fees - internal & other	3,392	5,810
Transformation sBux Pilot Project: Merchants	148	106
Bank charges	324	407
Broader communications strategy	2,254	1,711
Business development services	2,633	145
Cleaning	115	(62)
Collection costs	266	3,120
Compliance - National Credit Regulator	382	287
Computer expenses	709	5,298
Computer services	7,569	703
Consulting fees	3,482	1,833
Courier services	1	1
Electricity	638	605
Insurance	245	205
Lease rentals on operating lease	2,948	2,996
Legal expenses	1,493	2,228
Motor vehicle expenses	25	15
Office expenses	277	339
Placement fees	1,861	1,894
Postage	47	135
Printing and stationery	643	583
Promotions	288	174
Renovation costs	137	36
Repairs and maintenance	483	223
Salaries - secondments	-	9
Security services	347	464
Storage and scanning (outsourced)	1,441	1,445
Subscriptions and membership fees	185	(4)
Telephone and fax	2,207	2,074
Training	1,662	1,165
Transformation: Consultant Fee	11,079	1,962
Travel and subsistence	6,677	4,940
Administration Costs	-	5,582
Exit Strategy - Remuneration costs	-	130
Water	16	87
Workshops	364	436
	<b>59,975</b>	<b>51,855</b>

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

# ALLOCATIONS OF FUNDING PER INSTITUTION

Universities	DHET	DBE	NSF	*Other Funding
University of Cape Town	120 809 443	3 485 220	16 003 903	27 162 031
Cape Peninsula University Technology	210 969 290	56 514 000	20 712 987	
Central University of Technology	93 988 568	27 317 706	12 918 625	
Durban University of Technology	240 911 879	13 861 660	39 726 027	5 184 133
University of FortHare	153 934 779	47 850 000	58 938 173	54 603
University of The Freestate	119 573 953	61 315 520	26 451 722	1 018 731
University of Johannesburg	320 072 765	66 280 000	49 168 852	27 685 067
University of Kwazulu-Natal	266 040 713	85 190 250	51 727 999	10 671 957
University of Limpopo	270 877 166	45 567 049	52 286 084	2 209 175
Mangosuthu University of Technology	167 062 333		22 975 095	
Nelson Mandela Metropolitan University	147 665 515	64 997 600	20 533 463	3 514 976
NIHE-NC		8 350 000	4 205 555	
University of The Northwest	159 207 780	67 906 000	43 503 371	303 840
University of Pretoria	168 962 253	63 000 000	21 753 014	14 569 850
Rhodes University	33 382 685	2 550 000	4 793 368	31 487 200
Sol Plaatje University	1 708 200	2 684 000		
Stellenbosch University	53 906 798	44 475 000	13 238 254	88 523
Tshwane University of Technology	453 807 500	44 006 800	135 398 415	58 815 298
University of Mpumalanga	3 285 826			
University of South Africa	130 663 243	25 686 272	36 299 133	128 003 061
University of Venda	161 321 169	33 106 480	49 415 475	148 676
Vaal University of Technology	191 336 021		16 768 179	8 761 994
University of The Western Cape	147 930 019	23 434 560	25 337 104	163 710
University of The Witwatersrand	168 601 984	52 395 000	25 651 013	5 717 322
Walter Sisulu University	282 675 902	42 240 000	26 571 914	70 570
University of Zululand	194 159 653	58 988 537	24 586 710	
<b>Grand Total</b>	<b>4 262 855 446</b>	<b>941 201 654</b>	<b>798 964 445</b>	<b>325 630 719</b>

\*other funders include university own contribution and Nedbank bursaries.

	Other Government Departments	SETAs	Grand Total	Number of Students
	7 585 981	7 028 220	182 074 798	3650
	1 117 781	14 978 835	304 292 895	9281
	325 000	8 163 475	142 713 375	3262
	813 037	12 920 137	313 416 873	9021
	31 287 776	14 280 000	306 345 332	5118
	12 045 286	4 576 806	224 982 019	4018
	17 095 240	19 393 992	499 695 916	9658
	19 410 716	16 556 477	449 598 112	8335
	22 388 110	31 294 962	424 622 547	12548
	87 245	20 395 926	210 520 599	6214
	20 245 142	11 490 449	268 447 146	6008
	284 735		12 840 290	306
	29 261 359	15 393 386	315 575 737	6815
	13 529 460	36 973 210	318 787 788	5598
	2 248 173	1 350 800	75 812 226	1099
			4 392 200	80
	12 348 141	3 232 831	127 289 548	2111
	1 225 534	3 401 153	696 654 702	19665
			3 285 826	73
	20 729 371	5 128 966	346 510 047	24118
	22 286 267	16 169 009	282 447 076	7567
	245 000	11 345 764	228 456 958	6747
	16 203 999	3 044 960	216 114 352	5512
	6 579 986	4 909 687	263 854 994	4386
	22 371 735	75 689 031	449 619 153	13539
	11 933 648	11 921 748	301 590 298	11470
	<b>291 648 724</b>	<b>349 639 831</b>	<b>6 969 940 821</b>	



National Student Financial Aid Scheme

#### **GENERAL INFORMATION**

REGISTERED NAME:  
National Student Financial Aid Scheme (NSFAS)

REGISTERED ADDRESS:  
18 Court Road, Wynburg, Cape Town, 7801

BUSINESS ADDRESS:  
2nd Floor, House Vincent, Wynberg Mews  
10 Brodie Road, Wynberg, Cape Town, 7700

POSTAL ADDRESS:  
Private Bag X1, Plumstead  
Cape Town, 7800

TELEPHONE NUMBER:  
021 763 3200

EMAIL ADDRESS:  
[info@nsfas.org.za](mailto:info@nsfas.org.za)

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

EXTERNAL AUDITORS:  
Auditor-General of South Africa