



# NSFAS

National Student Financial Aid Scheme

**ANNUAL REPORT | 2015/2016**

Toward a Student-Centred Model





# CONTENTS PAGE

## PART A: GENERAL INFORMATION

1.	Statement by the Minister.....	6-7
2.	About NSFAS.....	9
3.	List of Abbreviations/Acronyms.....	10
4.	Strategic Overview.....	11-12
5.	Legislative and Other Mandates.....	13-14
6.	Organisational Structure.....	15
7.	Foreword by the Chairperson.....	16-18
8.	Executive Officer's Overview.....	20-22
9.	Chief Financial Officer's Report.....	24-27

## PART B: PERFORMANCE INFORMATION

1.	Statement of Responsibility for Performance Information.....	30
2.	Overview of Performance.....	31
3.	Situational Analysis.....	32
4.	Strategic Outcome Oriented Goals.....	33
5.	Annual Performance Report.....	34-39

## PART C: CORPORATE GOVERNANCE

1.	Introduction.....	42
2.	Committees of Parliament .....	42
3.	Executive Authority.....	42
4.	Accounting Authority/NSFAS Board.....	43-48
5.	Risk Management.....	49
6.	Internal Control.....	49
7.	Internal Audit and Audit Committees.....	50
8.	Compliance with Laws and Regulations.....	50
9.	Fraud and Corruption.....	50
10.	Minimising Conflict of Interest.....	51
11.	Code of Conduct.....	51
12.	Health, Safety and Environmental Issues.....	51
13.	Board Secretary.....	52
14.	Sustainability.....	52
15.	Audit and Risk Committee Report.....	52-56

## PART D: HUMAN RESOURCES MANAGEMENT

1.	Introduction.....	60
2.	Human Resources Oversight Statistics.....	61-63

## PART E: FINANCIAL INFORMATION .....64-145

## PART A - GENERAL INFORMATION









## 1. STATEMENT BY THE MINISTER



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

*"I am pleased to announce that 2017 will be the first academic year in which the student-centred model will be fully implemented. This model marks the new funding regime that we are moving towards, where students will apply for funding directly to NSFAS, and receive the outcomes of their applications directly from NSFAS".*

Government is continuing in its legacy of investing heavily in institutions of higher education and training and community education, so that we can broaden our skills development base amongst young people, while producing graduates who will be able to contribute to the growth of our economy. We are dedicated to the progressive implementation of fee-free education for the poor. The National Student Financial Aid Scheme (NSFAS) is our key vehicle to achieve this crucial social goal, and the substantial increases in its funds bear testimony to the commitment of government. The well-being of students and the strengthening and capacitating of post-school institutions is essential. That is why in January 2016, I wrote to all vice-chancellors informing them that government will make available an additional R4, 582 billion to NSFAS for the 2016/17 financial year. Of that amount, R2, 543 billion was allocated to assist 71 753 identified students who qualified for NSFAS funding but were either partially or not funded at all, with loans. An additional allocation of R2, 039 billion was provided to ensure that any of these students still in the university system in 2016, are supported financially to complete their qualifications.

Together with other NSFAS funds, this will put 205 000 through university this year, and another 200 000 through Technical and Vocational Education and Training (TVET) colleges.

Through NSFAS, government has invested more than R60 billion in the education of more than 3 million disadvantaged young people.

We have not only dedicated money to address the problem of students who cannot afford to access post-school education, we have also monitored the efficiency of our systems to ensure continuous improvements, so that we can respond to the obviously changing dynamics of our growing economy as a developing state. As part of government's efforts to assist NSFAS in overcoming the challenges it faced in fund disbursement, we set up a NSFAS Ministerial Review committee of 2010, to look into the funding model that was used, and recommend necessary interventions. The Review Committee identified the means-test as an area which needed review and revision, and proposed alternative proxies for identifying which students are the neediest, and deserve differentiated financial aid support. More recently, the need to differentiate students from low-income or no-income families, from students in the "missing middle" has been recognised as an element for further review as NSFAS rolls-out the student-centred model.

I am pleased to announce that 2017 will be the first academic year in which the student-centred model will be fully implemented. This model marks the new funding regime that we are moving towards, where students will apply for funding directly to NSFAS, and receive the outcomes of their applications directly from NSFAS. We want to build a relationship between NSFAS and the student that will start from the phase of application until the learner entirely completes his/her study programme. The intention is to address the difficulties experienced by both students and institutions during the frustrating time of applications and registrations. It also aims to eradicate the occurrence of fraud and corruption involving disbursement of funds.

I would like to thank the NSFAS Board under the stewardship of new chairperson Mr Sizwe Nxasana, and the executive management of NSFAS, for carrying out with diligence, the task of ensuring that the right amount of money reaches the right student. The Board and executive have my full support in all endeavours they will explore to ensure that the good work done by NSFAS through its employees, is maintained going forward.



**Dr. Blade Nzimande, MP**

Minister of Higher Education and Training





## 2. ABOUT NSFAS

### Country of Incorporation and Domicile

Republic of South Africa

### Nature of Business and Principal Activities

The business 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 students once they are employed.

#### Registered Office

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

#### Business Address

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

#### Postal Address

Private Bag X1  
Plumstead, Cape Town 7800

#### Bankers

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

#### Auditors

Auditor-General of South Africa

#### Website Address

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

#### Contact Details


+27 21 763 3200 | 086 006 7327  
[info@nsfas.org.za](mailto:info@nsfas.org.za)



### 3. LIST OF ABBREVIATIONS/ACRONYMS

AGSA	Auditor General of South Africa
APP	Annual Performance Plan
ASB	Accounting Standards Board
ASISA	Association for Savings and Investment South Africa
BBBEE	Broad Based Black Economic Empowerment
CAMS	Corporate Access Management Services
CATHSSETA	Culture Art Tourism Hospitality and Sports Sector Education and Training Authority
CFO	Chief Financial Officer
CIO	Chief Information Officer
COO	Chief Operating Officer
CRO	Chief Risk Officer
DBE	Department of Basic Education
DHET	Department of Higher Education and Training
EO	Executive Officer
EXMA	Executive Management
FET	Further Education and Training
GM	General Manager
GRAP	Generally Recognised Accounting Practices
HR	Human Resources
ICT	Information and Communication Technology
KPI	Key Performance Indicator
LAF	Loan Agreement Form
LRA	Labour Relations Act
MEC	Member of Executive Council
MTEF	Medium Term Expenditure Framework
NCA	National Credit Act
NCR	National Credit Regulator
NCV	National Certificate (Vocational)
NDP	National Development Plan
NCOP	National Council of Provinces
NSDS	National Skills Development Strategy
NSF	National Skills Fund
NSFAS	National Student Financial Aid Scheme
OHSA	Occupational Health and Safety Act
PACS	Payment and Collections Services
PAIA	Promotion of Access to Information Act
PAJA	Promotion of Administrative Justice Act
PCHET	Portfolio Committee on Higher Education and Training
PFMA	Public Finance Management Act
PIC	Public Investment Corporation
PPPFA	Preferential Procurement Policy Framework Act
SAICA	South African Institute of Chartered Accountants
SAMSA	South African Maritime Safety Authority
SARS	South African Revenue Service
SCER	Select Committee on Education and Recreation
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SETA	Sector Education and Training Authority
SOP	Schedule of Particulars
TR	Treasury Regulations
TVET	Technical and Vocational Education and Training

## 4. STRATEGIC OVERVIEW



The National Student Financial Aid Scheme (NSFAS) 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 and Vocational Education and Training (TVET) colleges (formerly known as Further Education and Training [FET] colleges) throughout the country. Further mandates of the entity are to recover student loans and raise funds for loans and bursaries.

In addition to managing funds granted by the Department of Higher Education and Training (DHET), NSFAS administers funds from the Department of Basic Education and the Department of Social Development, amongst others.

### 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;
- Undertaking research to improve utilisation of financial resources;
- Advising the Minister of Higher Education and Training on matters relating to student financial aid; and
- Performing other functions assigned to it by the NSFAS Act or by the Minister.



#### 4.1. 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.

#### 4.2. 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 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; and
- 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.

#### 4.3. VALUES

External Values towards 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 Values towards our employees and the organisation:

##### INTEGRITY

We act with integrity towards all stakeholders, and support clients that uphold the same values.

##### ACCOUNTABILITY

We take responsibility for our actions.

##### RESPECT

We treat all our employees with respect and equality.

##### INNOVATION

We strive to innovate in communicating with and serving students.



## 5. LEGISLATIVE AND OTHER MANDATES

### 5.1. CONSTITUTIONAL MANDATE

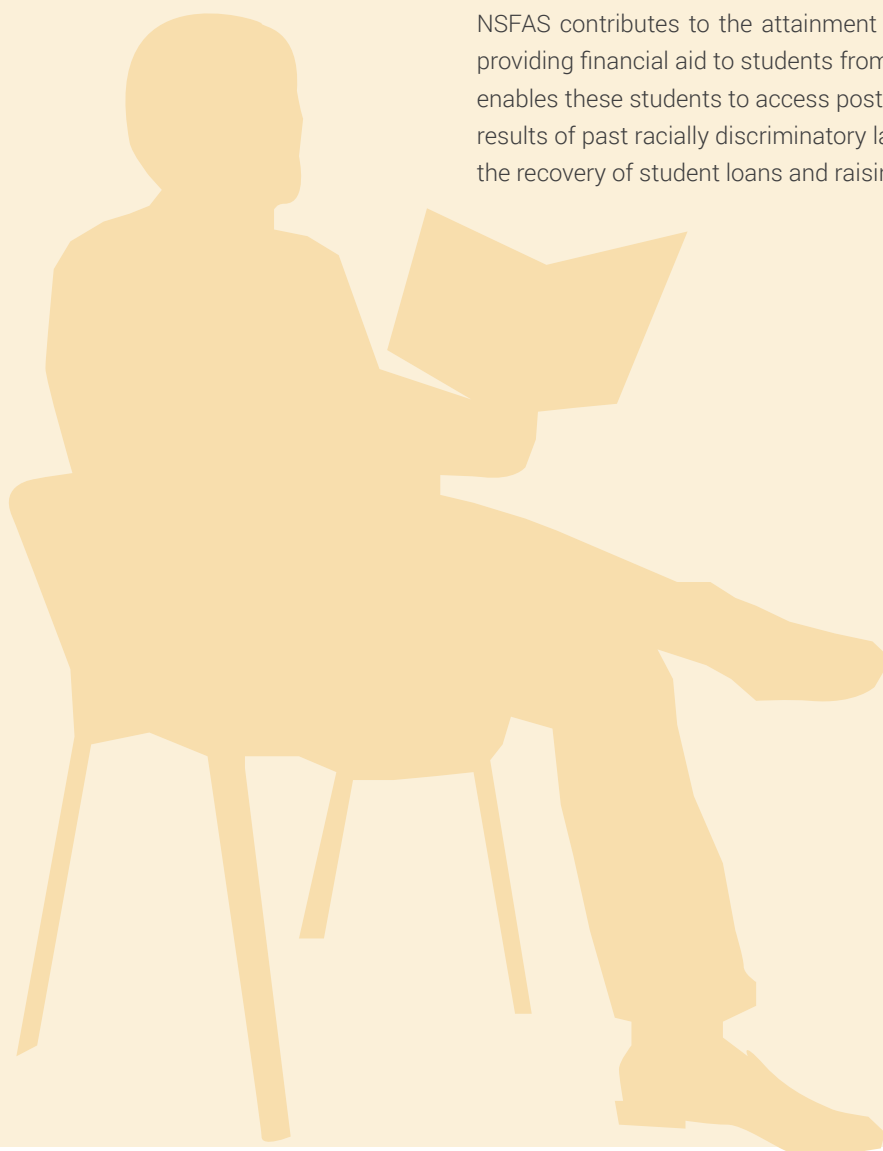
*The Bill of Rights states in Section 29:*

Education:

(1) Everyone has the right-

- a) To a basic education, including adult basic education; and
- b) To further education, which the state, through reasonable measures, must make progressively available and accessible.

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





## 5.2. LEGISLATIVE MANDATES

*In addition to the NSFAS Act, legislation and regulation applicable to NSFAS include the following:*

- Basic Conditions of Employment Act, 1997
- Employment Equity Act, 1998
- Education Laws Amendment Acts, 2007, 2011
- Further Education and Training Act, 1998
- Higher Education Act, 1997
- Labour Relations Act (LRA), 1995
- National Credit Act (NCA), 2005
- National Education Policy Act, 1996
- National Qualifications Framework Act, 2008
- National Environmental Management Act, 1998 amended 2003
- Occupational Health and Safety Act (OHSA), 1993
- Preferential Procurement Policy Framework Act (PPPFA), 2000
- Promotion of Access to Information Act (PAIA), 2000
- Promotion of Administrative Justice Act (PAJA), 2000
- Protection of Personal Information Act, 2013
- Public Finance Management Act, 1999
- Skills Development Act, 1998
- Skills Development Levies Act, 1999
- Learnership Regulations
- PPPFA Regulations
- National Treasury Regulations
- SETA Grant Regulations
- Health and Safety Regulations

## 5.3. POLICY MANDATES

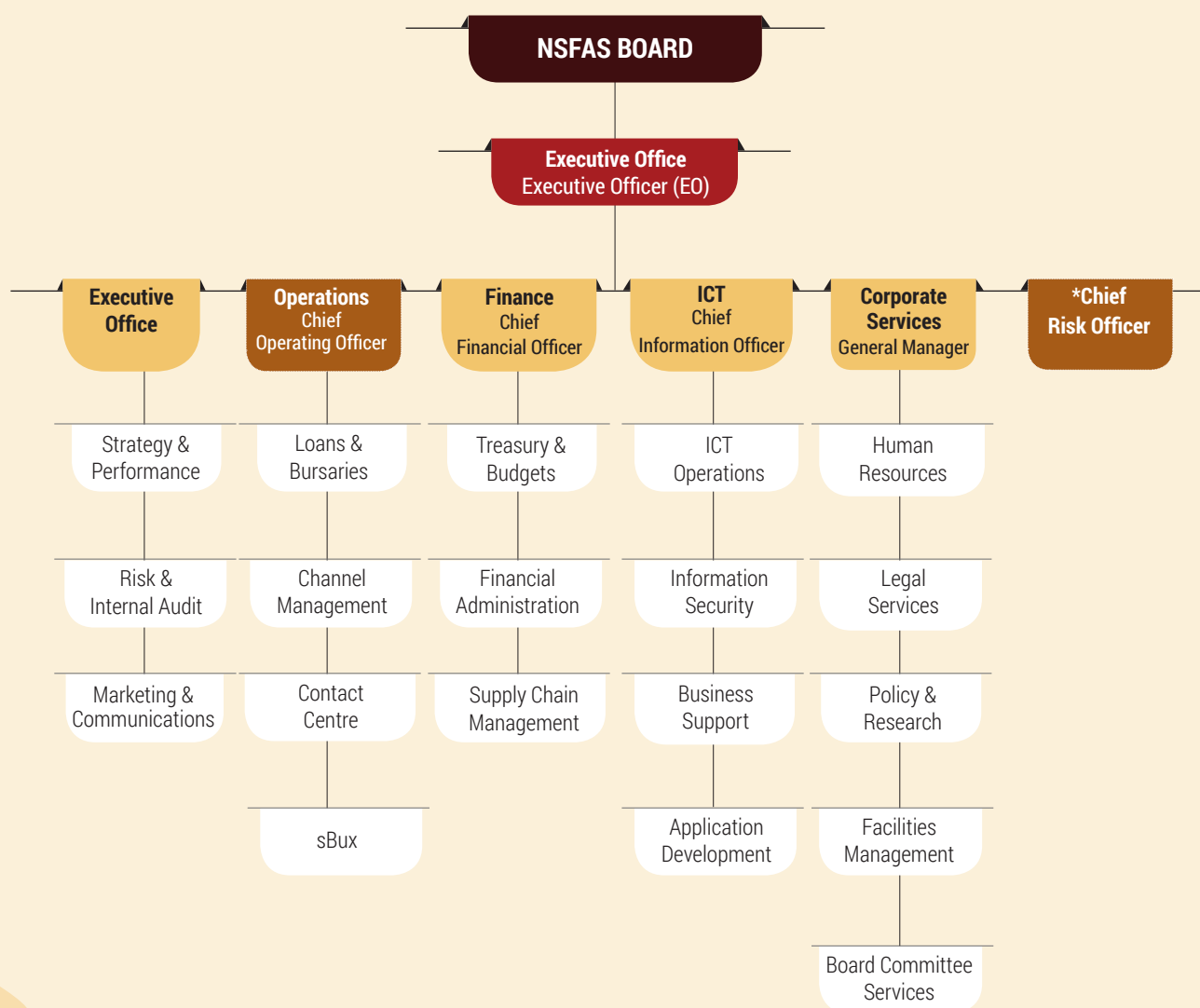
### *(a) National Development Plan - 2030*

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

### *(b) The National Skills Development Strategy III*

The key driver of this strategy is to improve 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.

## 6. ORGANISATIONAL STRUCTURE

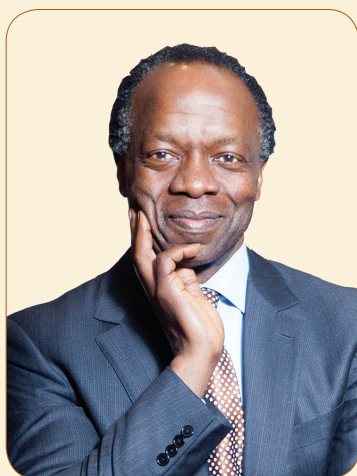


NSFAS appointed new executives in the form of the Chief Risk Officer and the Chief Operating Officer. The appointments were a secondment and therefore NSFAS does not incur costs for these positions.

\* The Office of the Chief Risk Officer is a new establishment, therefore supporting functions will be aligned in the next financial year.



## 7. FOREWORD BY THE CHAIRPERSON



**Mr. Sizwe Nxasana**  
NSFAS Chairperson

*"The Board's vision for NSFAS for the coming year is simple and extremely achievable – to provide more benefit to the students. I believe that through guidance from the Board, NSFAS will continue to improve the efficiencies of its operations with particular focus on improving the service to students and tertiary institutions".*

NSFAS aspires to support access to and success of all eligible students at public Technical and Vocational Education and Training (TVET) colleges and public higher education institutions, who would otherwise not be able to afford to study. As has been well documented, demand for financial aid far outstrips the amount available in the fund and therefore not all financially needy and academically capable students can be supported through loans. This, together with other challenges faced by students in universities and TVET colleges, has led to increased student protests in higher education institutions. 2015 will remain a watershed year because of the #feesmustfall protests which saw students protesting against university fee increases, demanding free higher education, demanding access to decent student accommodation and demanding changes in employment and language policies of higher education institutions.

Whereas the student protests and demands for free education are legitimate in a democracy, the violence and destruction of property which has accompanied some student protests must be rejected and condemned. There has been some

misinterpretation of the constitution and the policy position of government in respect to the call for free education. The Constitution of the Republic of South Africa clearly supports the notion of affordable higher education for all and progressive support for financially needy students to access higher education, but it does not promise free higher education. The student protests triggered various actions by government, higher education institutions and the private sector to address the issues raised by students. In partnership with the Department of Higher Education and Training, universities and TVET colleges, NSFAS responded accordingly to avert the escalation of the protests into the 2016 academic year. Much work was done by NSFAS management during December 2015 and the 1st quarter of 2016 to plan, communicate and implement efficiency improvement programmes to ensure that institutions and students received their funding on time.

Government responded swiftly to address student funding challenges by injecting an additional R4,582 billion for the 2016 fiscal. R2,543 billion of this is being used to assist the settlement of historic debt of some 71,753 students at public universities. The balance of R2,039

billion is earmarked to ensure that any of the students who were partially or unfunded in 2013, 2014 or 2015, and are still in the university system in 2016, are supported financially to continue and complete their qualifications.

With the dust of the student protest settling, the NSFAS Board and management had to take a critical look at NSFAS operations, identify the gaps and develop a new way forward. Following the Board's assessment of both the organisation internally and the external environment, we have had to fast track some decisions to address funding issues that emanated from the #feesmustfall protests.

I am pleased to report that we have accelerated our initiatives to collect outstanding loans from past beneficiaries, and for this I want to thank NSFAS employees who demonstrated their commitment to operational goals through their efforts to recoup outstanding repayments during December 2015 and January 2016. It is also encouraging to note that NSFAS has arrested the decline in non-payment and as a result, a vast improvement has been noted in the collections by the number of new payees as well as collected amounts.

GOVERNMENT INJECTED  
AN ADDITIONAL

**R4.6 billion**

FOR THE 2016 FISCAL



Corporate South Africa, state owned entities, and provincial governments have also rallied together to tighten up processes and work in synergy to fast track collections through their own employer operating systems.

NSFAS' focal point in addressing these systemic problems is to improve efficiencies in its operations and ensure effective delivery with available resources for the benefit of students. Given the budgetary constraints in the NSFAS administrative budget, NSFAS sought and received help from the private sector to strengthen its skills and administrative capacity. Together with the NSFAS Board, I would like to express my heartfelt gratitude to Standard Bank, Nedbank and BNP Paribas, who have seconded critical human resources to strengthen capacity, improve efficiencies and build skills within NSFAS leadership. These contributions made a positive impact on the operations, which in turn has improved the reputation of the organisation. There is now improved confidence in the scheme, and this has prompted funders and donors to dig deep into their pockets to co-invest and build stronger financial capacity to assist more students.

## LOOKING INTO THE FUTURE

The Board's vision for NSFAS for the coming year is simple and extremely achievable – to provide more benefit to the students. I believe that through guidance from the Board, NSFAS will

continue to improve the efficiencies of its operations with particular focus on improving the service to students and tertiary institutions. Measures to improve sound corporate governance are being implemented to improve the execution of the NSFAS mandate. In order to strengthen the oversight skills and the diversity of the Board, we are in the process of appointing highly qualified additional Board members.

## GRATITUDE

I would like to take this opportunity to thank management and the Board of NSFAS for their support, focus and hard work in what was a challenging financial year. I would also like to thank the various funders, large and small, who continue to contribute towards making it possible for needy students to pursue their dreams to access higher education institutions, the students for their hard work and dedication, and the universities and TVET colleges for their partnership. The Board further wishes to thank his Excellency President Jacob Zuma, the Minister of Higher Education and Training Dr. Blade Nzimande, the Minister of Finance Mr. Pravin Gordhan, the Director General in the Presidency Dr. RC Lubisi who chaired the Presidential Task Team on student funding challenges, the Director General in the Department of Higher Education and Training Mr GF Qonde, members of the Presidential Task Team on student funding challenges, for their support during the highly politicised and volatile period which

was experienced during 2015 and 2016 in public universities and TVET colleges. The interventions which were driven from the highest office in the Republic, mitigated a potential crisis and violence of major proportions in the country and allowed an orderly 2016 academic year at higher education institutions. This also played a significant role in allowing NSFAS to execute its mandate. We also thank the Portfolio Committee on Higher Education and Training for their oversight, guidance and commitment to accountability to ensure that NSFAS fulfils its mandate to meet the expectations of the public, and financially needy students.

**Mr. Sizwe Nxasana**

Chairperson: National Student Financial Aid Scheme



# Muizenberg Campus





## 8. EXECUTIVE OFFICER'S OVERVIEW



**Mr. Msulwa Daka**  
Executive Officer

*"We achieved 71% of performance targets set for the year, which is a significant improvement when compared against the 29% achievement in 2014/2015. This notable accomplishment can be attributed to the measures by management to keenly monitor our performance throughout the year".*

I am delighted to let you know that this financial year saw the National Student Financial Aid Scheme's (NSFAS) Board and management working hard to develop and come up with effective strategies to address challenges previously experienced in higher education student funding.

There were also a few changes made to our Board, as the terms of some Board members were coming to an end and new appointments made. Our business strategy also had to be redeveloped to align perfectly with our vision.

As the leadership of the entity, we also focused on the following areas:

- Improving our corporate culture so that the organisation can perform optimally;
- Examining key deliverables, including recovery of monies owed by former students;
- Implementing fund raising campaigns aimed at the private sector and state entities; and
- Continuous improvements to operational effectiveness to ensure that the correct students are provided with funding on time.

### LOAN RECOVERIES

R14 million in September 2015 and R25 million in March 2016



Moving on, fee increases at tertiary institutions have consistently contributed to the number of students funded by NSFAS declining each year, resulting in increasing demand for extra funding. In response to this, NSFAS prioritised collections of outstanding debt from previous beneficiaries, which we regard as a critical strategic imperative, because we were admittedly behind the curve with recoveries. I am happy to report that for the year under review though, we have made impressive improvements with collections. The best months of collections yet were September 2015 and March 2016, where we received R14 million and R25 million respectively.

This boost in collections has a direct benefit to assisting more students to access these grants and loans. Since our recoveries campaign started in October 2015 we saw 19 000 debtors who were not paying their loans, coming forward and starting to pay. Every cent collected, goes a long way towards supporting a new student to achieve academic success.

There is considerable effort being channelled into improving recoveries. We have investigated a multipronged approach, through cooperations with private sector and state entities who employ many of our beneficiaries. We are working together with large corporates under the Association

for Savings and Investment South Africa (ASISA) umbrella and state entities, to recover outstanding debt from former beneficiaries through their payroll systems. To increase our funding capacity, we had to appeal to our funders to share the pain and consider making substantial contributions to allow us to fund more students. It is evident that there is a greater appetite to assist NSFAS to achieve its goals, as well as a growing social consciousness to assist NSFAS to build capacity and skills in its operations.

We have improved our fundraising capabilities to encourage corporates and individuals to partner with us in providing more students with funding. Not only is education an economic commodity, it is also a societal issue, and the more we commit to it, the better for South Africa.

We achieved 71% of performance targets set for the year, which is a significant improvement when compared against the 29% achievement in 2014/2015. This notable accomplishment can be attributed to the measures by management to keenly monitor our performance throughout the year.

The dedication to deliver on our operational goals was evident when NSFAS employees made personal sacrifices to forfeit their annual

#### ON OUR WAY TO ACHIEVE 100% OF OUR OPERATIONAL TARGETS

71%

COMPARED  
AGAINST

29%

ACHIEVED

ACHIEVED IN 2014/15



leave during the busy December and January period. This sacrifice was in order to complete the funding process of NSFAS students. A big challenge that we continue to face is the high dropout rate at universities, which not only negatively affects the students, but impacts on our prospects of recovering student debt. We are undertaking research initiatives on the causes of this, and intend to share the outcomes with the Ministry for Higher Education and Training, for a collective solution.

For this reason, we have new impetus in the roll out of the student-centred model, and we invite SETAs to partner with us in funding this process. The student-centred model was piloted in 2014, evaluated in 2015, and is now progressing into full implementation, informed by the lessons learned during the pilot phase. NSFAS is ready to deliver on key projects and finalise the roll out of the model at institutions.

Coming from what was most definitely a year that will be remembered in the history of higher education 2015, we are grateful for the support and partnerships from government and our funders. In addition, I am most thankful to the chairman and the Board for providing leadership, guidance and much needed innovation during the year. Of course without the commitment and dedication of NSFAS employees, some of our objectives and targets would not have been achieved. Their hard work, tenacity and resilience have not gone unnoticed. I am confident that the long term objectives and outcomes from the new operating model will yield results which will change the face of student funding in the higher education sector.

**Mr. Msulwa Daka**

Executive Officer











## 9. CHIEF FINANCIAL OFFICER'S REPORT



**Mr. Lerato Nage**  
Chief Financial Officer

*"The entity has disbursed R9.3 billion in student financial aid. Of this amount, R4.4 billion worth of bursaries went to University and TVET college students and a further R4.9 billion in convertible loans to university students".*

The 2015/16 review period presented an opportune moment for a reflective assessment of the organisation's financial performance, execution of the core business, growth opportunities as well as an honest appraisal of the challenges facing NSFAS in the delivery of its core mandate. From an organisational perspective, the finance department 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 core business.

As such, the finance department continues to play a significant support role to other departments in the organisation to ensure that they are financially equipped to deliver against their set targets.

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 higher education sector.

## SOURCES OF FUNDING

Therefore, this report is intended to provide insight into the financial performance of NSFAS. The report addresses two sources of funding for the entity, split as follows: Administration Grant and Administration Fees for the management of NSFAS operations; and Grants for loans and bursaries to academically deserving and financially-needy students.

This report is to be read in conjunction with the complete set of the annual financial statements.

The continual impact of the implementation of the new student-centred model has resulted in the entity needing to disclose a contingent liability of R5.0 billion (2015: 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 is confident that it will continue to disburse funding in the new financial year.

The organisation is continuing with the roll-out of the new student-centred model as per targets outlined in its Strategic Plan for 2015/16 – 2018. This will result in a significant investment in the Loans and Bursaries Management System, infrastructure and a further investment in highly specialised skills.

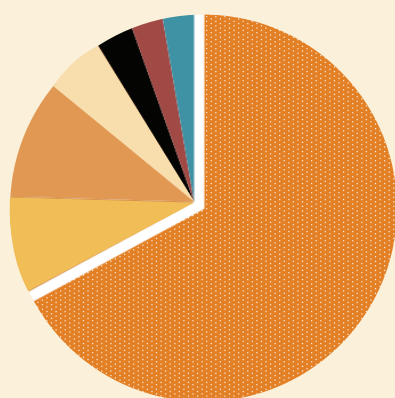
## FINANCIAL PERFORMANCE

The organisation's new grants income for student loans and bursaries has increased from R8.8 billion to R9.4 billion, representing a year-on-year growth of 7%. Of the allocated funds, the entity then disbursed R9.3 billion in student financial aid. Of this amount, R4.4 billion of bursaries went to Universities and TVET college students and a further R4.9 billion in convertible loans to university students.

Our administration income has also increased significantly from R116 million to R149 million in comparison to the prior year, representing a 28% year-on-year growth. However, despite this increase, the entity continues to be under pressure to be able to fully roll-out its new student-centred



## SOURCES OF 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.

model, and this is represented by an administration expense to award ratio of 1.90, which is considerably low compared to entities of similar size to NSFAS.

As at 31 March 2016, the entity recorded a loan book with a cumulative nominal value of R24.2 billion and a fair value of R7.2 billion. The fair value amount disclosed in the statement of financial position is net of an impairment loss of R521 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 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 R1.7 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. For the financial year under review, the entity recognised a bursary expense of R4.4 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 ended 31 March 2016 the entity recognised an expense of R2.1 billion.

The current legislative environment and the entrenched culture of non-repayment of debt by past students, have not been conducive for debt collection and that has resulted in the entity only collecting outstanding loans to the value of R227 million.

In order to improve the collection rates, the organisation held numerous discussions with the National Credit Regulator to assist in amending the National Credit Act to accommodate the unique features of the NSFAS loan book. This mainly relates to obtaining positive consent from debtors before effecting salary deductions. The amendment will enable NSFAS to recover most of the debt owed to it efficiently. During the approaching financial year, the organisation will seek the assistance of the National Treasury to expedite this process.

The entity has 25 funds that it administers which include the Department of Higher Education and Training, the Funza Lushaka Teacher funding scheme, the National Skills Fund, the Sector Education and Training Authorities, the government departmental funds and other provincial funds.

## STATEMENT OF FINANCIAL POSITION

At the end of this financial year, the entity had a cash and cash equivalents balance of R913 million. The bulk of this cash on hand is committed for student funding in the next academic year.

As part of assisting with the cash constraints at various institutions of higher learning, the entity made prepayments for initial student registration fees to the value of R1.7 billion. NSFAS has also recognised an amount of R826 million as a 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 a R22 million amount that was owed by institutions, as it had been outstanding for more than three years, slim probabilities of recovery.

## KEY INTERNAL INITIATIVES SERVICE CULTURE

During the financial year under review, the CFO's office has sought to reposition the finance department from one of maintaining financial control and stability only, to one which plays a greater role in the distribution and management of funds. The finance department has also played a significant role in

ensuring that the core operations of the organisation are properly supported and the performance targets are met as evidenced by the high percentage of targets achieved during this financial year.

The control environment has improved significantly and that is evidenced by the reduced findings and material misstatements contained in the Auditor-General's Management report.

## 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 student loans and recoveries unit.

## FUTURE FOCUS

The roll-out of the new student-centred model to the rest of the institutions across the country will increase pressure on the entity. This is the area that is receiving attention as earlier indicated in the report.

The unintended consequences of rolling out the new student-centred model to the rest of the public institutions across the country has resulted in the entity now being faced with an increasing contingent liability, as outlined in note 26 ('student funding') of the financial statements.

The 'no fee increase' movement has also placed additional funding pressure on the organisation.

The Board has started engagements with the National Treasury to explore alternative ways to increase the capacity of the entity, to ensure that it operates optimally in carrying out its mandate.

However, it should be noted that the National Treasury has warned about tight fiscal regime and the fact that government entities need to find alternative ways to be more sustainable and NSFAS, as a government agency, is not immune to this.

The organisation would like to extend its heartfelt gratitude to the Department of Higher Education and Training and the Finance Ministry for their continued support. A special thanks is also extended to our funders and the South African Revenue Service for availing additional resources to assist in ensuring that the organisation is able to collect its outstanding debt efficiently.



**Mr. Lerato Nage**  
Chief Financial Officer

## PART B - PERFORMANCE INFORMATION









# 1. STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

To the best of our knowledge and belief, we confirm the following:

All information and amounts disclosed in this annual report are consistent with the annual financial statements audited by the Auditor-General of South Africa. The annual report is complete, accurate and free from any omissions. The annual report has been prepared in accordance with the guidelines of annual reports as issued by National Treasury.

The accounting authority is responsible for the preparation of annual financial statements and the judgements made in this information. The accounting authority is responsible for establishing, and implementing a system of internal controls, which has been designed to provide reasonable assurance on the integrity and reliability of the performance information, the human resources information and the annual financial statements.

In our opinion, the annual report fairly reflects accurate facts on operations, performance information, human resources information, and the financial affairs of NSFAS for the financial year under review.

Yours faithfully

**Mr. Msulwa Daka**  
Executive Officer

**Mr. Sizwe Nxasana**  
Board Chairperson



## 2. OVERVIEW OF PERFORMANCE

The organisation has grown considerably in the last few years, leading to an era of full implementation of the student-centred model. In the year under review, we have recorded interesting numbers in all areas of the scheme's life. Our funding purse has reached R10 billion, our recoveries are still above R200 million, our sBux voucher system has taken off successfully, and the number of students has continued to grow steadily. However – the most important factor to take note of at the moment – is the achievement of 71% of our operational targets for the year.

We did this by growing our administration capacity, and applying financial due diligence in all our administrative activities. We carefully defined and committed our operational mandate to the strategic objectives, targets and key performance indicators, which are all important factors that we utilise to measure performance. One of our key achievements was the strengthening of our recoveries campaign.

Our fund raising also improved, which is most welcome because it eases pressure on government, which so far, has continued to bear most of the responsibility in providing NSFAS with funding. One of our key achievements was the development and implementation of processes and

procedures for the online applications – which have been scheduled to open on 01 August 2016.

NSFAS obtained a student satisfaction result of 78% and 88% for surveys conducted through the Contact Centre and Facebook respectively, against a target of 60%. The following initiatives were implemented in the contact centre:

- Developed and implemented standard operating procedures and service level agreements with internal service units to drive service excellence and accountability;
- A recoveries team was established and collections have shown an upward trajectory from October 2015 to March 2016;
- The contact centre successfully launched International Customer Service Week during October 2015, the aim of which was to raise awareness about the importance of customer service;
- Quality assurance processes were refined with post call survey and first call resolution procedures implemented.



## 3. SITUATIONAL ANALYSIS

### 3.1 SERVICE DELIVERY ENVIRONMENT

There have been no changes in the external and internal environments that could have affected performance since the development of the Strategic Plan.

The Annual Performance Plan (APP) maps out the road that NSFAS will follow to achieve its strategic goals in the 2016/17 financial year, as set out in the NSFAS Strategic Plan for the fiscal years 2015/16 to 2020/21.

The APP further outlines initiatives that NSFAS will implement on an annual basis to realise its long-term strategic goals and objectives. The plan was used as the basis for monitoring progress against the Strategic Plan, where performance against the targets was reported to stakeholders on a quarterly and annual basis.



## 4. STRATEGIC OUTCOME ORIENTED GOALS

Strategic Outcome Oriented Goals	Goal 1	Goal 2
	An efficient and effective public entity in providing student financial aid.	Increased access to higher education and improved student financial aid environment.
Goal Statement	To implement effective and efficient processes and operations to ensure stakeholder objectives are achieved.	To Increase access to funding for eligible students by raising funds, maximising loan recoveries and creating a student-centred loans and bursaries model through improved communication support for students and a central application process.
Outcomes	<ul style="list-style-type: none"> <li>- Robust systems, processes and controls</li> <li>- Effective and efficient governance structures</li> <li>- Productive and engaged employees</li> </ul>	<ul style="list-style-type: none"> <li>- Increased funding;</li> <li>- Improved recoveries;</li> <li>- Financial support extended to more students;</li> <li>- Improved stakeholder relations and communications; and</li> <li>- Client service management</li> </ul>
Performance Indicator	NSFAS receives a clean audit report annually.	<ul style="list-style-type: none"> <li>- Increased total number of student loans and bursaries; and</li> <li>- Augmented capital available for disbursement</li> </ul>



## 5. ANNUAL PERFORMANCE REPORT

### Programme 1: Student-Centred Financial Aid

No.	Strategic Objective	Objective Statement	No.	Performance Indicator	Annual Target 2015/16
1	Improve the disbursement of funds and allowances to students	To progressively improve the efficiency of payments of tuition, residence fees, allowances and claims to students and institutions	1.1	Percentage of students on the student-centred model, whose tuition and residence fees were paid by the due date.	90%
			1.2	Percentage of students on the student-centred model, whose allowances were paid by the due date.	90%
			1.3	Percentage of claims paid to institutions outside of the student-centred model on the due date	100% of claims paid to institutions by 31 December
			1.4	Upfront payment made to institutions outside of the student-centred model on the due date	100% by 31 March
2	Provide policy inputs on student financial aid	To provide policy inputs on student financial aid by conducting research programmes and publishing the outcomes	2.1	Number of research reports produced	5 of research reports produced

Achieved = 71% ● Partially achieved/not achieved = 29% ●

Performance has improved from 21, 4% achieved targets obtained in the 2014/15 financial year.

Audited Performance 2014/15	Actual Performance 2015/16	Reason For Variance	Year End Variance	Status
New indicator	<b>Achieved.</b> The target was 90% students paid allowances within 30 days. Over 90% achieved in all quarters, 98,5 % was achieved as average for the year.	The target was overachieved due to a concerted effort to improve efficiencies in payment processes and systems	+11.1%	●
Not achieved	<b>Achieved.</b> The target was 90% students paid allowances within 7 days. Over 90% achieved in all quarters, 94,2 % was achieved as average for the year.	The target was overachieved due to a concerted effort to improve efficiencies in payment processes and systems	+ 4.4%	●
Not achieved	<b>Achieved.</b> Paid 100% of all claims received (97% of total allocation)	No Variance	0%	●
New indicator	<b>Achieved.</b> Institutions paid 30% of their allocation as an upfront payment 100%	No Variance	0%	●
New indicator	<b>Achieved.</b> Five research reports produced <b>Research topic 1:</b> Research on the research available <b>Research topic 2:</b> A Cohort analysis <b>Research topic 3:</b> Prisoners <b>Research topic 4:</b> The impact of NSFAS <b>Research topic 5:</b> Meal allowances	No Variance	0%	●



## ANNUAL PERFORMANCE REPORT (CONTINUED)

No.	Strategic Objective	Objective Statement	No.	Performance Indicator	Annual Target 2015/16
2	Provide policy inputs on student financial aid	To provide policy inputs on student financial aid by conducting research programmes and publishing the outcomes	2.2	Number of research projects published	1 research project published
			2.3	Number of policy briefs produced	1 policy brief produced
3	Improve key external stakeholder satisfaction	To improve stakeholder satisfaction by improving stakeholder relations and communication for those stakeholders identified in section 6.2 of the Strategic Plan	3	Percentage of satisfied stakeholders	60% stakeholders satisfied
4	Improve loan collections	To improve loan collections incrementally each year	4	Increase in loan collections	R373 m
5	Increase funding raised	To increase the pool of funding available for eligible student loans and bursaries incrementally each year through various fund raising mechanisms	5.1	Number of new funders secured	5
			5.2	Funding raised from current funders	R105 m



Achieved = 71% ●

Partially achieved/not achieved = 29% ●

Performance has improved from 21, 4% achieved targets obtained in the 2014/15 financial year.

Audited Performance 2014/15	Actual Performance 2015/16	Reason For Variance	Year End Variance	Status
New indicator	<b>Achieved.</b> One research report published	No Variance	0%	●
New indicator	<b>Achieved.</b> One policy brief produced	No Variance	0%	●
Not achieved	<b>Achieved.</b> A student satisfaction result of 78% and 88% were obtained from questionnaires and Facebook respectively	The implementation of the interventions to improve student satisfaction, as per the student satisfaction plan, at the contact centre has increased student satisfaction levels	+30% for the questionnaire and +47% for Facebook	●
Not achieved	<b>Partially achieved.</b> 61 % (R227.8m) of annual target (R372.7m) collected	There was previously no active follow up on debtor repayments. Initiatives were implemented in September 2015 with the appointment of two external contact centres as well as additional in-house recoveries agents	-39%	●
Achieved	<b>Achieved.</b> 8 new funders secured: CATHSSETA <sup>1</sup> , Standard Bank, Vodacom Foundation, SABC <sup>2</sup> Foundation, Banking Association SA, Gauteng Gambling Board, 702 Xolani Gwala Initiative, FoodBev SETA <sup>3</sup>	The student protests and NSFAS' proactive media engagements in Q4 assisted in bringing attention to the funding challenges in the system	+60%	●
New indicator	<b>Achieved.</b> R2,4 billion raised from current funders	During the year, the KPI was amended from "Increase in funding ..." to "Funding raised ...". However the target was not updated to be in line with revised KPI.	+2 185%	●



## ANNUAL PERFORMANCE REPORT (CONTINUED)

No.	Strategic Objective	Objective Statement	No.	Performance Indicator	Annual Target 2015/16
6	Roll-out new student-centred model	To roll-out the new student-centred model by increasing the percentage of students on the model	6	Increase in percentage of students migrated to new student-centred model	30% of NSFAS students
7	Improve governance	To improve governance standards by maintaining an unqualified audit with zero material statements	7	AGSA audit opinion	Unqualified audit with zero material misstatements
8	Strive for a high performance culture and improved working environment	To strive for a high performance culture by improving productivity and increasing employee engagement	8.1	Increase in percentage of productive employees	60% employees with rating of 3 and above
			8.2	Increase in percentage of engaged employees	Increase in percentage of engaged employees
9	Ensure information technology (IT) and organisational strategic alignment	To align organisational processes and information technology by achieving CGICTAS phase 3 status and maintaining the status thereafter	9	Status level for CGICTAS achieved	Achieve CGICTAS Level 3 - Full Conformance

<sup>1</sup> CATHSSETA - Culture, Arts, Tourism, Hospitality and Sport Sector Education and Training Authority

<sup>2</sup> SABC- South African Broadcast Corporation

<sup>3</sup> FoodBev SETA - Food and Beverages Manufacturing Industry Sector Education and Training Authority

Achieved = 71% ●

Partially achieved/not achieved = 29% ●

Performance has improved from 21, 4% achieved targets obtained in the 2014/15 financial year.

Audited Performance 2014/15	Actual Performance 2015/16	Reason For Variance	Year End Variance	Status
Not achieved	<b>Partially achieved.</b> 24% of NSFAS students migrated to the new student-centred model	12 TVET Colleges had been identified for the phase 2 roll-out in 2016 and one college (South West Gauteng) declined the invitation to join phase 2 at the eleventh hour. NSFAS also started late with the implementation of phase 2 of the project and that contributed to the readiness of TVET Colleges	-20%	●
Not achieved	<b>Partially achieved.</b> Audit improvement plan not fully implemented. 82% of the plan implemented	Some of the controls could not be implemented within the financial year	-18%	●
Not achieved	<b>Partially achieved.</b> Final performance review conducted for all employees but productivity not measured	Performance results not analysed for final performance rating	-50%	●
Not achieved	<b>Achieved.</b> 71% of employees engaged	The employee engagement initiatives implemented had a greater than expected impact on employee engagement	+42%	●
New indicator	<b>Achieved.</b> CGICTAS Level 3 - Full compliance	No Variance	0%	●

## PART C - CORPORATE GOVERNANCE









## 1. 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 in the NSFAS Act 56 of 1999, corporate governance is applied through the Public Finance Management Act (PFMA) (Act of 1999) and incorporates the principles contained in the King Code of Governance Principles of South Africa, 2009.

## 2. COMMITTEES OF PARLIAMENT

**There are three committees of Parliament of the Republic of South Africa through which NSFAS accounts:**

- (a) The Parliamentary Portfolio Committee on Higher Education and Training (PCHET) in the National Assembly;
- (b) The Select Committee on Education and Recreation (SCER), in the National Council Of Provinces (NCOP); and
- (c) The Standing Committee on Public Accounts (SCOPA) in the National Assembly.

During the year under review, NSFAS attended four meetings at the invitation of the Committees to present its Annual Report, Annual Performance Plan, Strategic Plan, and present its readiness for the 2016 academic year. Key issues that were raised by the Committees were the 2015 student protests over inadequate funding; alleged fraud and corruption in the administration of NSFAS funds at the institutions; and improved governance and fund management systems.

NSFAS was not required to appear before SCOPA during the year under review.

## 3. EXECUTIVE AUTHORITY

The Executive Authority's responsibility is to provide for the establishment, governance and funding of public higher education institutions as well as exercising oversight in terms of the PFMA.

Reports 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.

## 4. NSFAS BOARD

NSFAS is managed, governed and administered by the Board as the Accounting Authority.

The composition of the Board, in terms of NSFAS Act Section (5) (1) subject to subsection (4), is as follows:

- (a) 13 members appointed by the Minister of whom:
  - (i) One member must be employed by the Department of Higher Education and Training;
  - (ii) One member must be nominated by the Minister of Finance;
  - (iii) One member must be designated by the Minister as chairperson of the Board; and
  - (iv) Three members must be nominated by national organisations representing students;
- (b) Not more than four members who may be co-opted by the board; and
- (c) The executive officer contemplated in section 9(1) of the NSFAS Act, who is the secretary.

During the financial year, five board members' term of office came to an end in June 2015, and two board members submitted their resignation letters in November and December 2015 respectively.

### 4.1 BOARD COMMITTEES

The NSFAS Act requires the Board to establish a minimum of two Board Committees: the Executive Committee and the Finance Committee.

In order to attend to its duties effectively, the Board has established three other committees: the Audit and Risk Committee, Human Resources and Remuneration Committee and the Information and Communications Technology Committee.

The Board has been graded, for remuneration purposes, as Sub-category B1 of the service benefit packages for office bearers of certain statutory and other institutions by the National Treasury Central Evaluation Committee.



## 4.2 BOARD MEETINGS ATTENDANCE

Meeting Dates										
No.	Names	29 Apr 2015	28 May 2015	10 June 2015	30 Jul 2015	26 Aug 2015	28 Oct 2015	25 Nov 2015	10 Mar 2016	Total Attendance
1	Sizwe Nxasana, Mr (Board Chairperson, appointed 01 August 2015)	N/A	N/A	N/A	N/A	√	√	√	√	4
2	Dumisani Mathonsi, Mr (Term ended on 24 June 2015)	√	√	Apology	N/A	N/A	N/A	N/A	N/A	2
3	Jaco Van Schoor, Mr (Appointed on 24 June 2015)	N/A	N/A	N/A	√	Apology	√	√	√	4
4	Julia De Bruyn, Ms	√	√	Apology	√	√	√	√	√	7
5	Kelebogile Mohajane, Ms (Term ended on 24 June 2015)	√	Apology	Apology	N/A	N/A	N/A	N/A	N/A	1
6	Lumko Mtimde, Mr (Appointed on 24 June 2015)	N/A	N/A	N/A	√	√	Apology	Apology	Apology	2
7	Msulwa Daka, Mr (Executive Officer)	√	√	√	√	√	√	√	√	8
8	Nathan Johnstone, Mr	√	√	√	√	√	√	√	√	8
9	Nafisa Mayat, Ms (Appointed on 24 June 2015)	N/A	N/A	N/A	√	√	√	√	√	5
10	Neil Garrod, Prof. (Appointed on 24 June 2015)	N/A	N/A	N/A	√	√	√	√	√	5
11	Ntombizodwa Ndhlovu, Ms (Term ended on 24 June 2015)	√	√	Apology	N/A	N/A	N/A	N/A	N/A	2
12	Pearl Whittle, Ms	√	√	Apology	√	√	√	√	√	7
13	Pearl Maphoshe, Ms (Resigned on 25 Nov 2015)	N/A	N/A	N/A	Apology	Apology	Apology	N/A	N/A	0
14	Rob Dorrington, Prof. (Term ended on 24 June 2015)	√	√	Apology	N/A	N/A	N/A	N/A	N/A	2
15	Sibongile Masinga, Ms	√	√	√	√	√	√	√	√	8
16	Thabo Moloja, Mr	√	√	√	√	√	√	√	√	8
17	Themba Mosia, Prof. (Acting Chairperson from January to July 2015)	√	√	√	√	√	Apology	√	√	7
18	Tim Brown, Dr. (Resigned on 31 January 2016)	Apology	√	√	√	Apology	√	√	N/A	5
19	Yershen Pillay, Mr	√	Apology	√	Apology	√	Apology	√	Apology	4
20	Zozo Siyengo, Mr (Term ended on 24 June 2015)	√	√	Apology	N/A	N/A	N/A	N/A	N/A	2

#### 4.3 EXECUTIVE COMMITTEE MEETINGS ATTENDANCE

Meeting Dates										
No.	Names	8 Apr 2015	29 Apr 2015	23 Jul 2015	14 Sep 2015	25 Sep 2015	29 Oct 2015	22 Dec 2015	25 Jan 2016	Total Attendance
1	Sizwe Nxasana, Mr (Board Chairperson, appointed 01 August 2015)	N/A	N/A	N/A	√	Apology	√	√	√	4
2	Jaco Van Schoor, Mr (Appointed on 24 June 2015)	N/A	N/A	Apology	Apology	Apology	Apology	√	√	2
3	Julia De Bruyn, Ms	N/A	N/A	N/A	N/A	N/A	√	N/A	N/A	1
4	Kelebogile Mohajane, Ms (Term ended 24 June 2015)	√	√	N/A	N/A	N/A	N/A	N/A	N/A	2
5	Nathan Johnstone, Mr	√	√	√	√	√	√	Apology	√	7
6	Ntombizodwa Ndhlovu, Ms (Term ended 24 June 2015)	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1
7	Pearl Whittle, Ms	√	√	√	√	√	√	√	√	8
8	Sibongile Masinga, Ms	√	√	√	√	√	√	Apology	√	7
9	Tim Brown, Dr. (Resigned in January 2016)	N/A	N/A	N/A	N/A	N/A	N/A	√	N/A	1
10	Themba Mosia, Prof. (Acting Chairperson from January to July 2015)	√	√	√	N/A	N/A	N/A	N/A	N/A	3
11	Zozo Siyengo, Mr (Term ended on 24 June 2015)	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1

#### 4.4 FINANCE COMMITTEE MEETINGS ATTENDANCE

Meeting Dates							Total Attendance
No.	Names	22 Apr 2015	17 July 2015	23 Oct 2015	25 Jan 2016	18 Mar 2016	
1	Jaco Van Schoor, Mr (Committee Chairperson, appointed January 2016)	N/A	Apology	√	√	√	3
2	Julia De Bruyn, Ms (Acting Committee Chair – July to October 2015)	(Via telecon)	√	√	√	Apology	4
3	Kelebogile Mohajane, Ms (Acting Committee Chair – April to June 2015)	√	N/A	N/A	N/A	N/A	1
4	Nathan Johnstone, Mr	√	√	√	√	Apology	4
5	Neil Garrod, Mr (Appointed on 24 June 2015)	N/A	N/A	√	√	Apology	2
6	Pearl Whittle, Ms	√	√	√	√	√	5
7	Sizwe Nxasana, Mr (Board Chairperson, appointed 01 August 2015)	N/A	N/A	√	√	√	3
8	Sibongile Masinga, Ms	N/A	N/A	Apology	√	Apology	1
9	Thabo Moloja, Mr	√	√	Apology	√	√	4
10	Themba Mosia, Prof.	Apology	√	N/A	N/A	√	2



#### 4.5 AUDIT AND RISK COMMITTEE MEETINGS ATTENDANCE

Meeting Dates							
No.	Names	10 Apr 2015	15 May 2015	12 Oct 2015	13 Nov 2015	8 Feb 2016	Total Attendance
1	Nathan Johnstone, Mr (Committee Chairperson)	√	√	√	√	√	5
2	Ntombizodwa Ndhlovu, Ms (Term ended 24 June 2015)	Apology	Apology	N/A	N/A	N/A	0
3	Rob Dorrington, Prof. (Term ended 24 June 2015)	√	Apology	N/A	N/A	N/A	1
4	Ruth Benjamin-Swales, Ms (Resigned 31 October 2015)	Apology	√	Apology	N/A	N/A	1
5	Sizwe Nxasana, Mr (Board Chairperson, appointed 01 August 2015)	N/A	N/A	Apology	√	√	2
6	Shai Makgoba, Mr	√	√	Apology	√	√	4
7	Theuns Tredoux, Mr	√	√	Apology	√	√	4

#### 4.6 AUDIT AND RISK COMMITTEE, AND FINANCE COMMITTEE JOINT MEETINGS ATTENDANCE

Meeting Dates					
No.	Names	22 May 2015	24 July 2015	*28 Aug 2015	Total Attendance
1	Nathan Johnstone, Mr (Chairperson)	√	√	√	3
2	Jaco Van Schoor, Mr	N/A	N/A	√	1
3	Julia De Bruyn, Ms	√	√	√	3
4	Kelebogile Mohajane, Ms (Term ended 24 June 2015)	Apology	N/A	N/A	0
5	Neil Garrod, Mr (Appointed on 24 June 2015)	N/A	N/A	√	1
6	Ntombizodwa Ndhlovu, Ms (Term ended 24 June 2015)	√	N/A	N/A	1
7	Pearl Whittle, Ms	√	√	Apology	2
8	Rob Dorrington, Prof. (Term ended 24 June 2015)	√	N/A	N/A	1
9	Ruth Benjamin-Swales, Ms (Resigned 31 October 2015)	√	√	√	3
10	Shai Makgoba, Mr	Apology	√	√	2
11	Sizwe Nxasana, Mr (Board Chairperson, appointed 01 August 2015)	N/A	N/A	√	1
12	Thabo Moloja, Mr	√	√	(Via telecon)	3
13	Theuns Tredoux, Mr	Apology	Apology	√	1
14	Themba Mosia, Prof.	Apology	Apology	N/A	0



#### 4.7 HUMAN RESOURCES AND REMUNERATION COMMITTEE MEETINGS ATTENDANCE

Meeting Dates						
No.	Names	5 May 2015	21 Aug 2015	3 Nov 2015	19 Feb 2016	Total Attendance
1	Sibongile Masinga, Ms (Committee Chairperson)	√	√	√	√	4
2	Amanda Glaeser, Ms	√	√	Apology	√	3
3	Dumisani Mathonsi, Mr (Term ended 24 June 2015)	√	N/A	N/A	N/A	1
4	Lumko Mtimde, Mr (Appointed on 24 June 2015)	N/A	Apology	√	Apology	1
5	Nafisa Mayat, Ms (Appointed on 24 June 2015)	N/A	Apology	√	√	2
6	Yershen Pillay, Mr	Apology	Apology	Apology	Apology	0
7	Zozo Siyengo, Mr (Term ended 24 June 2015)	√	N/A	N/A	N/A	1

#### 4.8 INFORMATION AND COMMUNICATION TECHNOLOGY COMMITTEE MEETINGS ATTENDANCE

Meeting Dates										
No.	Names	13 Apr 2015	24 April 2015	12 Jun 2015	21 Aug 2015	25 Sep 2015	12 Oct 2015	4 Dec 2015	30 Mar 2016	Total Attendance
1	Tim Brown, Dr. (Committee Chairperson, resigned 31 January 2016)	√	√	√	√	√	√	√	N/A	7
2	Lessing Labuschagne, Prof. (Acting Chairperson from March 2016)	√	√	√	√	√	Apology	√	√	7
3	Nathan Johnstone, Mr	√	√	√	√	√	√	√	Apology	7
4	Quenten Friday, Mr	Apology	Apology	√	√	√	√	Apology	√	5
5	Sibongile Masinga, Ms	Apology	√	√	√	√	√	√	Apology	6
6	Themba Mosia, Prof.	Apology	√	Apology	Apology	Apology	√	√	√	4

N/A - Not applicable

\* The 28 August 2015 gathering was a workshop not a meeting



#### 4.9 BOARD COMMITTEE APPOINTMENTS

(Board members appointed during the year up to 31 March 2016)

No.	Names	Date Appointed
1	Sizwe Nxasana, Mr (Board Chairperson)	Appointed 01 August 2015
2	Jaco Van Schoor, Mr	Appointed 24 June 2015
3	Lumko Mtimde, Mr	Appointed 24 June 2015
4	Nafisa Mayat, Ms	Appointed 24 June 2015
5	Neil Garrod, Prof.	Appointed 24 June 2015
6	Pearl Maphoshe, Ms	Appointed 11 June 2015
7	Sibongile Masinga, Ms	Re-appointed 24 June 2015
8	Themba Mosia, Prof.	Re-appointed 24 June 2015

#### 4.10 BOARD EXPENSES

	Salary/fee amounts in (R 000)	Retirement fund contribution	Medical aid	Other	Total packages 2016	Total packages 2015
Meeting fees	847	-	-	-	847	525
Travel & Accommodation	173	-	-	-	173	767
Exit strategy	-	-	-	-	-	-
<b>TOTAL</b>	<b>1,020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,020</b>	<b>1,292</b>

## 5. RISK MANAGEMENT

During the financial year, management put in place an integrated enterprise risk register following the identification and assessment of strategic and operational risks across the entity. This process was supported by the internal audit function. The appointment of the CRO from 01 March 2016, is expected to make a significant contribution to the maturity of risk management across the entity. The Audit and Risk Committee has been assisted by the ICT Committee in terms of the oversight of information technology risk. The fraud reporting hotline was implemented from 01 March 2016 following the appointment of an independent service provider.

## 6. INTERNAL CONTROL (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 as per Section 55 of the PFMA. To this end, s55(1)(a) requires the keeping of "full and proper records".

NSFAS is still working with the external service provider who was appointed on a three year contract in the 2014/15 financial year, to undertake the annual actuarial valuation of the loan book. The assumption set utilised for the 2015 and prior years' valuation of the loan book, was reviewed to ensure that refined data and assumptions for recognising, measuring, presenting and disclosing loan instruments are maintained and improved.

In this regard the entity has made significant progress in improving the integrity of the data required for the valuation, which has enabled a more substantive review of the assumptions than was possible in prior years. The Audit and Risk Committee is satisfied that there has been a thorough independent process to ensure that 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.

NSFAS' internal control system is designed to ensure 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 transition to the new operating environment and policies is ongoing, the Audit and Risk Committee is satisfied that the NSFAS' 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 reviewed accounting policies and 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 reviewed the Auditor-General's management report and management's response thereto, and is of the opinion that issues raised therein are correct. The committee has also met with the Auditor-General to ensure that there are no unresolved issues from the audit.

## **7. INTERNAL AUDIT AND AUDIT COMMITTEES**

The Audit and Risk Committee is assisted by the Information and Communications Technology (ICT) Committee of the Board in relation to the ICT processes and controls necessary to mitigate risk and ensure reliable financial and other reporting. Assurance in this regard is provided by the internal audit function which presents review reports on key aspects of the control environment to both the ICT and Audit and Risk Committees on a regular basis. The 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.

## **8. COMPLIANCE WITH LAWS AND REGULATION**

NSFAS is required to comply with the following laws and regulation:

- 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.

## **9. FRAUD AND CORRUPTION**

The appointment of the Chief Risk Officer from 01 March 2016 will make a significant contribution to the maturity of risk management across the entity. The Audit and Risk Committee is overseeing this portfolio and will be assisted by the ICT Committee in terms of the oversight of information technology risk. The fraud reporting hotline was implemented from 01 March 2016 following the appointment of an independent service provider. (\*\*refer to the Report of the Audit and Risk Committee.)

## 10. MINIMISING CONFLICT OF INTEREST

No cases of conflict of interest were identified.

## 11. CODE OF CONDUCT

NSFAS developed a Code of Conduct and enforced it in the year under review. The Code provides details of the processes to be followed after a breach of the Code.

## 12. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

NSFAS currently operates from two buildings in Wynberg, accommodating a significant number in staff headcount during the financial year. This further presented Health and Safety concerns that are addressed through an Office Space Refurbishment Project for implementation in quarter one of 2016/17 Financial Year. NSFAS has successfully formulated Health and Safety structures in accordance with the Occupational Health and Safety Act.

### 12.1 OCCUPATIONAL HEALTH AND SAFETY COMMITTEE

The role of the committee is to calculate organisational requirements for first aiders, fire marshals and first aid kits and other health and safety strategies. The committee was initially appointed from 01 April 2014 – 31 March 2016, serving one term of office over a two year period. Under this committee, NSFAS continued with its Health and Safety programme targeting its employees. Induction programmes for all new employees were conducted on a monthly basis.

### 12.2 FIRST AIDERS AND FIRE MARSHALS

NSFAS has adequate first aid and fire marshals consisting of departments and unit representatives. During the financial year, no accidents or incidents were recorded or reported.

### 12.3 HEALTH AND SAFETY FILE

A Health and Safety file was opened to keep records of all the OHS incidents and accidents. No incidents and accidents were recorded during the year under review. The file is actively managed by the Facilities Management Services Unit.





## 12.4 HEALTH AND SAFETY MEETINGS

NSFAS continued to ensure that there is adequate training for employees to ensure that:

- There is appropriate first aid cover for staff and visitors in the event of an accident;
- There are enough fire marshals in the two buildings; and
- There is sufficient fire safety cover at all times.

## 13. 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.

## 14. 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.

## 15. AUDIT AND RISK COMMITTEE REPORT

### 15.1 CHARTER

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

The overall purpose and objective of the Audit and Risk Committee is to assist and support the Board in fulfilling its oversight responsibilities as they relate to:

- I. Financial and management reporting;
- II. Risk management;
- III. Management of performance information;
- IV. Systems of accounting and internal controls;
- V. Compliance with laws, regulations, ethics and good governance;
- VI. Internal audit oversight;
- VII. The external audit; and
- VIII. Information technology governance as it relates to integrated reporting.

During the year, the charter was revised to:

- (i) Align the prescribed minimum number of meetings to the entity practice of at least four meetings per year, excluding joint meetings with the Finance Committee;
- (ii) Provide for the chairperson of the Board to be a permanent invitee to all meetings of the committee; and
- (iii) Restate the committee's key responsibilities in relation to risk management with specific reference to the Risk Management Framework

The committee has conducted its affairs in accordance with its charter and has discharged to a substantial extent its responsibilities outlined therein.

## 15.2 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 entity, except with the approval of the relevant treasury; and
- (iii) The chairperson may not be in the employ of the entity.

In addition to the chairperson of the Board, the Executive Officer and all members of executive management, the internal auditors are permanent attendees at meetings of the committee. External auditors and other assurance providers attend meetings of the committee by invitation.

In terms of its charter, the Audit and Risk Committee must hold at least four meetings per year, excluding joint meetings with the Finance Committee. The committee held four scheduled meetings and one special meeting during the year. In addition, two joint meetings were held with the Finance and Audit Committee in May and July 2015 to deal with matters related to the annual financial statements.



Member	10 April 2015	15 May 2015	22 May 2015 a	24 July 2015 a	12 October 2015	13 November 2015 b	08 February 2016
<sup>1</sup> Mr. Nathan Johnstone	✓	✓	✓	✓	✓	✓	✓
<sup>2</sup> Prof. Rob Dorrington (Term expired 24 June 2015)	✓	Apology	✓	N/A	N/A	N/A	N/A
Mr. Shai Makgoba	✓	✓	✓	✓	Apology	✓	✓
<sup>2</sup> Mr. Ntombizodwa Ndhlovu (Term expired 24 June 2015)	X	Apology	✓	N/A	N/A	N/A	N/A
<sup>3</sup> Mr. Sizwe Nxasana	N/A	N/A	N/A	N/A	✓	✓	✓
Mr. Theuns Tredoux	✓	✓	Apology	Apology	Apology	✓	✓
<sup>4</sup> Ms. Ruth Benjamin-Swales (Resigned 31 October 2015)	X	✓	✓	✓	Apology	N/A	N/A

a. Joint meeting with Finance Committee

1. Meeting Chairperson

2. Term ended 24 June 2015

3. Board Chairperson

4. Resigned 31 October 2015

While the meeting held on 13 October 2015 was not quorate, a decision to proceed was taken in order to engage with management on key matters related to enterprise risk management. The terms of office of Professor Rob Dorrington and Ms Ntombizodwa Ndhlovu as members of the NSFAS Board, ended on 24 June 2015 and they consequently ceased to be members of the Audit and Risk Committee. The Board has put a process in place to appoint additional members to the committee during the course of the 2016/17 financial year. Ms Ruth Benjamin-Swales resigned as an external member of the committee on 26 November 2015.

### 15.3 GOVERNANCE

The Audit and Risk Committee continually assesses the governance of the entity in terms of the applicable legislation and the applicable King Code of Governance Principles, and is of the view that the entity was in substantive compliance for the year under review.

### 15.4 MANAGEMENT

The committee is satisfied that the Chief Financial Officer has appropriate expertise and experience. The Board has put in place a process to appoint a permanent Chief Financial Officer when the incumbent's two-year fixed-term contract expired on 30 November 2015. The committee is furthermore satisfied with the overall appropriateness of the expertise and adequacy of resources of the entity's finance function, and the experience of senior members of management responsible for the finance function. A Chief Risk Officer was appointed with effect from 01 March 2016 following the conclusion of a two-year secondment agreement between NSFAS and the candidate's employer. This strategic arrangement gives the entity access to appropriate expertise, experience and skills transfer capability and will place enterprise risk management on a more sustainable footing.

### 15.5 PERFORMANCE INFORMATION

The Audit and Risk Committee has strengthened its oversight over the management and reporting of performance information, and has obtained assurance from the internal audit function on the quarterly performance reports. The committee has also reviewed the entity's annual performance information and is satisfied that it fairly reflects its performance during the year.

### 15.6 INTERNAL AUDIT (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 as per Section 55 of the PFMA. To this end, Section 55(1)(a) requires the keeping of "full and proper records".

### 15.7 INFORMATION TECHNOLOGY

The Audit and Risk Committee is assisted by the ICT Committee of the Board, in relation to ICT processes and controls necessary to mitigate risk and ensure



reliable financial and other reporting. Assurance in this regard is provided by the internal audit function, which presents review reports on key aspects of the control environment to both the ICT and Audit and Risk Committees on a regular basis. The committee is satisfied that NSFAS information technology controls are appropriate to support the integrity of financial reports. This is based on continuous interaction with the ICT Committee, management, independent assurance providers and external auditors.

### **15.8 RISK MANAGEMENT**

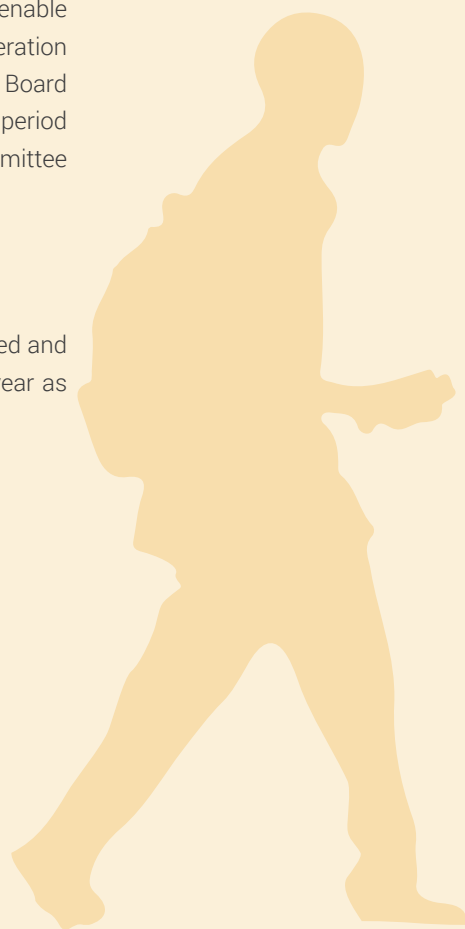
During the year, management has put in place an integrated enterprise risk register following the identification and assessment of strategic and operational risks across the entity. This process was supported by the internal audit function. The appointment of the Chief Risk Officer (CRO) is expected to make a significant contribution to the maturity of risk management across the entity.

### **15.9 INTERNAL AUDIT**

In line with the requirements of PFMA, the Audit and Risk Committee is responsible for ensuring that the entity's internal audit function is independent and has necessary resources, standing and authority within the entity to enable it to discharge its duties. Furthermore, the committee oversees co-operation between internal and external auditors, and serves as a link between the Board and these functions. The risk-based internal audit plan and budget for the period 01 April 2015 to 31 March 2016 were approved by the Audit and Risk Committee with input from the ICT Committee on ICT related aspects.

### **15.10 EXTERNAL AUDIT**

The Audit and Risk Committee, supported by management, has considered and agreed to the audit strategy, plan and budget for the 2015/16 financial year as presented by the Auditor-General of South Africa.



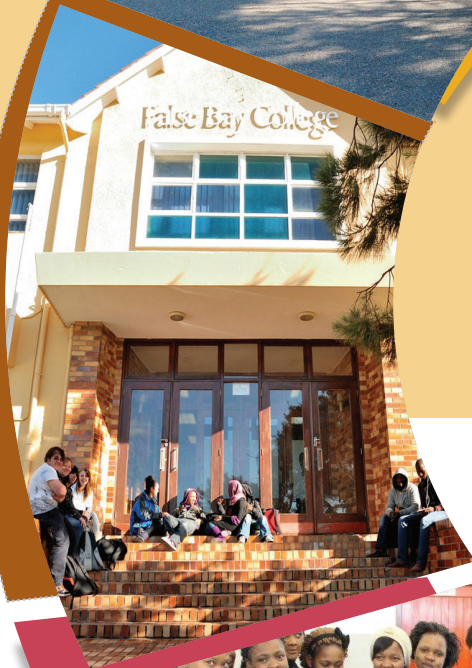




## PART D - HUMAN RESOURCES MANAGEMENT









# 1. INTRODUCTION

A number of significant strides were achieved in this financial year as part of our efforts to increase organisational growth and support our newly adopted business model. The filling of critical vacancies were prioritised, along with the strengthening of our performance management system. We have put much focus on the organisational structure – which currently stands at 300 approved positions – in order to align performance measures with organisational performance indicators.

In this regard NSFAS reported the filling of 97 positions, 63 of which were identified as Priority 1 and Priority 2 critical positions. The appointments also included executive and senior management posts, most notably the Chief Operating Officer and various specialists in the unit, which has helped us, consolidate the Operations department's capacity. These appointments will support the rolling out of the student-centred model. The total growth in the organisation's capacity increased by 14% and our vacancy rate - which stood at 31% in 2015 - was at 14% by 31 March 2016. NSFAS also implemented its Graduate Internship Programme this year and recruited ten interns to be empowered in various departments.

In addition, various policies and guidelines – including the Employee Relations Policy - were reviewed and submitted to the Board for approval. These interventions will certainly enhance our general corporate governance. In order to strengthen engagements with staff, an Employee Engagement Plan was developed and an Employee Engagement Survey conducted to serve as a baseline for future employee engagements.

The survey highlighted key dimensions that require management interventions, namely: leadership strengthening, internal communications and a relaunch of our organisational values. Whilst much work still lies ahead for management to improve the employee value proposition, we are happy to report that the 2016 survey indicated some improvements in all areas in comparison with the 2015 baseline.

These interventions had a significant impact as they set revised baselines for the organisation as a whole and contributed towards the operationalisation of the student-centred business model. Much effort has also gone into drafting a workforce planning framework and developing strategies to attract and recruit a skilled and capable workforce. The development of a talent management framework which started in quarter 4, is key to the aspirations of a skilled and capable workforce. The Human Resources and Remuneration Committee of the Board guided the finalisation and implementation of the job evaluation processes for management roles as well as specialists. The process included the review of procedures, and associated training for staff at all levels.

## 2. HUMAN RESOURCE OVERSIGHT STATISTICS

The organisation operated with staff in the approved structure, but additional staff is still required as part of operationalisation of the transformation programme.

### 2.1 PERSONNEL COSTS

Programme	Total expenditure (R 000)	Personnel expenditure (R 000)	Personnel expenditure as % of total	2015/16 No. of employees	Average personnel cost per employee (R 000)
Administration	231 900	95 939	41.4%	258	372

### 2.2 PERSONNEL COSTS BY SALARY BAND

Level	Personnel expenditure (R 000)	% of total personnel expenditure	2015/16 No. of employees	Average personnel cost per employee (R 000)
Top Management	6 947	7.2%	5	1 389
Senior Management	20 171	21.0%	23	877
Professional/middle management	20 957	21.8%	31	676
Skilled	19 208	20.0%	52	369
Semi-skilled	23 174	24.2%	142	163
Unskilled	572	0.6%	5	114
Other (Provisions)	4 910	5.1%	-	-
Total	95 939	100.0%	258	372

The employee numbers relate to the headcount as at 31 March 2016. During the year, NSFAS employed two new officials in the top management category, which resulted in a lower average personnel cost. The lower average is due to the fact that these officials were not remunerated by the organisation during the financial year.



## 2.3 EMPLOYMENT AND VACANCIES

Programme	2014/15 No. of employees	2015/16 Approved posts	2015/16 No. of employees	2015/16 No. of vacancies	% of vacancies
Administration	229	300	258	43	14%

Level	2014/15 No. of employees	2015/16 Approved posts	2015/16 No. of employees	2015/16 No. of vacancies	% of vacancies
Top Management	5	4	5	0	0%
Senior Management	20	26	23	3	11.5%
Professional/Middle Management	27	47	31	16	34.0%
Skilled	41	67	52	15	22.4%
Semi-skilled	131	151	142	9	6.0%
Unskilled	5	5	5	0	0%
Total	229	300	258	43	14.0%

The high percentages of vacancies are mostly as a result of available budget, in that vacancies were prioritised based on available budget. 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 as part of the recruitment and selection strategy.

**97 VACANCIES** FILLED, OF WHICH  
**63** WERE IDENTIFIED AS PRIORITY 1  
AND PRIORITY 2 CRITICAL POSITIONS.



## 2.4 EMPLOYMENT AND CHANGES

Level	Employed at beginning of period	Appointments	Terminations	Employed end of period
Top Management	5	2	2	5
Senior Management	21	7	5	23
Professional/middle management	27	12	8	31
Skilled	46	8	2	52
Semi-skilled	95	68	21	142
Unskilled	5	0	0	5
Total	199	97	38	258

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.

## 2.5 CAUSES FOR LEAVING

Cause	Number	% number of staff leaving
Resignation	24	63%
Dismissal	1	3%
Expiry of contract	13	34%
Total	38	100%

## 2.6 LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

Nature of disciplinary action	Number
Verbal warnings	4
Written warnings	2
Dismissal	1
Total	7

## PART E



# FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 MARCH 2016





## GENERAL INFORMATION

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Country of Incorporation and Domicile	Republic of 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 10 Brodie Road, Wynberg Mews Cape Town 7700
Postal Address	Private Bag X1, Plumstead, Cape Town 7800
Bankers	FNB Corporate Bank (Cape Town) a division of FirstRand Bank Limited
Auditors	Auditor-General of South Africa
Website Address	<a href="http://www.nsfas.org.za">www.nsfas.org.za</a>

## INDEX

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

INDEX	PAGE
NSFAS Board's Statement of Responsibility and Approval	68 - 69
Report of the Auditor-General South Africa	70 - 75
Report of the Board members	76 - 86
Statement of Financial Position	87
Statement of Financial Performance	88
Statement of Changes in Net Assets	89
Statement of Cash Flows	90
Statements of Comparison of Budget and Actual Amounts	91 - 93
Accounting Policies	94 - 116
Notes to the Annual Financial Statements	117 - 144
Supplementary Information	145 - 146



## NSFAS BOARD'S STATEMENT OF RESPONSIBILITY AND APPROVAL

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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 was engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

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

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 environment. To enable the NSFAS Board to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the 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 loss.



## NSFAS BOARD'S STATEMENT OF RESPONSIBILITY AND APPROVAL

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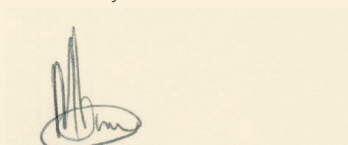
The Board has reviewed the entity's cash flow forecast for the year to 31 March 2017 and, in the light of this review and the current financial position, it is satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

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 internal audit function in assessing the adequacy of controls.

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

The annual financial statements set out on pages 87 to 144, which have been prepared on the going concern basis, were approved by the Board on 29 July 2016 for submission to the Auditor-General of South Africa and were signed on its behalf by:



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**Mr. Msulwa Daka**  
Executive Officer



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**Mr. Sizwe Nxasana**  
Chairperson



# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE NATIONAL STUDENT FINANCIAL AID SCHEME

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## REPORT ON THE FINANCIAL STATEMENTS

### INTRODUCTION

1. I have audited the financial statements of the National Student Financial Aid Scheme set out on pages 87 to 144, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statements of changes in net assets, statement of cash flows and the statements 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'S 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) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the National Students 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

## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE NATIONAL STUDENT FINANCIAL AID SCHEME

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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 Students Financial Aid Scheme as at 31 March 2016 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.

### EMPHASIS OF MATTERS

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

### SIGNIFICANT UNCERTAINTIES

8. With reference to note 26 to the financial statements, the public entity has entered into agreements with various donors and educational institutions to fund students. This arrangement has resulted in a contingent liability of R52,31 million (2015: R91,37 million) being disclosed in the financial statements as there is a possibility that these donors and educational institutions could demand repayment of the monies recovered from students.

9. With reference to note 26 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-centred model. This commitment has resulted in a contingent liability of R4,97 billion (2015: 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

10. As disclosed in note 6 to the financial statements, the public entity had student loans receivable with a nominal value of R24,22 billion as at 31 March



## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE NATIONAL STUDENT FINANCIAL AID SCHEME

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2016 (2015: R21,26 billion), which are reflected in the financial statements at R7,18 billion (2015: R6,2 billion) after cumulative fair value and impairment adjustments of R17,04 billion (2015: R15,06 billion).

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

11. 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 of selected programmes presented in the annual performance report, 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.

#### PREDETERMINED OBJECTIVES

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12. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected programme presented in the annual performance report of the public entity for the year ended 31 March 2016:

**PROGRAMME 1:** Student-centred financial aid, on pages 34 to 39

13. 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 (FMPPI).

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

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

## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE NATIONAL STUDENT FINANCIAL AID SCHEME

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### **PROGRAMME 1:** Student-centred financial aid

#### Usefulness of reported performance information

16. Treasury Regulation 30.1.3(g) requires the annual performance plan to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 36% of reported indicators were not consistent with those in the approved annual performance plan.

17. Treasury Regulation 30.1.1 requires the executive authority to approve the annual performance plan. Therefore, if this plan is changed in the year due to significant policy or mandate changes, the executive authority must also approve the updated plan. Material changes were made to 36% of indicators reported in the annual performance report without the necessary approval.

18. The FMPPI requires that performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. A total of 36% of indicators were not well defined.

#### **RELIABILITY OF REPORTED PERFORMANCE INFORMATION**

19. I did not identify any material findings on the reliability of the reported performance information Programme 1: Student-centred financial aid.

#### **ADDITIONAL MATTERS**

20. I draw attention to the following matters:

#### **ACHIEVEMENT OF PLANNED TARGETS**

21. Refer to the annual performance report on pages 34 to 39 for information on the achievement of 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 in paragraphs 16 to 18 of this report.

#### **ADJUSTMENT OF MATERIAL MISSTATEMENTS**

22. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Programme 1: 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.



## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE NATIONAL STUDENT FINANCIAL AID SCHEME

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### COMPLIANCE WITH LEGISLATION

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23. 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 material findings on 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

24. 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 identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

### REVENUE MANAGEMENT

25. 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 regulation 31.1.2(a) and 31.1.2(e).

### INTERNAL CONTROL

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26. 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 compliance with legislation included in this report.

### LEADERSHIP

27. Leadership did not exercise sufficient oversight of compliance with legislation relating to revenue management and the related internal controls as actions committed to by management to address the internal control deficiencies for the recovery of outstanding student debt reported in the prior year were not sufficient to prevent repeat audit findings. This was due in part to the time lag between implementation of actions and realisation of the results.

## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE NATIONAL STUDENT FINANCIAL AID SCHEME

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28. 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 information on a consistent basis throughout the reporting period.

### FINANCIAL AND PERFORMANCE MANAGEMENT

29. Management did not put adequate processes in place to ensure that internal review procedures can identify instances in which the design of key performance indicators is not specific enough to ensure that the correct source information is collected on a consistent basis. The formulation of the key performance indicators was corrected in the annual performance report without obtaining the required approval from the entity's executive authority.

30. The process and controls for collecting and reviewing final reports from institutions were also not sufficient to identify inaccurate reported information that had filtered through to individual student debtor accounts and, ultimately, resulted in misstatements in the financial statements.

*Auditor-General*

Cape Town  
29 July 2016





## REPORT OF THE BOARD MEMBERS

The NSFAS Board submits its report for the year ended 31 March 2016.

### 1. GENERAL REVIEW

#### Main business and operations

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

#### Performance highlights

- 235,988 students assisted at 50 Technical and Vocational Education and Training (TVET) Colleges
- 178,961 students assisted at 26 public universities and one National Institute for Higher Education
- R9,289,748,451 disbursed in student financial aid
- R4,359,490,749 in bursaries to TVET and university students
- R4,850,127,272 in convertible loans to university students
- R2,038,760,000 converted to bursaries based on student performance
- R1,680,118,000 recognised as the social benefit component after bursary conversion
- R59,797,487,793 disbursed since inception
- Nominal value of loan balances: R24,224,622
- Carrying value of loan balances: R7,176,160,039
- R226,741,232 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:***

Results (Figures in Rands)	2016	2015
New grants for student loans and bursaries*	9,394,614,000	8,765,174,000
Student loan recovery and interest injected	517,444,715	445,607,265
Total loans and bursaries awarded before bursary conversion	9,289,748,451	8,962,470,233
Operational expenses	(176,068,000)	(168,972,000)
Administration expenses to awards ratio (%)	1.90	1.89
University bursaries**	4,352,950,000	4,157,238,000
TVET Colleges 100% bursaries***	2,067,044,435	1,959,466,000
Percentage of courses passed****	84%	85.68%

## REPORT OF THE BOARD MEMBERS

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### GENERAL REVIEW (CONTINUED)

\* 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 Justice, the Department of Social Development, the Eastern Cape Provincial Government, the National Institute for Humanities and Social Sciences, 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, Manufacturing Engineering and Related services SETA, Transport Education Training Authority 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.

\*\*\*\* This is not an indication of the graduation rate for NSFAS beneficiaries, but of the number of courses/modules passed.

\*\*\* 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:*

Sizwe Nxasana (Chairperson)	Appointed 01 August 2015
Prof. Themba Mosia	Appointed 24 June 2011 Appointed Acting Chairperson on 27 January 2015 until 31 July 2015, term ended on 24 June 2015 and renewed on 24 June 2015
Dr. Tim Brown	Co-opted 01 March 2013, Resigned 31 January 2016
Msulwa Daka (Executive Officer)	Appointed 01 February 2013
Julia De Bruyn	Appointed 01 August 2013
Prof. Rob Dorrington	Appointed 24 June 2011, term ended 24 June 2015
Prof. Neil Garrod	Appointed 24 June 2015
Nathan Johnstone	Re-appointed 29 April 2013
Pearl Maphoshe	Appointed 24 June 2015, Resigned 25 November 2015
Sibongile Masinga	Appointed 24 June 2011, Re-appointed 24 June 2015
Dumisani Mathonsi	Appointed 24 June 2011, term ended 24 June 2015
Nafisa Mayat	Appointed 24 June 2015
Kelebogile Mohajane	Appointed 24 June 2011, term ended 24 June 2015
Thabo Moloja	Appointed 29 April 2013
Lumko Mtimnde	Appointed 24 June 2015
Ntombizodwa Ndhlovu	Appointed 24 June 2011, term ended 24 June 2015
Yershen Pillay	Appointed 29 April 2013
Zozo Siyengo	Appointed 24 June 2011, term ended 24 June 2015
Jaco van Schoor	Appointed 24 June 2015
Pearl Whittle	Appointed 01 November 2013

### 4. CORPORATE GOVERNANCE

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

## REPORT OF THE BOARD MEMBERS

### CORPORATE GOVERNANCE (CONTINUED)

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.

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

Figures in Rand thousand	Salary or Fee	Retirement Fund contributions	Medical contributions	Other	Total Package 2016	Total Package 2015
<b>Board expenses</b>						
Meeting fees	847	-	-	-	847	525
Travel and accommodation	173	-	-	-	173	767
	<b>1,020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,020</b>	<b>1,292</b>
<b>Executive Managers</b>						
Executive Officer	1,824	-	30	20	1,874	1,898
Chief Financial Officer	1,565	-	14	18	1,597	1,497
Chief Information Officer*	162	19	7	2	190	1,255
Chief Information Officer**	1,432	161	-	15	1,608	-
Chief Operating Officer***	327	-	16	78	421	1,335
Chief Operating Officer****	-	-	-	-	-	-
Chief Risk Officer*****	-	-	-	-	-	-
	<b>5,310</b>	<b>180</b>	<b>67</b>	<b>133</b>	<b>5,690</b>	<b>5,985</b>
<b>Senior Managers*****</b>						
Manager: Loans and Bursaries*****	1,011	27	54	12	1,104	-
Manager: Corporate Services	1,007	-	54	12	1,073	1,031
Manager: Performance	873	103	37	10	1,023	835
Manager: Communication	801	93	27	10	931	-
	<b>3,692</b>	<b>223</b>	<b>172</b>	<b>44</b>	<b>4,131</b>	<b>1,866</b>



## REPORT OF THE BOARD MEMBERS

### BOARD EXPENSES, EXECUTIVE AND SENIOR MANAGERS' EMOLUMENTS (CONTINUED)

- \* Xolisa Peter - Until 31 May 2015
- \*\* Richard MacKinnon - Little: Acting from 01 June 2015
- \*\*\* Luxolo Rubushe - Until 31 May 2015
- \*\*\*\* Milco Hertz Appointed: 23 February 2016 (seconded from the banking sector, NSFAS does not incur any costs)
- \*\*\*\*\* Pavashini Naidoo Appointed: 01 March 2016 (seconded from the banking sector, NSFAS does not incur any costs)
- \*\*\*\*\* These are Senior Managers whom report directly to the Executive Officer
- \*\*\*\*\* Bonakele Jacobs: Acting from 01 December 2015 - 31 March 2016

### 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 2015/2016 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.

## REPORT OF THE BOARD MEMBERS

### NATURE OF ACTIVITIES (CONTINUED)

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 current 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 2015, and was fixed for the year at 4.6%. 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 individual donors, mainly national government departments. Some of these bursaries may become repayable if the conditions are not fulfilled by the beneficiaries.

### 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.



## REPORT OF THE BOARD MEMBERS

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### ASSUMPTION SET USED IN THE LOAN VALUATION MODEL (CONTINUED)

#### 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 up to and including 21 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 by the Minister of Higher Education and Training in May 2011.

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

31 March 2014: A new assumption setting exercise was undertaken 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 2013, this being the cut off date for the migration to the new loans and bursaries management system.
- 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 date was selected, in part, due to the NSFAS Act having come into effect in 1999 with prior data thus reflecting the policies and practices of NSFAS' predecessor organisations.

31 March 2015: The 2014 assumptions were applied for the transition from student to exit (as these are relatively stable) and the profile of payments once payment has commenced (since experience showed 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 showed that collections had 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



## REPORT OF THE BOARD MEMBERS

### ASSUMPTION SET USED IN THE LOAN VALUATION MODEL (CONTINUED)

the transition from exiting studies to commencing payment, reflecting 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 also impacted on the collection experience.

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 prior to 1999 in the calculations.

31 March 2016: A new assumption setting exercise was undertaken using the same methodologies as in prior years, with the addition of more recent loan data from 01 October 2013 to 31 December 2015 to allow for the passage of time and the impact of the improved collections strategy. The valuation has also recognised that the improved collections strategy is still developing and has therefore allowed for a transition from current actual collection levels to the model projected collections over the next 24 months.

In order to achieve the required repayments cash flows, the Board appointed a Recoveries Task Team 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 four years. This will require annual collections targets supported by a detailed plan of action. A number of strategies have been implemented in the latter part of the year which has seen a strong increase in recoveries. Additional resources have been appointed both internally and externally to assist with the recovery of outstanding debt. The external appointments relate to debt collections agents who collected on behalf of NSFAS.

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.



## REPORT OF THE BOARD MEMBERS

### 9. CONTINGENT LIABILITY FOR STUDENT LOANS AND BURSARIES

As part of its programme of implementing a new student-centred operating model, the entity has on-boarded an additional 11 TVET Colleges. The new model allows 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 R4,970,067,263 (2015: R2,863,159,920) being disclosed in note 26 as the future obligation in respect of these students.

### 10. STUDENT AWARDS AND REPAYMENTS

Student awards by institution category	Academic years					
	2015		2014		To date	
	Rand value	Number of students^	Rand value	Number of students^	Rand value	Number of students^a
Universities	7,194,618,509	178,961	6,969,940,822	186,150	49,775,659,171	1,538,395
TVET colleges	2,095,129,942	235,988	1,991,487,809	228,642	9,880,217,308	1,077,001
Other institutions*	-	-	1,041,602	10	141,611,314	386,970
	9,289,748,451	414,949	8,962,470,233	414,802	59,797,487,793	3,002,366
	Financial years					
	2016		2015		1992 - 2016	
<b>Repayments</b>						
Loan recoveries**		379,933,847		261,213,101		5,920,717,770
Less Credit Balances***		(153,192,615)		(13,650,617)		(1,070,786,404)
		226,741,232		247,562,484		4,849,931,366

Since its inception in 1991, the entity has awarded approximately R59,797,487,793 to students (2015: R50,507,739,342) in loans and bursaries. For the year under review, NSFAS assisted 414,840 students with 517,231 awards. Loan repayments, excluding donor settlements and credit balances on fee accounts, were at a monthly average of R18.8 million (2015: R20.6 million).

## REPORT OF THE BOARD MEMBERS

### STUDENT AWARDS AND REPAYMENTS (continued)

\* 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.

\*\* Recoveries from debtors have decreased from R247,562,484 in 2014/2015 to R226,741,232 in the year under review. Actual recoveries are significantly below the budgeted R373,000,000 and the collections projected by the valuation model for the loan book. The lower than expected recoveries can be attributed in part to the fact that 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 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.

Even though the outstanding recoveries have decreased as a whole from the prior year, there has been an increase in recoveries in the last five months of the financial year. The average monthly recoveries in the first seven months was R15,6m compared to an average per month of R20,8m in the last five months.

This was due to the following:

- a) A focused Recoveries Task team which drove the implementation of the recoveries strategy
- b) Increased media attention for NSFAS recoveries encouraging debtors to pay back their outstanding loans
- c) Debtors statements were sent out quarterly, ensuring that debtors were informed of their updated outstanding balances
- d) The appointment of external collections agents, both in the public and private sector, to make payment arrangements on behalf of NSFAS

The momentum gained traction in the last five months of the financial year is encouraging and provides strong support that NSFAS is on the right track to increasing recoveries.

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



## REPORT OF THE BOARD MEMBERS

	Academic years			
	2015		2014	
	Rand value	Number of students <sup>^</sup>	Rand value	Number of students <sup>^</sup>
<b>Department of Higher Education and Training</b>				
General Allocation*	3,186,173,960	92,757	3,132,075,350	97,826
Final year programme	1,095,107,410	25,208	907,072,219	21,612
Teacher allocation	114,533,379	3,823	110,997,986	4,093
Students with disabilities	59,011,647	1,128	54,376,180	1,135
National Skills Fund	718,763,799	17,833	799,117,520	24,925
SAICA partnership - Thuthuka Fund	46,056,650	840	40,694,871	875
TVET Bursaries	2,090,203,862	235,854	1,989,710,939	228,495
<b>Department of Basic Education:</b>				
Funza Lushaka teacher bursaries	965,591,611	14,026	941,201,654	14,328
Sector Education and Training Authorities	257,448,777	6,469	278,805,273	7,244
Other funding categories**	756,857,356	22,088	708,418,241	24,824
	<b>9,289,748,451</b>	<b>420,026</b>	<b>8,962,470,233</b>	<b>425,357</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.

<sup>\*</sup> 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.

<sup>\*\*</sup> Other funding categories include funds from Eastern Cape Provincial Government, Kwa-Zulu Natal Provincial Government, private donors and institution recovered monies.

## STATEMENT OF FINANCIAL POSITION

			Restated
Amounts in Rand thousand	Note(s)	2016	2015
<b>Assets</b>			
<b>Current Assets</b>			
Trade and other receivables (non-exchange)	4	6,217	38,841
Prepayments to institutions (exchange)	5	1,670,367	1,052,555
Student loans (exchange) short-term	6	370,060	457,856
Amounts owing by institutions (exchange) short-term	7	189,277	90,927
Amounts owing by other funders	31	53,890	21,426
Cash and cash equivalents	8	912,912	1,535,853
		<b>3,202,723</b>	<b>3,197,458</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	2	13,762	11,332
Intangible assets	3	8,258	26,967
Student loans (exchange) - long term	6	6,806,100	5,652,366
Amounts owing by institutions (exchange) - long term	7	39,048	58,709
Amounts owing by other funders	31	21,426	-
		<b>6,888,594</b>	<b>5,749,374</b>
<b>Total Assets</b>		<b>10,091,317</b>	<b>8,946,832</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables (exchange transactions)	12	55,354	58,978
Provisions	9	59,883	65,041
Amounts due to institutions (non-exchange)	10	116,693	182,568
Deferred income	11	825,866	1,265,016
		<b>1,057,796</b>	<b>1,571,603</b>
<b>Total Liabilities</b>		<b>1,057,796</b>	<b>1,571,603</b>
<b>Net Assets</b>		<b>9,033,521</b>	<b>7,375,229</b>
<b>Net Assets</b>			
Capital fund		9,033,521	7,375,229
<b>Total Net Assets</b>		<b>9,033,521</b>	<b>7,375,229</b>



## STATEMENT OF FINANCIAL PERFORMANCE

Amounts in Rand thousand	Note(s)	2016	2015
<b>Revenue</b>			
Administration fees (exchange)	13	22,344	16,155
Administration grants (non-exchange)	13	148,878	116,200
Grants received for student awards (non-exchange)	14	9,394,614	8,765,174
Interest revenue (exchange)	21	694,058	852,617
Commission Revenue - sBux (exchange)	22	1,565	2,625
Unallocated debtors receipts (non-exchange)	20	3	13
Other income (exchange)		2,300	17
<b>Total revenue</b>		<b>10,263,762</b>	<b>9,752,801</b>
<b>Expenditure</b>			
Personnel costs	15	(95,939)	(82,288)
Depreciation and amortisation	2 & 3	(26,000)	(26,711)
Irrecoverable debts written-off	16	(55,832)	(285,660)
Bursaries - Other funding sources		(4,352,950)	(4,157,239)
Bursaries - TVET Colleges funding source		(2,067,044)	(1,959,466)
General Expenses		(37,787)	(30,767)
Consulting and professional fees	23	(10,072)	(18,958)
Broader communications strategy		(511)	(2,254)
Postage and courier services		(73)	(47)
Audit fees	17	(5,686)	(7,946)
<b>Total Operational expenditure</b>		<b>(6,651,894)</b>	<b>(6,571,336)</b>
<b>Operating surplus</b>		<b>3,611,868</b>	<b>3,181,465</b>
Social benefit component on student loans issued	6	(1,680,118)	(1,430,567)
Impairment loss	6 & 29	(521,936)	(597,511)
Model adjustments	6 & 29	270,928	(2,240,258)
Impairment loss - Amounts owing by institutions (exchange) - long term	37	(22,450)	(10,659)
<b>Other losses</b>		<b>(1,953,576)</b>	<b>(4,278,995)</b>
<b>Surplus (deficit) for the year</b>	<b>36</b>	<b>1,658,292</b>	<b>(1,097,530)</b>

## STATEMENT OF CHANGES IN NET ASSETS

Amounts in Rand thousand	Capital Fund	Total reserves	Accumulated surplus(deficit)	Total net assets
Balance at 01 April 2014	8,472,759	8,472,759	-	8,472,759
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>
Balance at 01 April 2015	7,375,229	7,375,229	-	7,375,229
Surplus for the year	-	-	1,658,292	1,658,292
Transfer to Capital Fund	1,658,292	1,658,292	(1,658,292)	-
<b>Total changes</b>	<b>1,658,292</b>	<b>1,658,292</b>	<b>-</b>	<b>1,658,292</b>
Balance at 31 March 2016	9,033,521	9,033,521	-	9,033,521





## STATEMENT OF CASH FLOWS

Amounts in Rand thousand	Note(s)	2016	2015
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants for capital fund and administration costs		9,130,551	8,764,382
Student loan repayments - capital		276,732	529,530
		<b>9,407,283</b>	<b>9,293,912</b>
<b>Payments</b>			
For student awards		(9,216,315)	(8,965,108)
To employees and suppliers		(176,900)	(458,193)
Amounts due to institutions paid		(784,826)	(389,156)
		<b>(10,178,041)</b>	<b>(9,812,457)</b>
<b>Net cash outflow from operating activities</b>	<b>18</b>	<b>(770,758)</b>	<b>(518,545)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment - Normal Operations	2	(8,627)	(2,643)
Purchase of other intangible assets - Normal Operations	3	(1,094)	(185)
Interest income		157,538	214,811
<b>Net cash flows from investing activities</b>		<b>147,817</b>	<b>211,983</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(622,941)</b>	<b>(306,562)</b>
Cash and cash equivalents at the beginning of the year		1,535,853	1,842,415
<b>Cash and cash equivalents at the end of the year</b>	<b>8</b>	<b>912,912</b>	<b>1,535,853</b>

## STATEMENTS OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### Budget on Accrual Basis

Amounts in Rand thousand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
Administration fees (exchange)	28,000	(11,250)	16,750	22,344	5,594	34.1
Administration grants (non-exchange)	148,878	912	149,790	148,878	(912)	
Commission Revenue - sBux (exchange)	-	-	-	1,565	1,565	34.6
Unallocated Debtors Receipts (non-exchange)	-	-	-	3	3	34.6
Interest revenue (exchange)	-	873,932	873,932	694,058	(179,874)	34.18
Grants received for student awards (non-exchange)	8,776,274	299,989	9,076,263	9,394,614	318,351	
Other income (exchange)	-	-	-	2,300	2,300	34.6
<b>Total revenue</b>	<b>8,953,152</b>	<b>1,163,583</b>	<b>10,116,735</b>	<b>10,263,762</b>	<b>147,027</b>	
<b>Expenditure</b>						
Personnel costs	(103,019)	1,465	(101,554)	(95,939)	5,615	
Depreciation and amortisation	(4,056)	(24,000)	(28,056)	(26,000)	2,056	
Irrecoverable debts written off	-	-	-	(55,832)	(55,832)	34.6
Bursaries - Other funding sources	(5,037,716)	-	(5,037,716)	(4,352,950)	684,766	
Bursaries - TVET colleges funding source	(2,204,695)	-	(2,204,695)	(2,067,044)	137,651	
General Expenses	(44,786)	3,887	(40,899)	(37,787)	3,112	
Consulting and professional fees	(14,737)	(341)	(15,078)	(10,072)	5,006	34.2
Broader communication strategy	(2,530)	(1,227)	(3,757)	(511)	3,246	34.3
Postage	(135)	45	(90)	(73)	17	34.4
Audit fees	(7,615)	(123)	(7,738)	(5,686)	2,052	34.5
<b>Total expenditure</b>	<b>(7,419,289)</b>	<b>(20,294)</b>	<b>(7,439,583)</b>	<b>(6,651,894)</b>	<b>787,689</b>	
<b>Surplus</b>	<b>1,533,863</b>	<b>1,143,289</b>	<b>2,677,152</b>	<b>3,611,868</b>	<b>934,716</b>	
Social benefit component on student loans issued	-	-	-	(1,680,118)	(1,680,118)	34.6
Impairment loss	-	-	-	(521,936)	(521,936)	34.6
Model adjustments	-	-	-	270,928	270,928	34.6
Impairment loss - Amounts owing by institutions (exchange) - long term	-	-	-	(22,450)	(22,450)	34.6
<b>Other losses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,953,576)</b>	<b>(1,953,576)</b>	
<b>Surplus for the year</b>	<b>1,533,863</b>	<b>1,143,289</b>	<b>2,677,152</b>	<b>1,658,292</b>	<b>(1,018,860)</b>	



## STATEMENTS OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### Budget on Accrual Basis

Amounts in Rand thousand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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#### Statement of Financial Position

##### Assets

##### Current Assets

Amounts owing by other funders	-	-	-	53,890	53,890	34.6
Trade and other receivables (non-exchange)	-	63,883	63,883	6,217	(57,666)	
Prepayments to institutions (exchange)	-	1,115,708	1,115,708	1,670,367	554,659	34.7
Student loans (exchange) short-term	1,389,150	(903,823)	485,327	370,060	(115,267)	34.8
Amounts owing by institutions (exchange) short-term	-	129,492	129,492	189,277	59,785	34.9
Cash and cash equivalents	2,610,875	(982,871)	1,628,004	912,912	(715,092)	34.10
	4,000,025	(577,611)	3,422,414	3,202,723	(219,691)	

##### Non-Current Assets

Property, plant and equipment	11,008	1,004	12,012	13,762	1,750	34.11
Intangible assets	-	28,585	28,585	8,258	(20,327)	34.12
Student loans (exchange) - long term	6,945,750	(954,242)	5,991,508	6,806,100	814,592	
Amounts owing by institutions(exchange) - long term	-	64,277	64,277	39,048	(25,229)	34.13
Amounts owing by other funders	-	-	-	21,426	21,426	34.6
	6,956,758	(860,376)	6,096,382	6,888,594	792,212	

##### Total Assets

10,956,783 (1,437,987) 9,518,796 10,091,317 572,521

##### Liabilities

##### Current Liabilities

Trade and other payables (exchange transactions)	13,311	49,206	62,517	55,354	(7,163)	
Provisions	-	65,691	65,691	59,883	(5,808)	
Amounts due to institutions (non-exchange)	-	228,677	228,677	116,693	(111,984)	
Deferred income	194,462	1,146,455	1,340,917	825,866	(515,051)	34.14
	207,773	1,490,029	1,697,802	1,057,796	(640,006)	

##### Total Liabilities

207,773 1,490,029 1,697,802 1,057,796 (640,006)

##### Net Assets

10,749,010 (2,928,016) 7,820,994 9,033,521 1,212,527

##### Net Assets

##### Reserves

Capital fund	10,749,010	(2,928,016)	7,820,994	9,033,521	1,212,527	
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## STATEMENTS OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### Budget on Cash Basis

Amounts in Rand thousand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Grants for capital fund and administration costs	8,955,568	739,218	9,694,786	9,130,551	(564,235)	
Student loan repayment - capital	496,469	(123,469)	373,000	276,732	(96,268)	34.15
	9,452,037	615,749	10,067,786	9,407,283	(660,503)	
<b>Payments</b>						
For student awards	(10,587,089)	-	(10,587,089)	(9,216,315)	1,370,774	
To employees and suppliers	(172,821)	(912)	(173,733)	(176,900)	(3,167)	
Amounts due to institutions paid	161,731	-	161,731	(784,826)	(946,557)	34.16
	(10,598,179)	(912)	(10,599,091)	(10,178,041)	421,050	
<b>Net cash flows from operating activities</b>	<b>(1,146,142)</b>	<b>614,837</b>	<b>(531,305)</b>	<b>(770,758)</b>	<b>(239,453)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment - Normal Operations	(632)	(6,578)	(7,210)	(8,627)	(1,417)	
Purchase of other intangible assets - Normal Operations	(3,424)	(2,041)	(5,465)	(1,094)	4,371	34.17
Movement in financial assets	25,189	(25,189)	-	-	-	
Interest Income	766,329	(540,777)	225,552	157,538	(68,014)	34.18
<b>Net cash flows from investing activities</b>	<b>787,462</b>	<b>(574,585)</b>	<b>212,877</b>	<b>147,817</b>	<b>(65,060)</b>	
Net increase/(decrease) in cash and cash equivalents	(358,680)	40,252	(318,428)	(622,941)	(304,513)	
Cash and cash equivalents at the beginning of the year	1,535,853	-	1,535,853	1,535,853	-	
<b>Cash and cash equivalents at the end of the year</b>	<b>1,177,173</b>	<b>40,252</b>	<b>1,217,425</b>	<b>912,912</b>	<b>(304,513)</b>	



## ACCOUNTING POLICIES

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### 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

## ACCOUNTING POLICIES

### 1.1 BASIS OF ACCOUNTING (CONTINUED)

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 32 SERVICES 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 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.

#### GRAP 109 ACCOUNTING BY PRINCIPALS AND AGENTS

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. No significant impact is expected as the entity does not participate in such business transactions.

### STANDARD(S) EARLY ADOPTED

The entity has chosen to early adopt the following standard and interpretations:

#### 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. The impact of adopting this standard is disclosed in note 27.

### 1.1 BASIS OF ACCOUNTING (CONTINUED)



## ACCOUNTING POLICIES

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### 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.

*Four standards have become effective for the period ended 1 April 2015 and are presented below:*

**GRAP 18** - Segment Reporting

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

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

**GRAP 107** - Mergers

### 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:

### 1.2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION



## ACCOUNTING POLICIES

### UNCERTAINTY (CONTINUED)

#### 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.

#### 1.2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION



## ACCOUNTING POLICIES

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### UNCERTAINTY (CONTINUED)

#### 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 for funding.

The new student-centred operating model made it possible for students, whom registered previously at institutions, to apply directly to NSFAS for loans and bursaries. 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.

The entity believes that the contractual commitment due to funding of students for the duration of their studies should 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.

### 1.2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION

## ACCOUNTING POLICIES

### UNCERTAINTY (CONTINUED)

#### 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 uncollectable.

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.

#### 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 Position.

### 1.2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION



## ACCOUNTING POLICIES

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### UNCERTAINTY (CONTINUED)

#### AMORTISATION

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

#### BURSARIES AND CREDITS

Student loans offered by the entity are reduced by credit balances returned by the Institution and a bursary conversion based on the rules applicable to that loan. In instances where Institutions have not confirmed the credits due to NSFAS, an estimate is made of the credit amount based on historical information using the total historical credit as a percentage of the total loan amount. In instances where Institutions have not confirmed the subjects enrolled and subjects passed in order for a bursary conversion to be done, an estimate of the bursary amount has been calculated based on historical pass rates.

### 1.3 PROPERTY, PLANT AND EQUIPMENT

#### INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, 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.

### 1.3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

## ACCOUNTING POLICIES

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### 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.

### 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.



## ACCOUNTING POLICIES

### 1.3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### 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:**

Item	Average useful life
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

### 1.3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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.





## ACCOUNTING POLICIES

### 1.4 INTANGIBLE ASSETS (CONTINUED)

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.

#### 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.

## ACCOUNTING POLICIES

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### 1.4 INTANGIBLE ASSETS (CONTINUED)

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.

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.



## ACCOUNTING POLICIES

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### 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.

#### FINANCIAL ASSETS MEASURED AT AMORTISED COST

Financial assets comprise cash and cash equivalents, trade and other receivables, amounts owing by institutions and student loans.

## ACCOUNTING POLICIES

### 1.5 FINANCIAL INSTRUMENTS (CONTINUED)

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.

#### ***(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

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### 1.5 FINANCIAL INSTRUMENTS (CONTINUED)

#### 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.

#### 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 an entity or assets such as adverse changes in the payment status of borrowers or issuers in the entity, or economic conditions that correlate with defaults in the entity.

The student loans offered by the entity are impaired 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 uncollectable.

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

### 1.5 FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

### 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



## ACCOUNTING POLICIES

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effective yield of the loans, adjusted for impairment.

### 1.5 FINANCIAL INSTRUMENTS (CONTINUED)

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

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.

### 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.



## ACCOUNTING POLICIES

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### 1.7 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.

### 1.8 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

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

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

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.



## ACCOUNTING POLICIES

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### 1.8 PROVISIONS AND CONTINGENCIES (CONTINUED)

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 26.

### 1.9 REVENUE

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

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 non-exchange transactions.

Exchange transactions are defined as transactions where the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to the other entity in exchange. 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

## ACCOUNTING POLICIES

are recognised as revenue when the asset is recognised.

### 1.9 REVENUE (CONTINUED)

#### IRRECOVERABLE DEBTS RECOVERED

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

#### INTEREST REVENUE

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

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

### 1.10 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 to the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

- Foreign currency monetary items are translated using the closing rate; and
- Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

### 1.11 PREPAYMENTS

Payments are made to institutions during January, February and March of each year for initial student registration fees.

The academic year for institutions runs from 01 January to 31 December and is therefore different to the NSFAS financial reporting year which runs from 01 April to 31 March. Prepayments made to institutions during the financial reporting period 01 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.



## ACCOUNTING POLICIES

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### 1.12 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.

### 1.13 RELATED PARTIES

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

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

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

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

### 1.14 RESERVES

#### **CAPITAL FUND RESERVE**

The reserve comprises accumulated surpluses

## ACCOUNTING POLICIES

### 1.15 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.

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.

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.

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).

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.

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

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

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.



## ACCOUNTING POLICIES

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### 1.15 IMPAIRMENT OF CASH AND NON-CASH GENERATING ASSETS (CONTINUED)

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.

### 1.16 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.

Amounts in Rand Thousand

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 2. PROPERTY, PLANT AND EQUIPMENT

Amounts in Rand thousand			2016	2015		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land*	770	-	770	770	-	770
Buildings	4,047	(982)	3,065	4,047	(901)	3,146
Furniture and fixtures	4,901	(3,927)	974	4,585	(3,451)	1,134
Motor vehicles	119	(119)	-	119	(119)	-
IT equipment	27,185	(18,232)	8,953	19,358	(13,076)	6,282
	<b>37,022</b>	<b>(23,260)</b>	<b>13,762</b>	<b>28,879</b>	<b>(17,547)</b>	<b>11,332</b>

#### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Depreciation	Total
Land*	770	-	-	770
Buildings	3,146	-	(81)	3,065
Furniture and fixtures	1,134	317	(477)	974
IT equipment	6,282	8,310	(5,639)	8,953
	<b>11,332</b>	<b>8,627</b>	<b>(6,197)</b>	<b>13,762</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>

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

#### Pledged as security

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





Amounts in Rand Thousand

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### Other information

	2016	2015
Property, plant and equipment fully depreciated and still in use (cost)		
Furniture and equipment	2,578	1,558
IT hardware	7,328	6,182
Motor Vehicles	119	119
	<b>10,025</b>	<b>7,859</b>

### 3. INTANGIBLE ASSETS

	2016			2015		
	Cost	Accumulated Amortisation	Carrying value	Cost	Accumulated Amortisation	Carrying value
Computer software	81,914	(73,656)	8,258	80,337	(53,370)	26,967

#### Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	26,967	1,094	(19,803)	8,258

#### Reconciliation of intangible assets - 2015

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

#### Intangible assets fully amortised and still in use (Cost)

Computer software	21,616	20,628
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Amounts in Rand Thousand

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 4. TRADE AND OTHER RECEIVABLES (NON-EXCHANGE)

	2016	2015
sBux - Commission receivable*	4,960	3,783
Prepayments	1,257	1,162
Advance to Institutions**	-	33,896
	<b>6,217</b>	<b>38,841</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.

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

### 5. PREPAYMENTS TO INSTITUTIONS (EXCHANGE)

	2016	2015
Prepayments to institutions for initial student registration fees	1,670,367	1,052,555

### 6. 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.



Amounts in Rand Thousand

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 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.

	2016	2015
Carrying value reconciliation:		
Opening balance	6,203,312	7,550,063
New loans	2,737,273	2,827,508
Social benefit component**	(1,821,107)	(1,726,733)
Interest	536,520	637,806
Repayments	(226,741)	(247,563)
Model adjustments*	270,928	(2,240,258)
Impairment loss*	(521,936)	(597,511)
	7,178,249	6,203,312
Unallocated debtor receipts	(2,089)	(93,090)
<b>Carrying value</b>	<b>7,176,160</b>	<b>6,110,222</b>
The relationship between the Nominal Value and the Carrying Value is as follows:		
Opening carrying value	6,203,312	7,550,063
Plus new loans (recognised into the loan book)	2,737,273	2,827,508
Less payments	(226,741)	(247,563)
Plus interest	536,520	456,249
Irrecoverable debtor write-off	(55,832)	(285,660)
Plus prior year valuation adjustments	15,030,090	10,954,476
<b>Nominal value</b>	<b>24,224,622</b>	<b>21,255,073</b>

\* Refer to note 29

\*\* 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 R1,680,117,778 by R140,989,702 (2015: R1,430,566,731 by R296,166,686), due to the timing of the day one loss.

The balance on student loans includes a current portion of R370,060,100 (2015: R457,855,959). 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.

## 7. AMOUNTS OWING BY INSTITUTIONS (EXCHANGE)

Credit balances on student fee accounts due by institutions	2016	2015
Amounts owing by institutions - Current portion	189,277	90,927
Amounts owing by institutions - Non-current portion	39,048	58,709
	228,325	149,636

Amounts in Rand Thousand

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 8. CASH AND CASH EQUIVALENTS

\*Cash and cash equivalents consist of:

	2016	2015
Bank balances	2,028	7,466
Call - and Money Market Accounts	910,884	1,528,387
	<b>912,912</b>	<b>1,535,853</b>

Refer to note 35.

### 9. PROVISIONS

	2016	2015
Provision for credit balances to be refunded	59,883	65,041

Opening balance	65,041	64,510
New credit balances	-	1,083
Amount paid as refunds**	(2,920)	(552)
Deceased refund debtors***	(2,238)	-
<b>Closing balance</b>	<b>59,883</b>	<b>65,041</b>

Provision for credit balances to be refunded comprises:	2016	2015
Credit balances still owing from original 2011 credit provision*	R27,239	R31,395
Credit balances from normal operations	R32,644	R33,646
<b>Total</b>	<b>R59,883</b>	<b>R65,041</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 inception 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.

\*\* NSFAS embarked on a refunds campaign by sending SMSs to all debtors who were on the original 2011 refunds list. Debtors were notified of a refund due to them and asked to contact NSFAS to arrange for payment of the refund. This resulted in an increase in the value of refunds paid.

\*\*\* A list of refund debtors was compared to the Home Affairs database and showed a match of 1,313 deceased debtors. This amount has been recognised as income.

### 10. AMOUNTS DUE TO INSTITUTIONS (NON-EXCHANGE)

Payments due to institutions for student loans and bursaries awarded.	2016	2015
Amounts due to institutions	116,693	182,568



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 11. 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 2014 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.

	2016	2015
Grants received in advance	45,825	230,777
Deferred income	780,041	1,034,239
	<b>825,866</b>	<b>1,265,016</b>

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

	2016	2015
Trade payables	13,830	15,637
Accruals	10,725	15,227
Accrued leave pay due to employees	1,716	2,854
Accrued bonuses due to employees	5,161	1,179
Other payables	23,338	23,303
Operating lease liability/(asset)**	106	(96)
sBux - Commission payable*	478	874
	<b>55,354</b>	<b>58,978</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 movement is a result of a new lease agreement signed, refer to note 19.

Amounts in Rand Thousand

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 13. ADMINISTRATION FEES AND GRANTS (NON-EXCHANGE)

Administration fees	2016	2015
Administration Fees - Sector Education and Training Authorities	10,276	4,127
Administration Fees - Department of Agriculture Forestry and Fisheries	811	721
Administration Fees - National Skills Fund	11,257	10,744
Administration Fees - Nedbank	-	203
Administration Fees - Department of Defence and Military Veterans	-	360
	<b>22,344</b>	<b>16,155</b>

Administration grants	2016	2015
Administration Grant: Department of Higher Education and Training	148,878	116,200

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

	2016	2015
Department of Higher Education and Training*	6,303,980	6,022,632
National Skills Fund	785,544	797,916
Department of Basic Education	995,803	947,499
Other South African government departments	483,919	342,903
Universities	311,384	297,983
Private sector	-	10,121
SETA funding	259,786	135,082
Deferred income recognised	254,198	211,038
	<b>9,394,614</b>	<b>8,765,174</b>

\* Includes grants to provide for loans and bursaries or students studying at Technical and Vocational Education Training colleges and universities, received from the Department of Higher Education and Training and certain public entities.



Amounts in Rand Thousand

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 15. PERSONNEL COSTS

	2016	2015
Salaries	62,495	51,441
Movement in leave provision*	(1,138)	988
Employee Benefits - other**	34,582	29,859
	<b>95,939</b>	<b>82,288</b>

\* The variation in leave accrual relates to the reduced number of days from 2015 to 2016. NSFAS implemented a compulsory shut down for a minimum of 2 weeks for all staff reducing the number of leave days, thus affecting the accruals.

\*\* 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.

### 16. IRRECOVERABLE DEBTS WRITTEN-OFF

	2016	2015
Debt write-off - Student Loan	55,832	285,660
Less than R50 debtor balance write-off	12	49
Deceased debtors write-off*	55,752	285,611
Disabled debtors**	R68	0
<b>Total</b>	<b>55,832</b>	<b>285,660</b>

\* 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. In the prior year, the loan book was matched to the Department of Home Affairs database and 11,700 debtors were confirmed as deceased and amount to the value of R285,610,889 in respect of whom the entity had not received notification of death since its establishment in 1999 was written off. In the current year, 1,955 debtors were confirmed as deceased by the Department of Home Affairs and an amount of R55,751,404 was written off in respect of the balances outstanding.

\*\* Disabled debtors are written off once NSFAS receives proof from a medical practitioner that the debtor has a disability.

Amounts in Rand Thousand

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 17. AUDIT FEES

	2016	2015
External audit fees*	4,139	4,554
Internal audit fees and other services	1,547	3,392
	<b>5,686</b>	<b>7,946</b>
*External audit fees:		
Fees for 2013/2014 audit:	-	3,831
Fees for 2014/2015 audit	2,621	723
Fees for 2015/2016 audit	1,518	0
<b>Total</b>	<b>4,139</b>	<b>4,554</b>

### 18. CASH GENERATED (UTILISED) FROM OPERATIONS

	2016	2015
Surplus/(deficit) for the year	1,658,292	(1,097,530)
<b>Adjustments for:</b>		
Depreciation and amortisation	26,000	26,711
Model adjustments	(270,928)	2,240,258
Impairment loss - Amounts owing by institutions (exchange) - long term	22,450	10,659
Social benefit component on student loans*	1,821,107	1,726,733
Impairment loss*	521,907	597,511
Net interest income	(694,058)	(852,617)
Movements in provisions	(5,158)	531
<b>Changes in working capital:</b>		
Trade and other receivables (non-exchange)	32,624	(33,361)
Prepayments to institutions (exchange)	(617,812)	(403,494)
Student loans (exchange) short-term	(2,737,273)	(2,827,508)
Amounts owing by institutions (exchange) short-term	(101,139)	88,310
Student loans receipts	226,770	247,562
Trade and other payables (exchange transactions)	(3,624)	3,088
Unallocated debtor receipts written back	(91,001)	(14,211)
Amounts due to institutions (non-exchange)	(65,875)	(73,972)
Deferred income	(439,150)	(135,789)
Amounts owing by other funders	(53,890)	(21,426)
	<b>(770,758)</b>	<b>(518,545)</b>

\* Refer to note 6 and 29.





## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 19. 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:

- An extension to the existing lease agreement for the 1st and 2nd Floor Wynberg Mews for the period 1st March 2016 till 28 February 2017 was entered into.
- No contingent rent is payable on both rental agreements

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

	2016	2015
Unallocated debtor receipts (Historical)	3	13

Amounts received by the entity without a valid reference to loan accounts or not yet allocated at year end to individual loan accounts, are recorded in the annual financial statements against student loans. Every attempt is made to establish the identity of the depositor with the relevant bank. When these unidentified amounts have been outstanding for more than five (5) years, they are written-off to income. 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 student's loan account as a payment and reflected as an expense in the financial statements. The amount written back to income is R3,204 (2015: R12,955).

### 21. INTEREST REVENUE (EXCHANGE)

	2016	2015
Interest on student loans	536,520	637,806
Interest on funds invested*	157,538	214,811
	<b>694,058</b>	<b>852,617</b>

\* Interest on funds invested relates to the following categories:

	2016	2015
Administration grants and fees	4,191	2,619
Donor funds	137,510	184,394
Recovered funds	15,837	27,798
	<b>157,538</b>	<b>214,811</b>

Amounts in Rand Thousand

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 22. COMMISSION REVENUE - SBUX (EXCHANGE)

	2016	2015
Commission Revenue - sBux*	1,565	2,625

- \* 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 operating 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.

### 23. CONSULTING AND PROFESSIONAL FEES

	2016	2015
Consultancy Fees - ICT	7,923	489
Consultancy Fees: Management Finance	157	2,991
Transformation : Consultants Fees	17	11,079
Compliance Consultancy Fees	-	57
Other professional fees	810	2,849
Legal expenses	1,165	1,493
	<b>10,072</b>	<b>18,958</b>

### 24. TAXATION

The entity has 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.

### 25. COMMITMENTS

#### Authorised expenditure

The entity had commitments for the following items as at 31 March 2016:

	2016	2015
IT equipment	8,965	530
Consulting and other services	26,050	27,736
	<b>35,015</b>	<b>28,266</b>

#### Operating leases - as lessee (expense)

Minimum lease payments due*		
- within one year	3,446	2,701
- in second to fifth year inclusive	412	-
	<b>3,858</b>	<b>2,701</b>

Refer to note 19.

- \* The minimum lease payments is a result of two lease agreements of the office space and the printers.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 26. CONTINGENCIES

#### CONTINGENT ASSETS: INVESTMENTS

There is a contingent asset of market value of R6,209,089 (2015: 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 co-contribution 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 (2015: R1,200,000). A settlement facility of R8,500,000 (2015: 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 agreement 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 arrangement 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 the reporting date is R52,305,958 (2015: 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.

#### STUDENT FUNDING

As part of its programme of implementing the new student-centred operating model, the entity has on-boarded an additional 11 TVET colleges in the 2016 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 R4,970,067,263. (2015: R2,863,159,920).

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 27. 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

Department of Justice and Correctional Services

Government Communication and Information Service

#### PUBLIC ENTITIES

##### Public entities (that transacted with NSFAS during the reporting period)

Agricultural Sector Education and Training Authority

Bank Sector Education and Training Authority

Chemical Industries Education and Training Authority

Construction Education and Training Authority

Culture Art Tourism Hospitality Sport Sector Education and Training Authority

Education Training and Development Practices Sector Education Training Authority

Fiber Processing and Manufacturing Sector Education and Training Authority

Financial and Accounting Services Sector Education and Training Authority

Food and Beverage Sector Education and Training Authority

Health and Welfare Sector Education and Training Authority

Local Government Education and Training Authority

Manufacturing Engineering and Related Services Sector Education and Training Authority

Mining Qualifications Authority

Media Information and Communication Technologies Sector Education and Training Authority

National Skills Fund

Safety and Security Sector Education and Training Authority

Services Sector Education and Training Authority

Energy and Water Sector Education and Training Authority

Transport Education and Training Authority

Wholesale and Retail Sector Education and Training Authority



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### RELATED PARTIES (CONTINUED)

#### TVET COLLEGES

Boland College	Buffalo City College
Capricorn College for TVET	Central Johannesburg College
Coastal KZN TVET College	College of Cape Town for TVET
East Cape Midlands	Ehlazeni TVET College
Ekurhuleni East College for TVET	Ekurhuleni West College for TVET
Elangeni College for TVET	Esayidi TVET College
False Bay College for TVET	Flavius Mareka TVET College
Gert Sibande TVET College	Goldfields TVET College
Ikhala Public Further Education and Training College	Ingwe Public TVET College
King HINTSA Public TVET College	King Sabata Dalindyebo TVET College
Lephalale TVET College	Letaba TVET College
Lovedale Public TVET College	Majuba College for TVET
Maluti TVET College	Mnambithi TVET College
Mopani South East TVET College	Motheo TVET College
Mthashana TVET College	Nkangala TVET College
Northern Cape Rural TVET College	Northern Cape Urban TVET College
Northlink College	Orbit TVET College
Port Elizabeth College	Sedibeng College for TVET
Sekhukhune TVET College	South Cape College
South West Gauteng College	Taletso TVET College
Thekwini TVET College	Tshwane North College for TVET
Tshwane South College for TVET	Umfoloji College for TVET
Umgungundlovu TVET College	Vhembe TVET College
Vuselela TVET College	Waterberg TVET College
West Coast College	Western College for TVET

#### MEMBERS OF KEY MANAGEMENT

Msulwa Daka (Executive Officer - 1 February 2013)  
Lerato Nage (Chief Financial Officer - 1 December 2013)  
Xolisa Peter (Chief Information Officer - 1 January 2013 - 31 May 2015)  
Richard MacKinnon-Little (Acting Chief Information Officer - 01 June 2015)  
Luxolo Rubushe (Chief Operating Officer - 17 May 2014 - 31 May 2015)  
Milco Hertz (Chief Operating Officer - 23 February 2016)  
Pavashini Naidoo (Chief Risk Officer - 01 March 2016)

Transactions between NSFAS and the listed entities are consistent with a normal operating relationship and arm's length transaction have been omitted from presentation. This is a result of early adoption of GRAP 20 Related party disclosure as noted in the accounting policy.

Amounts in Rand Thousand

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 28. BOARD MEMBERS' AND KEY MANAGEMENT EMOLUMENTS

#### Key management

2016				
	Basic salary	Bonuses	Employer contributions	Total
Executive Officer	1,824	-	50	1,874
Chief Financial Officer	1,565	-	32	1,597
Chief Information Officer*	162	-	28	190
Chief Information Officer**	1,432	-	176	1,608
Chief Operating Officer***	327	-	94	421
Chief Operating Officer****	-	-	-	-
Chief Risk Officer*****	-	-	-	-
Senior Managers*****	3,692	-	439	4,131
	<b>9,002</b>	<b>-</b>	<b>819</b>	<b>9,821</b>

2015				
	Basic salary	Bonuses	Employer contributions	Total
Executive Officer	1,696	-	202	1,898
Chief Financial Officer	1,467	-	30	1,497
Chief Information Officer	879	-	376	1,255
Chief Operating 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>

\* Xolisa Peter - Until 31 May 2015

\*\* Richard MacKinnon - Little: Acting from 01 June 2015

\*\*\* Luxolo Rubushe - Until 31 May 2015

\*\*\*\* Milco Hertz Appointed: 23 February 2016 (seconded from the banking sector, NSFAS does not incur any costs)

\*\*\*\*\* Pervasion Naidoo Appointed: 01 March 2016

(seconded from the banking sector, NSFAS does not incur any costs)

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



Amounts in Rand Thousand

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### BOARD MEMBERS AND KEY MANAGEMENT EMOLUMENTS (CONTINUED)

#### Board members emoluments

2016			
	Emoluments	Pension paid or receivable	Total
Travel costs	173	-	173
Board meeting fees	847	-	847
	1,020	-	1,020
2015			
	Emoluments	Pension paid or receivable	Total
Travel costs	767	-	767
Board meeting fees	525	-	525
	1,292	-	1,292

### 29. DEBTORS LOAN BOOK MOVEMENTS (NON-EXCHANGE)

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

For the 31 March 2016 valuation it was considered appropriate to update the valuation assumptions with data up to the 31 December 2015 in order to recognise the development of the book and the impact of management actions over time.

#### 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 5.75% to 7%
- reassessment of the assumptions based on data up to 31 December 2015
- truncation of payments after 300 months

As a result of the changes in assumptions and model adjustment, a net difference in value of the student portfolio of R270,927,528 (2015: R2,240,257,545) was recorded.

The table below shows the impact of the change in assumptions and model adjustments per loan year of issue:

Year of issue of student loan	2016	2015
1991 - 2001	(11,320)	17,823
2002 - 2007	38,934	(334,099)
2008	24,251	(151,629)
2009	18,828	(193,335)
2010	19,474	(222,356)
2011	24,316	(278,670)
2012	34,019	(339,502)
2013	33,357	(390,705)
2014	35,138	(347,785)
2015	53,931	-
	270,928	(2,240,258)

Amounts in Rand Thousand

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### DEBTORS LOAN BOOK MOVEMENTS (NON-EXCHANGE) (CONTINUED)

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.

2016	Carrying value	-10% change	Impact	+10% change	Impact
Student	3,861,644	3,475,480	-10.0%	4,247,809	10.0%
Non-payer	2,900,232	2,517,168	-13.2%	3,323,744	14.6%
Payer	416,373	416,372	0.0%	416,372	0.0%
	<b>7,178,249</b>	<b>6,409,020</b>	<b>-10.8%</b>	<b>7,987,925</b>	<b>11.3%</b>

2015	Carrying value	-10% change	Impact	+10% change	Impact
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 is 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.

2016	Carrying value	-10% change	Impact
Student	3,861,645	3,763,107	-2.6%
Non-payers	2,900,232	2,840,892	-2.0%
Payers	416,372	393,538	-5.5%
	<b>7,178,249</b>	<b>6,997,537</b>	<b>-2.5%</b>

2015	Carrying value	-10% change	Impact
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>





## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### DEBTORS LOAN BOOK MOVEMENTS (NON-EXCHANGE) (CONTINUED)

#### 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.

2016	12 months	Impact	Carrying value (24 months )	36 months	Impact
Student	3,887,544	0.7%	3,861,645	3,816,611	-1.2%
Non-payers	2,992,661	3.2%	2,900,232	2,793,535	-3.7%
Payers	416,372	0.0%	416,372	416,372	0.0%
	<b>7,296,577</b>	<b>1.6%</b>	<b>7,178,249</b>	<b>7,026,518</b>	<b>-2.1%</b>

2015	Carrying value (no delay)	12 months	Impact	24 months	Difference	36 months	Impact
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>

#### 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 R521,935,728 (2015: R597,511,072) was reported as at 31 March 2016. This has decreased in the current year as a result of an increase in collections in the latter part of 2016. The collections for 2016 are still however lower than the anticipated collections for 2016 of R457,865,000 and this has resulted in the impairment loss.

## 30. 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.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### RISK MANAGEMENT (CONTINUED)

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.

#### 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.



Amounts in Rand Thousand

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### RISK MANAGEMENT (CONTINUED)

#### Maturity analysis of financial liabilities

At March 2016	Less than 1 month	1-3 months	3 months to 1 year	Total
Accounts payable and provisions	55,355	-	59,883	115,238
Amounts due to institutions	116,693	-	-	116,693
	172,048	-	59,883	231,931

At 31 March 2015	Less than 1 month	1-3 months	3 months to 1 year	Total
Accounts payable and provisions	58,978	-	65,041	124,019
Amounts due to institutions	182,568	-	-	182,568
	241,546	-	65,041	306,587

#### 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.

#### 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	7,176,160	6,110,222
Other variable rate instruments	912,912	1,535,853
	8,089,072	7,646,075

#### 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 R9,129,122 (2015: 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.

Amounts in Rand Thousand

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### RISK MANAGEMENT (CONTINUED)

#### 2016

##### Student loans

100 basis points increase	26,599,601	0.37%
100 basis points decrease	(27,919,429)	-0.39%

#### 2015

##### 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 pre-determined threshold level. Fair value financial assets, loans and receivables and cash and cash equivalents are exposed to credit risk. The initial day-one loss adjustment is therefore not considered to be a reflection of credit risk, but actually represents the social benefit element of the loans.

The maximum credit risk exposure is: R8,398,930,000 (2015: R7,855,978,000), 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.

### 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.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### RISK MANAGEMENT (CONTINUED)

#### Write-off policy

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

A list of identity numbers is verified against the Department of Home Affairs database 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 R55,831,505 (2015: R285,610,889) 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 status.

#### 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 their first loan as the previous loans need to be repaid before the first payment occurs on the fifth loan. As a result the loan payments are expected to be received later and there is also a greater chance of the borrower passing away before completing the repayment of the loan. The demographics of the NSFAS' student base is also considered as this has an influence on credit risk, 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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### RISK MANAGEMENT (CONTINUED)

Loan number	Number of loans	Transaction value	Percentage of total value
1	640,373	8,960,773,012	37%
2	442,375	7,198,185,167	30%
3	279,919	4,721,464,589	19%
4	138,539	2,267,586,987	9%
5+	70,410	1,076,613,227	4%
	<b>1,571,616</b>	<b>24,224,622,982</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 being paid and the ones 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.

Loan number	Loans in force	Currently paying	Not currently paying
Student	623,970	-	623,970
Drop-out	407,262	36,778	370,484
Graduate	540,384	67,161	473,223
	<b>1,571,616</b>	<b>103,939</b>	<b>1,467,677</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.

### 31. AMOUNTS OWING BY OTHER FUNDERS

	2016	2015
Amounts owing by other funders - Non-current	21,426	-
Amounts owing by other funders - Current	53,890	21,426
	<b>75,316</b>	<b>21,426</b>

Amounts owing by other funders relates to various funders whom owe NSFAS for payments made on their behalf. Every effort is being made to recover these monies owed to NSFAS.



Amounts in Rand Thousand

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 32. 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. Presented below are those Statement of Financial Position items which have been affected by the prior year reclassification.

2015	As previously reported	Correction of errors	Restated
<b>Reclassification of balances</b>			
<b>Statement of Financial Position</b>			
Amounts owing by Institutions (exchange) - long term	60,639	(1,930)	58,709
Amounts owing by Institutions (exchange) - short term	122,162	(31,235)	90,927
Amounts due to institutions (non-exchange)	(215,733)	33,165	(182,568)
Trade and other receivables	60,267	(21,426)	38,841
Amount owing by other funders	-	21,426	21,426

### 33. IRREGULAR EXPENDITURE

	2016	2015
Opening balance	70,805	70,327
Add: Irregular Expenditure - current year*	3,591	478
<b>Sub Total:</b>	<b>3,591</b>	<b>478</b>
Other areas of non-compliance	-	-
Supply Chain procedures not followed**	191	478
Deviation was not approved by the appropriate delegated authority***	3,400	-
Subtotal other areas non-compliance	3,591	478
Less: Amount written off	-	-
<b>Closing balance</b>	<b>74,396</b>	<b>70,805</b>

**Current Year Irregular Expenditure:**

\* The entity is in the process for approval of the irregular expenditure.

\*\* These suppliers and the related expenditure have been classed as irregular as Supply Chain procedures were not followed for the procurement of legal services.

\*\*\* This supplier and the related expenditure has been classified as irregular as the deviation was not approved by the appropriate delegated authority.

Amounts in Rand Thousand

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 34. 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.

#### Note 34.1: Administration fees (exchange)

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

Administration fees exceeded budget as the number of funders signed up were more than the number that was budgeted for.

#### Note 34.2: Consulting and professional fees

The underspending on this line item is due to two areas of professional fees:

Information Technology: The delays in spending against the allocated consultancy budget is mainly due to the negotiation of contract specifications with the consultants taking longer than anticipated with a resultant delay on the procurement processes. Business Development Services: The Human Resources Employees and Management Paperless Self-Service System was scheduled to be implemented from March 2016 after appointing a supplier at the beginning of this quarter. However, the Human Resources Employees and Management Paperless Self-Service System has not been approved yet as there is a technical issue with regards to the proof of the tender document that was submitted late by the supplier.

As a result, the implementation of the Human Resources Employees and Management Paperless Self-Service System has now been deferred to the first quarter of the 2016/17 financial year.

#### Note 34.3: Broader communication strategy:

The under expenditure is due to the GCIS Radio Programme only being approved in March 2016. R1.593 million of this underspending is committed to the GCIS Radio programme which will be broadcast from April to May 2016.

#### Note 34.4: Postage:

The under expenditure on this line item is due to the decreased use of Courier Services within the organisation.

#### Note 34.5: Audit fees:

The under expenditure on this line item is as a result of some dates for the ICT audit reviews being revised and therefore commencing later than expected.





## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### BUDGET INFORMATION (CONTINUED)

#### **Note 34.6**

The following items are not budgeted for:

Commission Revenue - sBux

Unallocated Debtors Receipts

Other income

Irrecoverable debts written off

Social benefit component on student loans issued

Impairment loss

Model adjustments

Impairment loss - Amounts owing by institutions (exchange) - long term

Amounts owing by other funders

Movement in amount owing by other funders

#### **Note 34.7: Prepayments to institutions (exchange)**

Prepayments to institutions were higher than expected due to management's decision to increase upfront payments to institutions.

#### **Note 34.8: Student loans (exchange) short-term**

Collections were lower than expected resulting in a decrease in the amounts expected to be collected in the next 12 months.

#### **Note 34.9: Amounts owing by institutions (exchange) short-term**

Credits due from institutions were higher than expected due to an increase in disbursements to institutions.

#### **Note 34.10: Cash and cash equivalents**

The variance is due to prepayments to institutions being greater than expected.

#### **Note 34.11: Property, plant and equipment**

Property, plant and equipment is higher than budget due to additions exceeding the amount budgeted.

#### **Note 34.12: Intangible assets**

Intangible assets are less than budget due to amortisation costs being higher than budget.

#### **Note 34.13: Amounts owing by institutions (exchange) - long term**

Amounts due from institutions were lower than budget due to payments made by institutions being higher than expected.

#### **Note 34.14: Deferred income**

The decrease in the deferred income is due to an increase in disbursements to institutions.

Amounts in Rand Thousand

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### BUDGET INFORMATION (CONTINUED)

**Note 34.15: Student loan repayments - capital**

Collections were lower than expected.

**Note 34.16: Amounts due to institutions paid**

The entity budgeted for an inflow from institutions based on the prior year accrual. However, an outflow was realised based on the balances outstanding at year end.

**Note 34.17: Purchase of other intangible assets - Normal Operations**

Purchase of intangible assets was lower than expected due to planned acquisitions not being on schedule.

**Note 34.18: Interest income**

The decrease in interest income is due to a decrease in cash and bank balances.

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

Investments and cash and cash equivalents totaling R912,912,252 (2015: R1,535,853,070) include R36,222,898 (2015: R212,397,815) recovered funds that NSFAS holds for re-injection into student loans. A further R825,866,297 is held by NSFAS on behalf of funders for allocation by the entity on instruction by the funder. These funds represent unspent grants and interest thereon. A further amount of R1,066,142 is committed to issued sBux vouchers. The balance remaining of R49,756,914, inclusive of interest, comprises operational funds attributed to administration grants and fees.

The entity expects to provide loans and bursaries to students amounting to approximately R14,296,612,296\* for the 2016 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:*

Quarter Ending	Expected new grants	NSFAS reinjection	Cumulative
June 2016	10,595,955	95,061	10,691,016
September 2016	179,804	179,804	359,608
December 2016	3,154,367	91,622	3,245,989
	<b>13,930,126</b>	<b>366,487</b>	<b>14,296,613</b>

\*Prepayments to the value of R1.67 billion (2015: R1.05 billion), utilising recovered funds, have been made to institutions as at 31 March 2016.



Amounts in Rand Thousand

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 36. ANALYSIS OF SURPLUS

	2016	2015
<b>Operational</b>		
Administration grants	148,878	116,200
Administration fees	22,344	16,155
Interest received	694,058	852,617
Other income	2,300	17
sBux -Commission revenue	1,565	2,625
Unallocated debtors receipts	3	13
Less: Administration and investment costs	(176,068)	(168,972)
<b>Sub-Total</b>	<b>693,080</b>	<b>818,655</b>
<b>Capital</b>		
Grants received for student awards*	9,394,614	8,765,174
Bursaries	(6,419,994)	(6,116,704)
Irrecoverable debts	(55,832)	(285,660)
Impairment loss	(521,936)	(597,511)
Social benefit component on student loans	(1,680,118)	(1,430,567)
Model Adjustments	270,928	(2,240,258)
Impairment loss - Amounts owing by institutions (exchange) - long term	(22,450)	(10,659)
<b>Sub-Total</b>	<b>965,212</b>	<b>(1,916,185)</b>
<b>Total</b>	<b>1,658,292</b>	<b>(1,097,530)</b>

\* Grants received for student awards are reflected after the deferred income movement amount of R254,197,828 (2015: R211,038,021) has been netted off.

The difference of R2,974,620,209 (2015: R2,648,468,362) between "Grants received for student awards" and "Bursaries" is attributable to:

- Eligible students registered at public Technical and 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.

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

During the period amounts due by institutions were impaired with an amount of R22,450,366 (2015: R10,658,871) due to amount being outstanding for more than a three year period.

Amounts in Rand Thousand

## SUPPLEMENTARY INFORMATION

### 1. GRANTS RECEIVED FOR STUDENT AWARDS (EXPRESSED IN RAND THOUSAND)

#### Grants received for student awards

	2016	2015
Department of Agriculture, Forestry and Fisheries	16,227	14,427
Department of Basic Education - Funza Lushaka Teacher Bursaries**	995,803	947,499
Department of Defence and Military Veterans	175,550	12,000
Department of Higher Education and Training	4,099,285	3,914,893
Department of Higher Education and Training - TVET Colleges*	2,204,695	2,107,739
Department of Social Development	276,144	264,000
Eastern Cape Provincial Government	15,998	40,476
Kwa-Zulu Natal Provincial Government	-	12,000
National Skills Fund	785,544	797,916
Nedbank	-	10,121
Bank SETA	-	549
Culture, Arts, Tourism, Hospitality, Sports SETA	7,194	-
Fibre Processing and Manufacturing SETA	12,571	21,999
Financial and Accounting Services SETA	56,050	57,000
Food and Beverage SETA	9,414	-
Health and Welfare SETA	19,684	5,470
Manufacturing, Engineering and Related Services SETA	65,550	-
Mining Qualifications Authority SETA	-	35,000
Transport Education Training Authority SETA	3,545	-
Wholesale and Retail SETA	85,777	-
	<b>8,829,031</b>	<b>8,241,089</b>

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

\*\* Bursaries for teacher training at Universities.

#### Capital grants from universities

	2016	2015
University of Cape Town	47,517	21,531
University of the Free State	11,935	616
University of Johannesburg	46,413	26,437
Nelson Mandela Metropolitan University	5,000	3,300
University of Kwa-Zulu Natal	2,330	1,067
University of Pretoria	17,485	9,500
Rhodes University	34,065	31,112
Tshwane University of Technology	34,394	62,102
Vaal University of Technology	-	8,698
Durban University of Technology	-	6,893
University of South Africa	112,246	-
	<b>311,385</b>	<b>171,256</b>



Amounts in Rand Thousand

## SUPPLEMENTARY INFORMATION

### 2. OPERATIONAL EXPENSES (EXPRESSED IN RAND THOUSAND)

	2016	2015
Accommodation	36	97
Advertising	1,064	537
Assessment rates & municipal charges	461	449
Audit fees - external	4,139	4,554
Audit fees - internal & other	1,547	3,392
Transformation sBux Pilot Project: Merchants	232	148
Bank charges	326	324
Broader communications strategy	511	2,254
Business development services	868	2,633
Cleaning	-	115
Collection costs	3,107	266
Compliance - National Credit Regulator	301	382
Computer expenses	2,320	709
Computer services	8,071	7,569
Consulting fees	8,091	3,482
Electricity	711	638
Insurance	372	245
Lease rentals on operating lease	3,777	2,948
Legal expenses	1,165	1,493
Motor vehicle expenses	10	25
Office expenses	-	277
Placement fees	893	1,861
Postage	73	47
Printing and stationery	83	643
Promotions	887	288
Renovation costs	147	137
Repairs and maintenance	433	483
Security services	466	347
Storage and scanning (outsourced)	1,801	1,441
Subscriptions and membership fees	198	185
Telephone and fax	1,775	2,207
Training	1,343	1,662
Transformation: Consultant Fee	17	11,079
Travel and subsistence	7,785	6,677
Water	32	16
Workshops	1,088	364
	54,130	59,974







## ALLOCATIONS OF FUNDING PER UNIVERSITY

Universities	DHET	NSF	Other funding
CAPE PENINSULA UNIVERSITY OF TECHNOLOGY	221, 176, 590	19, 004, 510	139, 797
CENTRAL UNIVERSITY OF TECHNOLOGY	113, 647, 864	15, 075, 152	
DURBAN UNIVERSITY OF TECHNOLOGY	257, 969, 090	21, 388, 491	68, 405
MANGOSUTHU UNIVERSITY OF TECHNOLOGY	175, 485, 026	22, 813, 038	
NELSON MANDELA METROPOLITAN UNIVERSITY	142, 726, 755	11, 182, 533	
RHODES UNIVERSITY	31, 171, 255	8, 465, 804	4, 478, 221
SEFAKO MAKGATHO HEALTH SCIENCE UNIVERSITY	29, 668, 091	5, 800, 593	34, 928, 293
SOL PLAATJE UNIVERSITY	3, 153, 581	3, 124, 437	
TSHWANE UNIVERSITY OF TECHNOLOGY	463, 848, 847	35, 937, 782	
UNIVERSITY OF CAPE TOWN	124, 835, 665	16, 530, 063	35, 830, 667
UNIVERSITY OF FORT HARE	163, 153, 824	79, 418, 862	51, 253, 003
UNIVERSITY OF FREE STATE	124, 666, 694	12, 030, 491	12, 226
UNIVERSITY OF JOHANNESBURG	336, 640, 312	53, 380, 418	11, 914, 250
UNIVERSITY OF KWA-ZULU NATAL	275, 905, 008	59, 408, 037	38, 475, 276
UNIVERSITY OF LIMPOPO	271, 961, 511	42, 629, 197	14, 134, 305
UNIVERSITY OF MPUMALANGA	3, 318, 377	-	
UNIVERSITY OF NORTH-WEST	167, 315, 882	40, 201, 928	2, 395, 098
UNIVERSITY OF PRETORIA	183, 783, 133	27, 597, 790	
UNIVERSITY OF SOUTH AFRICA	137, 041, 746	21, 997, 432	18, 705, 163
UNIVERSITY OF STELLENBOSCH	47, 485, 909	10, 326, 650	112, 237, 017
UNIVERSITY OF THE WESTERN CAPE	155, 020, 092	26, 246, 254	60, 000
UNIVERSITY OF THE WITWATERSRAND	192, 874, 209	31, 586, 435	24, 980
UNIVERSITY OF VENDA	201, 302, 813	56, 955, 081	
UNIVERSITY OF ZULULAND	208, 404, 972	27, 799, 624	
VAAL UNIVERSITY OF TECHNOLOGY	186, 219, 479	34, 346, 090	781, 862
WALTER SISULU UNIVERSITY	301, 619, 370	35, 517, 108	145, 340
GENERIC UNIVERSITY	-	-	28, 260
<b>Grand Total</b>	<b>4, 520, 396, 095</b>	<b>718, 763, 799</b>	<b>325, 612, 164</b>

Other Government Departments	SETAs	DBE	Grand Total	Number of students
2, 655, 821	6, 403, 034	53, 559, 800	302, 939, 553	8, 552
2, 260, 114	7, 057, 122	28, 558, 418	166, 598, 669	3, 777
1, 063, 290	10, 360, 965	15, 671, 200	306, 521, 441	7, 253
3, 723, 485	840, 519		4, 564, 003	94
394, 712	16, 116, 659		214, 809, 435	6, 068
27, 974, 046	8, 018, 579	58, 519, 135	252, 899, 269	5, 772
3, 311, 751	410, 933	4, 350, 000	82, 638, 037	1, 102
202, 979	-		35, 671, 662	981
-	-	15, 820, 000	22, 098, 018	406
3, 885, 252	11, 214, 567	46, 182, 500	596, 899, 615	16, 956
13, 023, 775	2, 199, 258	3, 047, 260	210, 889, 023	3, 823
28, 957, 399	1, 359, 058	49, 675, 000	322, 576, 369	5, 905
18, 198, 523	1, 048, 794	63, 134, 000	230, 992, 752	3, 867
26, 537, 952	13, 106, 645	60, 608, 000	528, 748, 603	9, 877
31, 105, 217	10, 018, 143	91, 606, 500	482, 177, 210	8, 093
24, 647, 629	52, 671, 968	49, 350, 000	441, 260, 305	12, 376
50, 924	-	13, 473, 400	19, 237, 799	312
40, 611, 210	4, 320, 455	71, 749, 200	324, 198, 675	6, 499
22, 099, 454	20, 731, 253	65, 410, 000	338, 326, 793	5, 596
50, 113, 862	4, 265, 571	25, 113, 977	350, 769, 605	21, 003
17, 766, 340	2, 322, 843	44, 670, 000	122, 631, 743	1, 940
20, 321, 879	1, 308, 508	21, 484, 020	224, 405, 733	5, 677
13, 350, 954	4, 463, 779	53, 544, 000	295, 819, 377	4, 754
19, 887, 179	5, 691, 786	35, 775, 001	319, 611, 861	7, 762
12, 097, 149	1, 249, 127	49, 245, 200	299, 577, 933	12, 186
661, 652	29, 351, 192		250, 723, 753	6, 661
26, 829, 597	42, 918, 019	45, 045, 000	451, 957, 354	11, 669
411, 732, 145	257, 448, 777	965, 591, 611	7, 199 544, 590	178, 961











## Head Office

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### Account Enquiries

For queries regarding accounts:

**Tel No.:** 0860 067 327 | **mail:** [accounts@nsfas.org.za](mailto:accounts@nsfas.org.za)

### Payment Enquiries

For queries regarding payments and balances

**Tel No.:** 0860 067 327 | **Email:** [recoveries@nsfas.org.za](mailto:recoveries@nsfas.org.za)

### Student Enquiries

For all other queries regarding students

**Tel No.:** 0860 067 327 | **Email:** [info@nsfas.org.za](mailto:info@nsfas.org.za)

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