

The NSFAS Annual Report 2009

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## *Annual Report 2009*

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*NATIONAL STUDENT FINANCIAL AID SCHEME*  
*Providing financial assistance to*  
*academically deserving students*

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National Student Financial Aid Scheme established by the South African Government in 1999.  
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*Senior Management & CEO's Office*

Front row, from left: *Bonny Feldman, Linda Nhlumayo*. Second row, from left: *Joe February, Hilary Gordon, Merle Festers*. Third row, from left: *Pragasen Naicker (CEO), Fiona Lewis*. Back row: *Ettienne Boonzaier*

*NATIONAL STUDENT FINANCIAL AID SCHEME*

*Providing financial assistance to academically deserving students*



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*NSFAS Board*



Mr Siphon Milla  
Pityana  
(Chairperson)



Professor Duma  
Malaza



Adv. Mosotho  
Petlane



Mr Pragasen  
Naicker  
(CEO)



Ms Zeona Jacobs

*NSFAS Board*



Ms Nasima Badsha



Mr Brian Gallant



Mr Thami Ncokwane



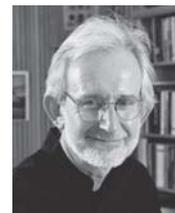
Mr Spencer Janari



Mr Nathan Johnstone



Ms Lynnette Matthews



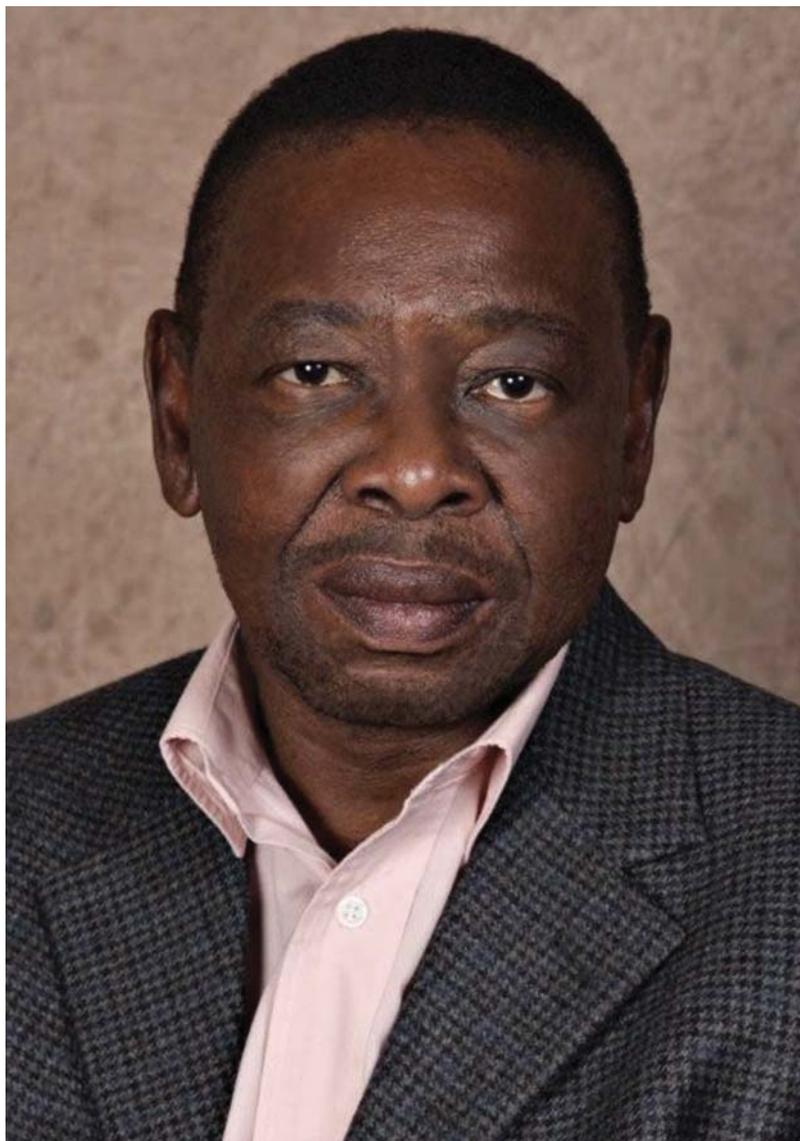
Dr Martin Hall



Dr Ngozi Mary Awa



Mr Floyd Shivambu



*Dr. Blade E. Nzimande* Minister of Higher Education & Training

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*In his State of the Nation address, President Zuma urged us to ensure that poor students were not denied access to higher education. I have appointed a Committee to review the NSFAS and look forward to considering the recommendations and findings towards the end of this year.*

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## Foreword

The establishment of the NSFAS in 1999 was an acknowledgement that government was committed to widening access to higher education to eligible students who would not be able to study further without financial aid.

The NSFAS is the primary tool that is used to ensure access for poor and needy students. Since its inception, the NSFAS has grown considerably in terms of the amount of money available for annual disbursement and the number of awards to qualifying students. Its scope has also been extended to the administration of bursaries in the Further Education & Training (FET) college sector.

The Department of Education has made a huge investment in widening access to higher education through the NSFAS. In 2008/09 the Department contributed R1,681 billion to the NSFAS for student financial assistance. This amount includes R200 million for Further Education & Training college bursaries and R180 million for Funza Lushaka teacher bursaries. In 2008, the NSFAS assisted 153 795 students and they intend to increase this number over the next few years. R266 million was received in 2008/09 from other donors in addition to the Department's support of poorer students. These are commendable achievements.

Although the increase in government funding and the increase in loan recovery enabled the NSFAS to expand its pool of funds, the demands on the Scheme continue

to exceed resources. In his State of the Nation address, President Zuma urged us to ensure that poor students were not denied access to higher education. I have appointed a Committee to review the NSFAS and look forward to considering the recommendations and findings towards the end of this year. The overall purpose of the review is to assess the strengths and shortcomings of the current Scheme and to advise on new funding allocation models that could be used to effectively and efficiently achieve the goal of equity of access.

The establishment of the new Ministry of Higher Education and Training offers us a unique opportunity to focus on higher education and training in a coherent and integrated way. I look forward to engaging with the Board of the NSFAS in building on its strengths as an organisation that discharges its mandate in a rigorous, efficient and consultative way.

I would like to thank the Board and all other stakeholders and individuals who continue to provide their advice, support and commitment to the NSFAS.

A handwritten signature in black ink, appearing to read 'B. Nzimande', with a stylized flourish at the end.

*Dr. B.E. Nzimande*  
Minister of Higher Education & Training



*Mr Pragasen Naicker Chief Executive Officer*

*Owing to the exponential growth in funds administered by the NSFAS in recent years, our people and systems capacity are being stretched to the limit. We are seeing a new trend with increased funding for scarce skills; each bursary carries its own conditions and reporting requirements, and these demands add significantly to the NSFAS's workload.*

## CEO's Report

The focus of the NSFAS operations during the 2008/09 year remained the core mandate of the Scheme: to provide financial access to students from impoverished communities. This involved assessing our processes and systems, with a view to improving efficiencies in the delivery of funds to the target student population.

Part of our assessment of the NSFAS operations involved research into a number of issues, including the content of the current Loan Application Form, the underutilisation of allocations for student funding by universities, the Financial Means Test, and our partnership with Non-Governmental Organisations (NGOs).

This research was made possible through the appointment of a dedicated Research & Policy Officer, Fiona Lewis, who took up her post in August 2008. The need for the NSFAS to review and underpin its policies based on well-grounded research is paramount.

In terms of capacity issues, this is an area of great concern. Owing to the exponential growth in funds administered by the NSFAS in recent years, our people and systems capacity are being stretched to the limit. We are seeing a new trend with increased funding for scarce skills; each bursary carries its own conditions and reporting requirements, and these demands add significantly to the NSFAS's workload.

While the need to expand the NSFAS operations is clear, the opportunity to do so is restricted by the physical conditions under which we work. Far larger premises are crucial to allow for this expansion.

The need to move towards greater use of electronic systems in order to bring about the effective processing of funding has previously been identified. The enhancement of the NSFAS's information systems began during the year, and this project will continue for some time in the future. The rollout of the electronic loan agreement form will begin as soon as the modalities are in place to register an advanced electronic signature with the Department of Communication. This initiative will dramatically reduce the administrative burden of a manually intensive NSFAS loan management system at Financial Aid Offices and the NSFAS Head Office.

In terms of communication initiatives to improve awareness of what the NSFAS offers, we saw an advance in work being done in this regard. A new post for a Communications & Development Officer was filled from July 2008, allowing for an extension of our communication work. This included a NSFAS physical presence at certain universities during the registration period, the inclusion of information about the NSFAS in the training of Life Orientation educators, the use of targeted media and other initiatives. In addition to the general messaging about the existence of the NSFAS and its funding for poor students, we focused on the importance for Grade 9s of making appropriate subject choices in line with career and funding opportunities. The NSFAS has taken the strategic decision to increase its footprint in schools and the NGO sector by co-sourcing arrangements with specialist agencies.

We had a change of Board during the year, following the appointment of a new Board by the Minister in July 2008. While some of the members of the Board had been members of the previous Board, others were not, and this necessitated our carrying out an induction programme for new Board members.

We made a concerted effort to get statutory Committees set up with new Board members in place as soon as possible, in order to prevent there being too much of an interruption in our work. New Committees were also established in line with the revised strategic path of the NSFAS, while other Committees redirected their focus.

Finally, I would like to draw attention to the valuable contribution the NSFAS staff makes to the success of the Scheme – often under challenging conditions.

The NSFAS remains a meaningful intervention that seeks to break the historical cycle of poverty in the country.

*Mr Pragasen Naicker  
CEO*

## Chairperson's Report



Mr Siphon Mita Pitso, Chairperson

The crucial role played by the National Student Financial Aid Scheme in providing access to higher and further education to young people from poor communities continues to be acknowledged. This is evident in the steady stream of new funding being made available to the Scheme by various donors.

This year saw an amount of R2,5 billion for student funding, an increase of R700 million from the year before. The bulk of funding continues to come from the Department of Education, and their pool has yet again risen this year.

Since inception, the NSFAS has provided funding in the form of loans and bursaries to the tune of over R12 billion. While this is a reflection of inflation, the escalation in funding also reflects the Scheme's growing reach into the communities it is geared to serve. This is indicated by the steadily rising number of students and of awards being made to these students each year: in the 2008-09 financial year, 153 795 students received funding for their studies through the NSFAS, up from 125 901 the previous year.

The Scheme has also clearly been identified as an important leg in the building of South Africa's human resources capacity. The trend is now established in terms of which more and more funding for meeting the needs of scarce skills areas of the country's economy is offered through the Scheme - to attract students to fields such as teaching, social work, accounting and actuarial science, information technology, science and so on.

While it is gratifying to note the response of both Government and the private sector to the human resources gap we experience in South Africa, the challenge for the NSFAS and the educational institutions remains a concern: it is difficult to identify suitable candidates for these scarce skills bursaries in many instances, and this arises for a range of reasons. Clearly, our schooling system is not yet producing sufficient numbers of matriculants with strong foundations in mathematics and science skills, and questions around basic numeracy and literacy hinder many young people's ability to enter higher levels of education in the post-matric phase.

Where the bursaries are concerned, the conditions set by the donors and their chosen responsibility to source candidates has resulted, in certain cases, in a slow uptake of these funds. These are issues outside the area of influence of the NSFAS, but we are engaging with donors increasingly about how to ensure that funds can be taken up to their full.

Success in this regard is clear from the far better uptake this year of bursaries for the National Certificate (Vocational) at FET colleges - this being the second year that these bursaries were made available.

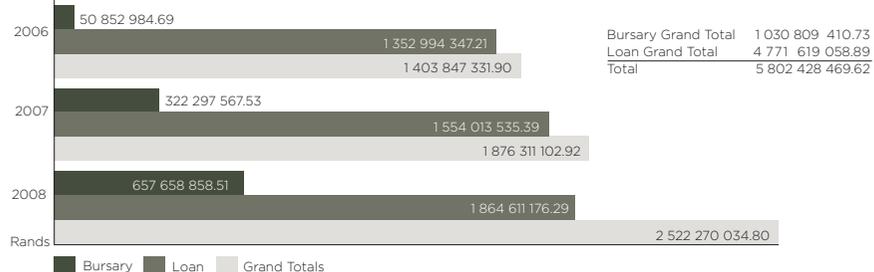
On a different score: the announcement of a Ministerial Review of the Scheme was welcomed. Issues raised in a document for the Minister prepared by the NSFAS CEO and his staff and approved by the Board are reflected in the Terms of Reference of the Review, and we anticipate seeing significant advances and improvements relating to many of these points in due course. Matters to be looked at include: the way in which allocations to the various institutions are determined; finding a funding model that will allow the NSFAS to offer support in some form to those students whose families lack their own financial means to pay tuition costs but who fall beyond the minimum income levels for current NSFAS funding; and the removal of the Expected Family Contribution for very poor students.

Attention is being given to capacity constraints within the organisation. The vast increase in funding administered by the NSFAS has not gone hand-in-hand with a similar growth in staffing or systems, and the Scheme finds itself under pressure to cope. During the year, the rollout of the additions to the Accpac system began, and it is anticipated that the developments will greatly enhance capacity. Pilots were also held during the year of the new electronic system for loan applications at university Financial Aid Offices; this, too, is bound to assist the NSFAS in its ability to deliver a good service to its target market.

We thank the NSFAS CEO, Mr Pragasen Naicker, and his staff for their efforts during the year, and wish them every success for the years ahead.

Mr Siphon Mita Pitso

Growth in Funding 2006 - 2008 by funding type Loan/Bursary





#### Information Technology

Front row, from left: Nangamso Maryakanyaka, Thozama Mphako, Gerard Reisenberg.  
Back row, from left: Stephen Meyer, Murendeni Nemukula. Absent: Darren Smith,  
Brian Sperry, Julian Topkin (IT Manager)



#### Resources Team

Front row, from left: JayJay Tshingo, Sharon Swartz, Joe February (HR Manager)  
Back row, from left: Craig Petersen, Janine Leith, Shanaaz Adams

*The operational demands that come with administering increased funding and the competing need to review and improve information systems and processes made the year under review both challenging and exciting.*

## Operational Review

An exceptionally busy and productive 2008/2009 year saw the NSFAS face diverse challenges. The operational demands that come with administering increased funding and the competing need to review and improve information systems and processes made the year under review both challenging and exciting. In finding a balance between these competing requirements, the NSFAS retained its core focus, which remains an intervention that provides academically able students who are poor with funding to pursue undergraduate studies.

The main operational issues for the NSFAS during the year were:

#### UTILISATION OF FUNDS FOR STUDENTS

It is pleasing to note the success achieved during the year in terms of the uptake of the FET college bursaries, a mechanism to address the very great need for vocational skills in the country. Now in the second year since inception, the uptake of funds in this pool has improved dramatically in comparison with the previous year. A combination of the support offered by the Department of Higher Education & Training

and by the NSFAS, and the fact that FET college staff are now more familiar with the management of these targeted bursaries, contributed to the significant improvement in funds utilised.

As far as Higher Education Institutions (HEIs) are concerned, the process for the utilisation of loan monies needs to be a lot more rigorous. Almost 75% of the funds not used by institutions can be attributed to just six universities. While most were able to apportion their allocations successfully, the impact of the capacity constraints at Financial Aid Offices (FAO) on the take-up of funding for students continues to be cause for concern.

The NSFAS is aware of the risks arising from the resource problems at FAOs and this drove us to introduce new reporting measures by universities. Each FAO was required to give an account of the drawdown of their NSFAS allocation in October 2008 and February 2009 so that unutilised funds can be redirected to those universities that had a need. Poor reporting on drawdown by some universities meant that the NSFAS was left with an unspent figure that was larger than anticipated. In future, the matter will be addressed with Vice-Chancellors and follow-ups with FAOs will



*Customer Care Administration*

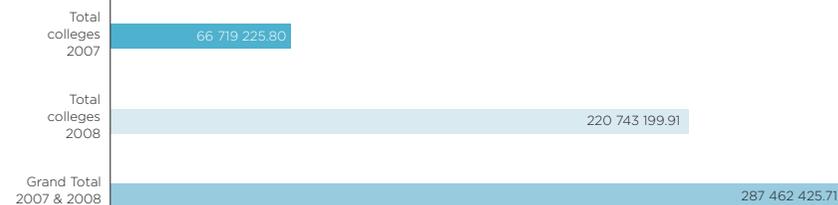
Front row, from left: *Rene Smith, Linda Nhlumayo (COO), Jeffrene Elliot.* Back Row, from left: *Charmaine Smith, Roshun Moosa, Junethe Muller.* Absent: *Hester Eley, Bongiwu Puzo, Ursula Sievers (Manager: Customer Care)*



*Customer Care Collections & Training*

Front row, from left: *Linda Nhlumayo (COO), Layanda Moli, Michelle Isaacs, Shireen Hassiem, Phumla Kokwana.* Back Row, from left: *Winnie Phillie, Katy Buys, Nolutjefe Ngywe, Tshobefo Mraqandi, Damisani Nkomo, Belinda Jobela.* Absent: *Mandy Scott, Ursula Sievers (Manager: Customer Care)*

*FET college business - Increase in uptake: 2007 - 2008*



take place more regularly and with greater rigour. The NSFAS Board approved a policy in terms of which HEIs will lose NSFAS funding if they do not use it.

Where bursaries are concerned, a number of limitations reflect the NSFAS's inability to ensure 100% utilisation of funds available: the student has to make a conscious career decision and apply for the bursary; some donors select students themselves and define the academic admission criteria and exit conditions applicable on graduation. Many of the bursaries target scarce skills, and finding learners with the required academic subjects is a national challenge.

Funding for students with disabilities is ring-fenced. This is to ensure that every student with a disability who is offered an academic place at a university receives financial support. The underutilisation of this category of funds reflects the fact that not as many students with disabilities registered for undergraduate studies at universities nationally.

**USING THE NSFAS AWARD TO SUPPORT MANY MORE STUDENTS**

Over the year some HEIs practised top-slicing of the NSFAS award to a student into smaller amounts so that many more students could receive some financial

support. Greatly reduced financial packages can affect the student's ability to study and graduate. In the year under review, the Minister of Education allocated a once-off sum of R39 million to reduce student debt in those universities that practised the top-slicing of the NSFAS award. Owing to this fund being available towards the end of the academic year, not all universities identified were able to make full use of the allocation. Permission is being sought to make the balance available to the same universities identified by the criteria set down by the Minister.

**RESOURCE CHALLENGES**

The enormous expansion of funds under administration in recent years makes it necessary for the NSFAS to move away from the manually intensive process it currently has in place. The need to automate and computerise its operations is now a necessity. In this regard, a considerable amount of work has been done in the year under review.

The changing requirements of Treasury Regulations and Guidelines highlights the need for the NSFAS to complement its work force with specialist staff with the requisite knowledge. Specialist and support staff are required in the Procurement, HR, Finance and Operations areas.



*Awards DCap*

Front row, from left: *Zandile Mpotulo, Daphne Maliwa, Linda Nhlumayo (COO), Phumeza Mafuywa*. Back row, from left: *Raymonde Viljoen, Anthony Britton (Manager: Awards Admin), Eric Feleza, Zimkhitha Mgijulwa*



*Awards Institution Liaison*

Front row, from left: *Andrea Links, Tesna Tregonning, Linda Nhlumayo (COO), Fundiswa Daniels*. Back row, from left: *Mpho Nhlapo, Anthony Britton (Manager: Awards Admin), Nina Soyekava, Nataly Horn, Busiswe Mafuywa*

The NSFAS has outgrown its current office space and arrangements need to be made to move to larger premises.

#### STRATEGIES EMPLOYED TO IMPROVE SERVICE DELIVERY AND ACCESS TO EDUCATION

The NSFAS is implementing an electronic loan agreement application that will reduce the administrative burden at Financial Aid Offices and the NSFAS. Furthermore, back office information processing systems are being enhanced to increase automation and reduce the time it takes to complete the loan application funds transfer cycle to HEIs.

The problem of student access being negatively impacted through the inability of many poor students to pay registration fees at universities has been addressed by the NSFAS. Universities are encouraged to apply for up to 20% of their NSFAS allocations as upfront payments during the registration period. Upfront payments can be used to cover registration fees, food allowances, book allowances and residence accommodation fees of NSFAS students. The NSFAS expects to increase the upfront payment percentage next year.

New communication initiatives were launched during the year, the aim being to make more members of the

target audience - youth from impoverished communities - aware of funding opportunities for studies.

#### MINISTERIAL REVIEW DURING 2009

In a communication during the year to the Minister of Education, the NSFAS proposed the following:

- an amendment that would allow for children from working families falling outside the current cut-off of the Financial Means Test and unable to source loans by traditional means to be accommodated by the Scheme;
- the removal of the Expected Family Contribution for financially disadvantaged families;
- retaining the NSFAS policy of providing financial support for n+2 years nationally ("n" being the minimum qualification completion time set by universities);
- investigating the practice among some universities of thinly spreading the NSFAS awards.

These proposals contributed to a decision by the Minister to undertake a review of the NSFAS, which will take place during 2009.

## Performance Information

### Strategic Goal

**Goal 1:**  
To provide access to higher education for marginalised South African citizens, who are academically able, in support of the country's HRD strategy, while making a contribution to the alleviation of poverty.

Strategic Goal	Objective	Key Performance Indicator	Annual Target	Performance Result	Reason for variance	
1	To assist the rural poor and disadvantaged to access higher education	Visits to rural NGOs	At least 3	Completed		
		Visits to rural schools	At least 4	Completed		
		Attend exhibitions in rural areas	At least 9	Completed - target exceeded	Many more invitations were received to attend career exhibitions this year than in previous years. In the future we will look at applying a more rigorous assessment of events to determine which invitations we should consider accepting	
		Visit rural youth organisations	At least 2	Completed		
	2	To assist poor and disadvantaged urban and peri-urban citizens to access higher education	Visit urban NGOs	At least 5	Completed	
			Attend exhibitions in urban areas	At least 20	Completed - target exceeded	Many more invitations were received to attend career exhibitions this year than in previous years. In the future we will look at applying a more rigorous assessment of events to determine which invitations we should consider accepting
			Visit schools	At least 3	Completed	
	3	To assist disabled citizens to access higher education	Funding proposal to DOL	Submit proposal to DOL for continued funding for continuing students with disabilities (R25 million)	Memorandum of Agreement updated to reflect R25 million for students with disabilities	
			Funding of new students with disabilities	R25 million approved by the NSFAS Board for new students with disabilities	Completed - all claims from students with disabilities funded	
			Provide definition of approved list of assistive devices	Document drafted containing the updated list of assistive devices as compiled by the NSFAS	Revised policy guidelines document for the DOE grant for students with disabilities completed. Included comprehensive researched list of assistive devices	
	4	To assist women to access higher education programmes with which women have not been traditionally associated	DOL: National Skills Fund (Scarce and Critical Skills)	54% of beneficiaries must be women	Payment of claims completed. 46% of beneficiaries are women	Insufficient female applicants
			Irish Aid Bursary Scheme (maths and science teachers)	51% of beneficiaries must be women	Completed - but target not met. 21% of beneficiaries are women	Female students with maths and science are attracted to other areas of study
Nedbank			40% of beneficiaries must be women	Target exceeded - 49% of applicants are women		
New initiative with Irish Aid Bursary Fund			74 students are to be rewarded for "performance excellence" (focus on rural students and women)	Proposal formulated, including criteria by Research Committee. Irish Aid have indicated their approval of criteria. Await subsequent meeting of Research Committee for follow-up	Chairperson of the Research Committee resigned in February 2009 and new Chair appointed in March. Next meeting likely to be in May 2009	

## Performance Information

### Strategic Goal

### Goal 2: To raise sufficient funding to enable the NSFAS to realise its strategic goals and objectives.

Strategic Goal	Objective	Key Performance Indicator	Annual Target	Performance Result	Reason for variance	
1	To maximise the recovery of money from loanees while ensuring that our modes of operation are neither punitive nor oppressive	Continue implementation of the NSFAS recovery strategy plan	R501 million	Annual total = R555.9 million	This total includes approximately R85 million in credit balances on student fee accounts returned by institutions. This figure will be final once institution final report data is reconciled	
		To pursue funding from national government departments (other than the Department of Education), provincial governments, state-owned entities, SETAs, international donors, higher education institutions, and with special emphasis being paid to the South African private sector	Agree on funding for student awards: National Government (excl. Department of Education)	Department of Labour - R25 million	Not completed	Awaiting signed Memorandum of Agreement from DOL
			Department of Social Development - R105 million	Not completed	Awaiting signed Memorandum of Agreement from DSD and meeting with DSD scheduled for April 2009	
			Department of Agriculture - R8.3 million	100% of the budget has been claimed and awarded		
			Agree on funding for student awards: Provincial Government	To be determined by the Eastern Cape Provincial Department of Agriculture	Awaiting signed Memorandum of Agreement from Province	Referred to Research Committee for consideration, as requested by Irish Aid
			Agree on funding for student awards: external funding	Irish Aid - R2.2 million	Not completed	Irish Aid decided to end their funding project with the NSFAS. An exit strategy will be finalised during the next financial year
				Nedbank - R15 million	100% of the budget has been claimed and awarded	
Arrange meetings with prospective major corporate funders	At least 2 meetings	Relationship with Kelly Group initiated. Met with Sanlam Multi-Managers International regarding bursaries				
3	To seek funding for targeted students (i.e. the rural poor, disabled citizens, women) and targeted programmes (i.e. academic development programmes, SET programmes and other programmes in line with South Africa's HRD Strategy)			Refer to Goal 1 - with particular reference to Objectives 3 and 4		

## Performance Information

<i>Strategic Goal</i>	<i>Objective</i>	<i>Key Performance Indicator</i>	<i>Annual Target</i>	<i>Performance Result</i>	<i>Reason for variance</i>
<p><b>Goal 3:</b> To develop a new allocations formula, in line with higher education needs and transformation imperatives, for the equitable distribution of funds by allocating funding in an optimum manner.</p>	<p>1 To finalise proposed changes to the allocation formula, related parameters and Scheme requirements for consideration by the Minister of Education</p>	<p>Prepare a set of recommendations for the Board</p>	<p>Submit recommendations to the Minister by October 2008</p>	<p>Draft strategy document submitted to the Minister on 30 September 2008 - recommended allocation for 2009 approved by the Minister</p> <p>Proposal for additional allocation of R39 million submitted to the Minister - approved by the Minister after extensive consultation with the DOE</p>	

## Performance Information

### Strategic Goal

**Goal 4:**  
To communicate the NSFAS effectively with all its audiences, seeking to make the NSFAS a funding channel of choice.

Strategic Goal	Objective	Key Performance Indicator	Annual Target	Performance Result	Reason for variance
	1 To have in place means of communicating effectively, including the use of appropriately targeted publications, with school leavers, students, parents, funders, university administrators, politicians and the general public	Produce brochures, posters and advertisements to market the NSFAS	Distribute 22 000 school brochures & 500 school posters	Completed - target exceeded	Increase in number of schools listed in Provincial DOE lists, number of brochures and posters increased per school. Additional resource on the NSFAS staff allowed for this
			Distribute 30 000 university brochures & 700 university posters	Completed - target exceeded. Brochures for FET colleges distributed	Number of brochures and posters increased per university. Additional resource on the NSFAS staff allowed for this. FET college initiative was new
	2 To communicate the NSFAS deliberately with the rural poor so as to impact on the access of the rural poor and disadvantaged to higher education	Host exhibitions and workshops targeting the NSFAS audience	Facilitate at least 29 exhibitions and workshops	Not completed. Sponsorship of Careers Association Conference. Discussions held regarding extending Association's programme to include more rural environments	The NSFAS did not host career exhibitions but did participate in many such events during the year
	3 To communicate the NSFAS with other poor and disadvantaged citizens who may be unaware that funding is available to them for the purposes of studying at a public higher education institution	Create advertisements and arrange for them to appear or be aired	Produce at least 5 radio station adverts & 4 print advertisements	Completed - target exceeded	New Communications and Development Officer appointed during the year
	4 To utilise existing structures and channels of communication, including popular and appropriate media for these purposes				
5 To consult broadly with the higher education sector to ensure common approaches to issues such as affordability of studies, enrolment planning, throughput rates and academic development			This is not a NSFAS objective and will therefore be removed. The objective as it stands is the responsibility of the DOE. This objective needs to be redefined to identify the relevant stakeholders i.e. HESA and CHE, so that the objective is measurable		

## Performance Information

### Strategic Goal

### Goal 5:

To ensure the effective governance, management and administration of the NSFAS.

Objective	Key Performance Indicator	Annual Target	Performance Result	Reason for variance
1 To ensure that the performance of the NSFAS Board and office is fully compliant with the King II Report and various other statutory regulatory requirements	Manage Organisational Risk	Identify relevant regulatory requirements that impact on the NSFAS	Included on Audit Committee Agendas for the year. Audit Committee requested formal Governance Review to be performed in first quarter of 2009 financial year	
		Produce Fraud Prevention Plan	Completed - plan to be implemented in 2009 financial year	
		Produce a draft Business Continuity Plan for Audit Committee	Completed - plan to be implemented in 2009 financial year	
		Produce Annual Risk Assessment	Not completed	Document being finalised in April 2009 for approval by the NSFAS Board prior to re-submission to the Minister
	Board performance management system	Board Induction and Self-evaluation System	Board Induction and Terms of Reference for Board Committees approved. Board evaluation system to be finalised for the first evaluation of the new Board	
		CEO performance management process	The CEO's management system submitted to the Chairperson of the Board for review	
	Strengthening of Internal Audit	Restructuring of Internal Audit	Not completed	Audit committee decided that Internal Audit will remain as is and will utilise the services of external audit companies to assist the NSFAS Internal Audit in meeting its Internal Audit Plan
	Investigate options to increase the return on investments	Identify and select a minimum of two specialist Cash Fund Managers	Process concluded and appointment of two new asset managers approved by Board; Portfolio Management Agreement being finalised for approval by Board	
	Ensure optimum compliance to Supply Chain Management regulations	Identify priority areas and appoint preferred suppliers	Completed - supplier database updated	

## Performance Information

<i>Strategic Goal</i>	<i>Objective</i>	<i>Key Performance Indicator</i>	<i>Annual Target</i>	<i>Performance Result</i>	<i>Reason for variance</i>
<p><b>Goal 6:</b> To provide effective and efficient Human Resource management and administration to ensure that staff are competent to execute and support the NSFAS Strategy, and are managed in accordance with best current practices.</p>	<p><b>1</b> To put in place a performance management system aligned to reward performance levels and identify training needs</p>	<p>Implement a performance management system (PMS) aligned to reward performance levels</p>	<p>Implement signed Performance Agreements indicating KPIs for NSFAS Managers</p> <p>Defined KPIs recorded for all other staff</p>	<p>The NSFAS drafted a Performance Management Policy and a proposed Performance Reward Policy</p>	<p>In 2007/08 a new Job Descriptions format was implemented for all jobs which were completed by Line Managers and HOD. Information in these included basic job information, KPAs, generic standards &amp; key skills indicators. The proposed format for Performance Agreements was circulated by the HRM to HODs for completion in January 2009 for finalisation. These will be signed off by the CEO to be effective 01 April 2009. Job Descriptions will reflect standards (or KPIs) for all other staff categories</p>
			<p>Implement PMS and conduct assessments by 30 March 2009</p>	<p>Not completed</p>	<p>In 2006 the Board approved the NSFAS HR Policies which contain a chapter on Performance Management. During the 2007/08 year, a draft procedure was consulted on for the effective implementation of the Performance Management Instrument. Various training workshops were conducted with all Line Managers and Staff on the above implementation and a Pilot Assessment process was conducted during November &amp; December 2007 to assess the effects. The existing performance tools are ready for implementation. Policies have not officially been implemented due to the proposed implementation of an organisation renewal plan which would affect existing KPAs and KPIs. The bid proposal for the financing of phase 2 of the business renewal plan was not approved by the DOE with the result that the planned implementation of both Performance Management and Performance Reward policies was delayed. The NSFAS management must now reprioritise funds in the 2009/10 financial year for the finalisation and implementation of these policies and instruments</p>
<p><b>2</b></p>	<p>To maintain an appropriate and up-to-date compensation and benefits system</p>	<p>Maintain an appropriate and up-to-date compensation and benefits system</p>	<p>The NSFAS compensation and benefits systems are compliant to legislation as per annual audits</p>	<p>This objective is included in the processes for Objectives 1 &amp; 6</p>	
<p><b>3</b></p>	<p>To put in place employee training and development initiatives</p>	<p>Implement and maintain Workplace Skills Plan (WSP). Allocate and commit budget for approved training initiatives. Implement employee training and development initiatives database</p>	<p>WSP aligned to budget in place. Training database in place by October 2008</p>	<p>Annual Reviews completed by HODs and submitted as part of 3-year budget submission. Format of WSP to be finalised for submission to SETA in June 2009</p>	

## Performance Information

<i>Strategic Goal</i>	<i>Objective</i>	<i>Key Performance Indicator</i>	<i>Annual Target</i>	<i>Performance Result</i>	<i>Reason for variance</i>
<b>Goal 6:</b> <i>(continued)</i>	4 To employ manpower planning strategies to support the NSFAS strategy	Identify strategic and key positions	Employ manpower planning strategies by October 2008	Completed – Communications & Development Officer recruited and started work on 01 July 2008. Research Officer recruited and started work on 01 August 2008	
	5 To implement effective communication platforms for the NSFAS	Implement effective internal communication between different levels of staff	Implement sound communications model by June 2008	Completed – Communications Proposal drafted by Communications & Development Officer and submitted to SMT for implementation of phase 1 HOD meetings and briefings. In addition, staff newsletters implemented as the official medium to pass organisational information to staff	
	6 To put in place effective talent mapping strategy for retention	Perform annual review of manpower planning in line with budgetary submissions and in conjunction with strategic needs and required competencies and skills	Submit a manpower planning review document by October 2008	Completed – Annual Reviews completed by HODs and submitted as part of 3-year budget submission. Budget approved by the NSFAS Board	
Conduct annual remuneration comparison research		Submit remuneration comparison review to the CEO by January 2009	Remuneration Comparison Review submitted to CEO and Board. Remunerations Committee (REMCO) established by the Board to deal with issues relating to remuneration		

## Performance Information

<i>Strategic Goal</i>	<i>Objective</i>	<i>Key Performance Indicator</i>	<i>Annual Target</i>	<i>Performance Result</i>	<i>Reason for variance</i>
<b>Goal 7:</b> <i>To implement e-business strategies to enhance collaboration with higher education institutions, thereby increasing the efficiency of the Scheme.</i>	1 To improve the methods of transmitting and sharing data between the NSFAS and the institutions	Enhance the processing of final reports and graduates/drop-outs to eliminate manual user intervention, thereby ensuring the timeous and accurate completion of this crucial business process	Produce a prototype application during the 2007/2008 financial year	Not completed – although development of the application was started	This objective is dependent on automating the loan processing and payment cycle that is currently being implemented by the NSFAS
	2 To ensure the effective use of the NSFAS Means Test	Review functionality of Means Test	Develop new functional requirements for the Means Test	Completed – New functionality developed to cater for new course requirements at FET colleges	
		Develop new functionality requirements for Means Test	Distribute new functionality by September 2008	Completed – New functionality requirements for the Means Test Extract developed with ITS. Assistance to HEIs provided for administering Means Test functionality fully	
3 To streamline the processing, capturing and scanning of Loan Agreement Forms	Develop an electronic loan agreement form which can be completed, signed and delivered electronically to the NSFAS	Pilot the electronic loan process at a higher education institution in 2008	Completed		

*Quarterly reports, budget adjustment requests, compliance certificates and other required documentation is submitted to the executive authority, the Minister of Education and to National Treasury, when required.*



*Financial Services (Debtors and Administration)*

*Front row, from left: Ann Abrahams, Zytta Benito-Chapman, Zenobia Abrahams  
Back row, from left: Lindiwe May, Anele Mnyani, Merle Festers (Chief Financial Officer)*

## *Finance Committee Report 31 March 2009*

The Finance Committee was appointed by the newly appointed Board in October 2008, and was represented by Board members, Ms Priscilla Ngqula (Chairperson), Mr Nathan Johnstone (Acting Chairperson), Dr Ngozi Mary Awa, Ms Nasima Badsha, Mr Spencer Janari, Mr Siphon Mila Pityana (the NSFAS Board Chairperson), and the NSFAS Chief Executive Officer (ex officio).

Terms of reference for the new Committee were approved in January 2009, and stipulate that at least two meetings shall be held per year.

The Finance Committee advises the Board on the financial management of the NSFAS, which includes but is not limited to, loan recovery, fund-raising and investment of repayments. The Committee also performs such other functions as the Board may delegate or assign to it.

The year under review saw the NSFAS managing and administering in excess of R2.5 billion in awards to students, of which R397 million came from the NSFAS recovered funds/student loan repayments. Included in the total funds available for awards to students was R233 million for bursaries to students at FET colleges.

The need for more stringent control measures to ensure that higher education institutions get optimal utilisation of funds available for student awards has been noted and brought to the attention of the Board.

For the year under review, interest on outstanding debt accrued at 80% of the repo rate as determined by the South African Reserve Bank from time to time. Repayments on student loans reached over R41 million per month by the end of the financial year, with total recoveries for the year amounting to R555.7 million. This represents a year-on-year increase of 15.9%.

The provision for doubtful debt for the year under review amounts to 23.8%, an increase from 23.2% in the prior year. According to the annual actuarial review, this increase of 0.6% is primarily due to a slight increase in the student drop-out rate. The actuaries noted a seeming lag in the deaths reported to the NSFAS in 2007 and 2008. The NSFAS needs to re-establish its direct relationship with the Department of Home Affairs so that deaths may be identified directly and the reporting thereof is not dependent on family members of the deceased.

In order to ensure optimal management of the day-to-day cash flow requirements to meet the

The Finance Committee was appointed by the newly appointed Board in October 2008, and was represented by Board members Ms Priscilla Ngqula (Chairperson), Mr Nathan Johnstone (Acting Chairperson), Dr Ngozi Mary Awa, Ms Nasima Badsha, Mr Spencer Janari, Mr Siphon Mila Pityana (NSFAS Board Chairperson), and the NSFAS Chief Executive Officer (ex officio). Terms of reference for the new Committee were approved in January 2009, which stipulates that at least two meetings shall be held per year.

*Finance Committee members and attendance.  
During the current year two meetings were held:*

Name	26 May 2008 <sup>1</sup>	27 Jan 2009 <sup>2</sup>
Mr Nathan Johnstone	N/A	N/A
Dr Ngozi Mary Awa	N/A	N/A
Ms Nasima Badsha	✗	✓
Mr Spencer Janari	✓	✗
Mr Pragasen Naicker	✓	✓
Ms Priscilla Ngqula <sup>3</sup> (Chairperson)	N/A	✓
Mr Raymond Olander (Chairperson)	✓	N/A
Mr Siphon Mila Pityana	✓	✓

<sup>1</sup> Outgoing members

<sup>2</sup> Incoming members, new Board appointed July 2008

<sup>3</sup> Resigned - 26 March 2009

demand of payments to institutions and the more cost-effective investment of recovered funds in a lower risk environment, the appointment of two external asset managers was approved towards the end of the year under review.

The NSFAS's relationship with the Fundisa Fund and our contribution of R20 million of NSFAS funds to the Fund are unresolved as the transfer of funds is subject to consultation with National Treasury.

It was noted that the NSFAS needed, for the first time, to apply to National Treasury for the retention of accumulated surpluses, as the "blanket" exemption was no longer valid. Approval is awaited from National Treasury.

The NSFAS continues to focus on ensuring good corporate governance and compliance to the Public Finance Management Act, National Treasury regulations and relevant accounting reporting standards. Quarterly reports, budget adjustment requests, compliance certificates and other required documentation is submitted to the executive authority, the Minister of Higher Education and Training and to National Treasury when required. With the Scheme's procurement demands growing concomitantly with the growth and demands of the organisation, the Scheme identified the need to establish a Procurement Unit in the office of

the CFO, to ensure the Scheme's continued and further compliance to Supply Chain Management Guidelines.

Administration expenses for 2008/09 totalled R41.5 million compared to R26.5 million in 2007/08. The administration expenditure to awards ratio was 1.74%, compared to 1.52% in the previous year. The substantial increase of 56.6% across the two years reflects the Scheme's more optimal utilisation of its administrative budget, which included the re-prioritisation of funds to meet business process re-engineering costs.

The Scheme's commitment to student awards for 2009/10 is R3 billion, of which R574.9 million will be funded from student loan repayments. The administrative budget for 2009/10 is R67 million and will see the Scheme focussing on recruitment, interventions for increasing student loan repayments from the informal sector, expanding its footprint in terms of communications and outreach, strengthening the internal audit function and business process renewal to more efficiently manage the increase in funding.

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

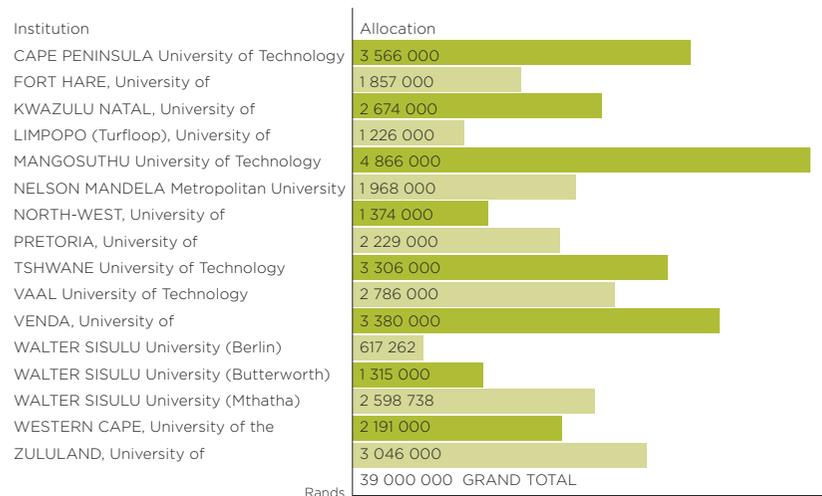
The Allocations Committee was chaired by Ms Lynnette Matthews and represented by Board members Mr Sipho Mila Pityana, Mr Pragasen Naicker, Mr Brian Gallant, Mr Mosotho Petlane and Mr Spencer Janari. As per the Committee terms of reference, this Committee should meet twice during the current year. However, as this was a newly appointed Board (with effect from 01 July 2008), only one meeting of the Allocations Committee was convened during the current year.

*Allocations Committee members and attendance. During the current year one meeting was held:*

Name	20 Nov 2008 <sup>1</sup>
Ms Lynnette Matthews (Chairperson)	✓
Mr Spencer Janari	✓
Mr Brian Gallant	✓
Mr Pragasen Naicker	✓
Adv. Mosotho Petlane	✗
Ms Priscilla Ngqula <sup>2</sup>	✓
Mr Sipho Mila Pityana	✗

<sup>1</sup> Incoming members, new Board appointed July 2008  
<sup>2</sup> Resigned - 26 March 2009

### Department of Education R39 million top-up funding 2008



*Late in the year, the Minister of Education made available an additional allocation of R39 million to institutions “where the NSFAS awards are spread thinly over many students in order to assist poorer students”.*

## Allocations Committee Report

**Report of the Allocations Committee:** We are pleased to present our report for the financial year ended 31 March 2009.

R63 million inflationary allocation from the Department of Education for the 2008 academic year be split between the core general education funding (loans) and the bursary funding for students with disabilities. The recommended split of the 2009 allocation to the five first-tier non-governmental organisations was approved by the Board (R9 million). To assist with registration costs, the Committee recommended that a 30% proportion of the final allocation is made available to HEIs as an upfront payment, and this was approved by the Board.

#### ALLOCATIONS COMMITTEE RESPONSIBILITY:

The Allocations Committee is responsible for approving the allocation of funds to each of the HEIs, and the parameters of the allocation model which are used to determine the allocation and re-allocation of funds within the year.

In the year under review, the Allocations Committee recommended a distribution of the core general education funding (R1.8 billion includes R555 million of NSFAS student loan repayments) to the 23 higher education institutions as per the allocations formula that has been used in prior years for approval by the Board and the Minister of Education. For the ring-fenced teacher education funding (R85 million), the 2008 baseline was used to determine an apportionment factor for each institution, and this was then applied to the adjusted allocation for 2009. For the disability funding from the Department of Education (R50 million), the total number of students with disabilities in year one and two programmes in 2008 was used as the basis for the apportionment factor, and this was then applied to the allocation for 2009. The additional allocation for 2009 provides further funding for assistive devices for students with disabilities.

Late in the year, the Minister of Education made available an additional allocation of R39 million to institutions “where the NSFAS awards are spread thinly over many students in order to assist poorer students”. For this purpose, the NSFAS Means Test Data was used to determine which institutions are not awarding the full recommended award size as a result of spreading the allocation to that institution across greater numbers of students. After an initial recommendation approved by the Board was submitted to the Minister of Education, detailed discussions between the NSFAS and the Department of Education (Higher Education branch) ensued. As an outcome of this, a more comprehensive evidence-based allocation model was used to determine the proportional split.

The Allocations Committee will continue to focus on refining the allocations formula for general core education funding, and on improving the allocation model for additional funds allocated late in the year.

In addition to this, the Allocations Committee recommended that the distribution of an additional



Financial Services (Accounts Administration)

Front row, from left: Fatima Dunn, Merle Festers (Chief Financial Officer), Second row, from left: Enrico Pienaar, Azania Mafuvane, Sindiswa Sefako. Absent: Samantha Jacobs

*Audit Committee members and attendance of meetings held:*

Name	26 May 2008	22 July 2008	27 Nov 2008	26 Jan 2009
Mr Stephen Smith (Chairperson)	N/A	✓	✓	✓
Mr Raymond Olander	✓	N/A	N/A	N/A
Ms Carol Read	✓	✓	✓	✗
Ms Priscilla Ngqula <sup>1</sup>	✓	✗	N/A	N/A
Ms Nasima Badsha	N/A	N/A	✓	✓
Mr Theuns Tredoux	N/A	N/A	N/A	✓

The Audit Committee consists of the members listed above and should meet four times per annum as per its approved terms of reference. During the current year, four meetings were held on 26 May 2008, 22 July 2008, 27 November 2008 and 26 January 2009.

<sup>1</sup> Resigned - 26 March 2009

*Some of the challenges faced within the governance framework of the NSFAS relate to its interdependency with Financial Aid Offices at higher education institutions.*

## Audit Committee Report

**Report of the Audit Committee: We are pleased to present our report for the financial year ended 31 March 2009.**

### AUDIT COMMITTEE RESPONSIBILITY:

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of Section 51(1) (a) of the PFMA and Treasury Regulation 27.1. We further report that we have conducted our affairs in compliance with this charter.

### AUDIT COMMITTEE COMMENTS:

The growth in the mandate and funds administered by the NSFAS has necessitated a re-appraisal by the Audit Committee of the resourcing of the internal audit function. After a review of various options, the further in-sourcing of professional services for the internal audit function was agreed. The Committee has also commissioned a routine governance and compliance review of the NSFAS which, given the changes being mooted in the draft King III Report, will afford the organisation the opportunity to update its perspective on internal policies and governance in general.

Some of the challenges faced within the governance framework of the NSFAS relate to its interdependency with Financial Aid Offices at higher education institutions. Management is addressing this via

technological enhancement and Business Process Re-engineering. This will make it easier for institutions dealing with student needs at the coal face and the NSFAS Head Office where credit and legal compliance are ensured, to deliver a better service.

A sound and co-operative relationship continues between the management of the NSFAS and its internal and external auditors.

### INTERNAL AUDIT:

The internal audit function continues to operate in a vigilant and proactive manner. A procurement irregularity was reported in the third quarter and due process instituted by the Committee to address the issue. A monthly review with the CEO and senior management has also been instituted to allow for regular re-appraisal of matters raised by the Committee. A Risk Management Committee is being established to monitor and assess risks which the organisation may be exposed to in the ordinary course of its operations and development, as part of its proactive governance policy.

### AUDITOR-GENERAL SOUTH AFRICA:

The unqualified audit opinion of the Auditor-General, confirmed that the NSFAS's annual financial statements are a fair reflection of the organisation's financial management, reporting and systems of internal control.

*Remuneration Committee members and attendance of meeting held:*

Name	27 May 2008
Mr Nathan Johnstone (Chairman)	✓
Ms Nasima Badsha	✓
Mr Spencer Janari	✗
Adv. Mosotho Petlane	✗
Ms Priscilla Ngqula <sup>1</sup>	✗
Mr Ivan Mzimela (Chairperon of previous Board Committee)	✗
Mr Sipho Mila Pityana	✓
Mr Phillip Dexter	✓
Dr Loveness Kaunda	✗
Mr Bonakele Jacobs	✗

A meeting of the previous Board Committee - then called the Human Resources Committee - was held during the year under review on 27 May 2008. Owing to limited attendance by the members of the Committee, there was no quorum.

<sup>1</sup> Resigned 26 March 2009

## Remuneration Committee Report

Report of the Remuneration Committee: We are pleased to present our report for the financial year ended 31 March 2009.

The Remuneration Committee consists of the members listed and should meet at least twice per annum as per its approved terms of reference. During the current year, only one meeting was held as the committee was established only in October 2008 and the terms of reference approved in January 2009.

REMUNERATION COMMITTEE RESPONSIBILITY:

We report that we have adopted appropriate formal terms of reference, approved by the NSFAS Board, in line with the requirements of Chapter 2, Section 13 of the NSFAS Act. The role of the Remuneration Committee will be to work on behalf of the Board and be responsible for its recommendations and will, within these terms of reference:

- determine, agree on and develop the NSFAS's general policy on Board per diems, senior management and the NSFAS staff remuneration based on the recommendations of the chief executive officer and the chairperson of the Board;
- determine specific remuneration packages for senior management and staff of the NSFAS, including but not limited to, basic salary, benefits in kind, any annual bonuses, performance based incentives, pensions

and other benefits, based on the commendations of the chief executive officer and the chairperson of the Board;

- determine any criteria necessary to measure the performance of senior management in discharging their functions and responsibilities;
- determine any criteria necessary to measure the performance of the NSFAS staff in discharging their functions and responsibilities.

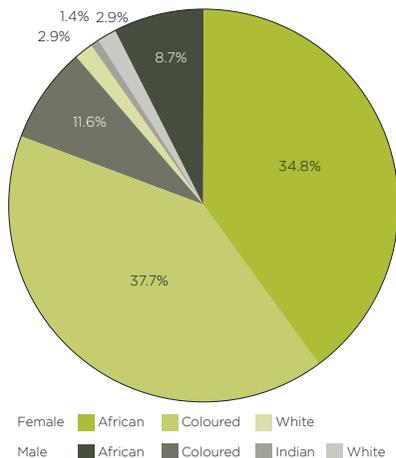
FUNCTIONING:

The Committee was appointed in October 2008 by the NSFAS Board and met for the first time in January 2009. As such, the execution of responsibilities is planned for the 2009/2010 reporting year.

Although no objectives were set during this year, the Committee undertook the following activities:

- was presented with an overview of the NSFAS organisational structure overview and current remuneration practices and policies;
- finalised the Terms of Reference for approval by the Board;
- received and considered proposals and made recommendations to the Board on annual increases for staff, Senior Managers and the CEO;
- discussed strategic objectives and work objectives for 2009/2010.

*The NSFAS staff demographics*





### Research

From left: Fiona Lewis (Policy and Research Officer), Michelle Hoffman

*Research Committee members and attendance.  
During the current year one meeting was held:*

Name	15 Jan 2009
Prof Martin Hall (Chairperson) <sup>1</sup>	✓
Mr Sipho Mila Pityana	✗
Ms Nasima Badsha	✗
Dr Duma Malaza <sup>2</sup>	✓
Mr Brian Gallant	✓

The Research Committee was chaired by Professor Martin Hall and represented by Board members Mr Sipho Mila Pityana, Dr Duma Malaza, Ms Nasima Badsha and Mr Brian Gallant. As per the Committee terms of reference, this Committee should meet twice during the current year. However, as this was a newly appointed Board (with effect from 01 July 2008), only one meeting of the Research Committee was convened during the current year.

<sup>1</sup> Resigned - February 2009  
<sup>2</sup> New Chairperson with effect April 2009

*One of the key focus points for 2009/10 will be to expand the use of management information that is currently used for reporting on operational impact so that it may also be used for new research, existing management information for strategic planning purposes and impact studies.*

## Research Committee Report

**Report of the Research Committee: We are pleased to present our report for the financial year ended 31 March 2009.**

### RESEARCH COMMITTEE RESPONSIBILITY:

The Research Committee advises and makes recommendations to the Board on the critical research priorities for the NSFAS which will broaden the NSFAS's understanding of the student population served by the NSFAS and key issues within the higher education sector which may impact on student funding.

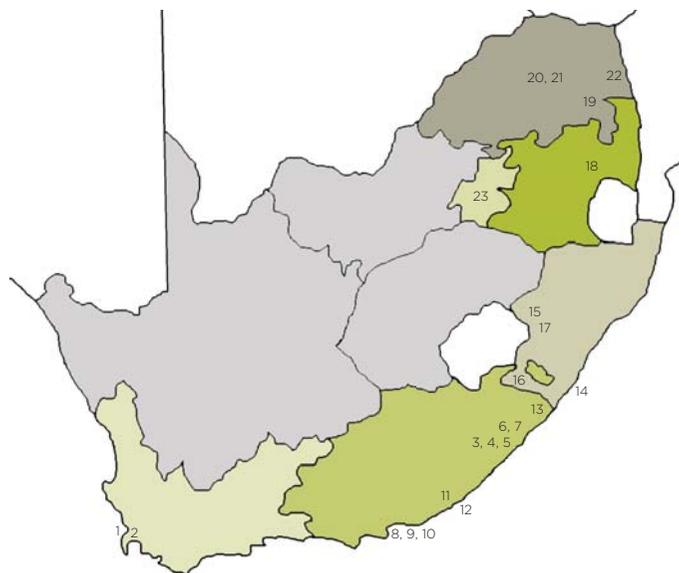
In the short time available in this financial year, significant progress was made in a number of critical areas. Firstly, a full-time Research and Policy Officer was appointed by the Board with effect from the 1st of August 2009 as a member of the NSFAS senior management team.

An analysis of prior research conducted by the NSFAS was undertaken, especially in respect of the four issues raised by the Minister of Education, as a means of informing new research priorities for the NSFAS in the future. One of the key priorities identified by the Research Committee, which was taken forward through both an in-house and an external workshop, was that of reviewing the parameters, principles and process of financial means testing for student financial aid. This will remain a key focus into 2009/10.

Secondly, in response to a request from the Stakeholder and Outreach Committee, research into the contribution

and value of the current NSFAS-NGO partnership model was commissioned, conducted and completed within this year. This research clearly reflects that the partnership with NGOs is of value to the NSFAS not only by increasing access to financial aid for disadvantaged rural students, but also in communicating the NSFAS message to communities not currently reached by the NSFAS directly. It does show that there is a need to refine, review and reflect more critically on the true nature and structure of the model, but nonetheless affirms the need for partnerships with NGOs.

Finally, a number of key partnerships have been established in this year. The primary relationship of focus has been with the Financial Aid Offices at each of the institutions, particularly in rendering greater support in the use of the Financial Means Test and in garnering comments on the disability guidelines produced during this year. The second point of focus has been with the Department of Education, HEMIS Directorate and through the South African Association for Institutional Research, with both the HEMIS and Management Information units at each of the higher education institutions. One of the key focus points for 2009/10 will be to expand the use of management information that is currently used for reporting on operational impact so that it may also be used for new research, existing management information for strategic planning purposes and impact studies.



Western Cape Eastern Cape KwaZulu-Natal  
Mpumalanga Gauteng Limpopo

*the NSFAS reach through NGO partnerships*

1	Association for Educational Transformation (ASSET )	Western Cape
2	Rural Education Access Programme (REAP)	
3	CHESP	Eastern Cape
4	Jersey Farm & Information Centre	
5	Kei Farmers Support	
6	Lusikisiki Child Abuse Resource Centre	
7	Lusikisiki Paralegal Advice Centre	
8	Peddie Development Centre	
9	Youth For Christ	
10	Ubuntu Education Fund	
11	Ikam'elihle Rehabilitation Centre	
12	South African Red Cross Society	
13	Bizana Advice Centre	
14	Ziphakamise	KwaZulu-Natal
15	Bhekuzulu Self Sufficient Project	
16	Khanyiselani Development Resource Centre	
17	Mpofana Youth Empowerment	
18	Youth For Christ	Mpumalanga
19	HURESIC	Limpopo
20	Letaba Bursary Scheme	
21	ECYD	
22	Joint Education Project	
23	Studie Trust	Gauteng

*Partnership and Outreach Committee members and attendance. During the current year one meeting was held:*

Name	26 May 2008
Ms Laura Schultz (Chairperson)	✓
Dr Loveness Kaunda	✗
Mr Thami Ncokwane	✗
Mrs Babalwa Ntabeni-Matutu	✗

*There was no quorum at this meeting.*

## Partnership and Outreach Committee Report

Report of the Partnership and Outreach Committee: We are pleased to present our report for the financial year ended 31 March 2009.

MATTERS DISCUSSED BY THE PARTNERSHIP AND OUTREACH COMMITTEE:

The following matters were discussed at the meeting:

- the need to provide marketing material in languages other than English for distribution to parents of potential students;
- the need to provide funding to some NGO partners to assist them with their administrative costs.

PARTNERSHIP AND OUTREACH COMMITTEE MEMBERS AND ATTENDANCE:

Owing to a change in the Board of the NSFAS during the financial year and consequent delays in the forming of a Committee representing the new Board, the Partnership and Outreach Committee met only once - on 26 May 2008 - during the term of office of the previous Board.

PARTNERSHIP AND OUTREACH COMMITTEE RESPONSIBILITY:

- to advise the Board on partnerships with non-governmental entities and outreach programmes;
- to perform other functions delegated to the Committee by the Board.



#### Communications

*From left to right: Bonny Feldman (Communications and Development Officer), Xolani Gobel, Tsepo Khanye*

## Development Committee Report

Report of the Development Committee: We are pleased to present our report for the financial year ended 31 March 2009.

#### DEVELOPMENT COMMITTEE MEMBERS AND ATTENDANCE:

The Development Committee was not formally constituted during the current year, owing to difficulty in identifying a suitable person to co-opt onto the Board to Chair the Subcommittee. Ms Zeona Jacobs, the Chief Corporate Officer of Cell C, was invited to join the Board from 9 October 2008. Other members of the Committee were not identified during the current year and so no meetings were held formally, although the work of the Committee was initiated through communication between Ms Jacobs, the CEO and the relevant staff members at the NSFAS.

#### DEVELOPMENT COMMITTEE RESPONSIBILITY:

The Development Committee designs strategies for submission to, and approval by, the Board to provide for the ongoing development of NSFAS funding, in particular through approaches to the private sector and private donors. The Development Committee performs such other functions as the Board may delegate or assign to it.

#### MATTERS DISCUSSED BY THE DEVELOPMENT COMMITTEE:

The following matters were discussed during the year:

Concerns were raised regarding the operational challenges experienced by the NSFAS with regards to the administration of existing monies and the fact that it would perhaps be more appropriate to target new funding at a later stage, when some of the operational challenges had been ironed out.

It was also felt that a pricing model needs to be developed so that we are able to approach corporates with proposals regarding pricing that has a solid basis.

Old Mutual was approached regarding their unclaimed shares as a source of funding for students. This was not taken further since all the unclaimed shares have been dealt with by Old Mutual.

Discussions were initiated during the period with Sanlam Multi-Managers regarding two bursaries they wish to offer. It was decided to identify suitable candidates for these bursaries through some of the NSFAS NGO partners. Finalisation of this matter will occur during the next financial year.

## Report of the Auditor-General on the Financial Statements

### REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE NATIONAL STUDENT FINANCIAL AID SCHEME FOR THE YEAR ENDED 31 MARCH 2009.

#### REPORT ON THE FINANCIAL STATEMENTS

##### INTRODUCTION

1. I have audited the accompanying financial statements of the National Student Financial Aid Scheme which comprise the statement of financial position as at 31 March 2009, the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the accounting authority's report as set out on pages 57 – 80.

##### THE 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 basis of accounting as determined by National Treasury, set out in accounting policy note 1.1 to the financial statements and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA), 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.

##### THE AUDITOR-GENERAL'S RESPONSIBILITY

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

4. I conducted my audit in accordance with the International Standards on Auditing read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008. Those standards require

that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

##### OPINION

7. In my opinion the financial statements present fairly, in all material respects, the financial position of the National Student Financial Aid Scheme as at 31 March 2009 and its financial performance and its cash flows for the year then ended, in accordance with the basis of accounting as determined by National Treasury, set out in accounting policy note 1.1 to the financial statements and in the manner required by the PFMA.

##### EMPHASIS OF MATTER

Without qualifying my opinion, I draw attention to the following matter:

##### BASIS OF ACCOUNTING

8. The public entity's policy is to prepare financial statements in accordance with the basis of accounting

determined by the National Treasury, as set out in accounting policy note 1.1.

##### IRREGULAR EXPENDITURE

9. As disclosed in note 21 to the financial statements, irregular expenditure to the amount of R1 185 600 was incurred, as a result of a regulatory breach in terms of the appointment of a consultant.

##### CONTINGENT LIABILITY

10. With reference to note 24 to the financial statements, the entity has applied to National Treasury for approval to retain their accumulated surplus, which has been disclosed as a contingent liability, in terms of section 53(3) of the PFMA. A response was pending at the time of writing this report.

##### OTHER MATTERS

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

##### UNAUDITED SUPPLEMENTARY SCHEDULES

11. The supplementary information set out on pages 81 – 82 does not form part of the financial statements

and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

##### NON-COMPLIANCE WITH APPLICABLE LEGISLATION

12. A materiality and significance framework, approved by the executive authority, as required by Treasury Regulation 28.3.1 could not be furnished for audit purposes.

##### GOVERNANCE FRAMEWORK

13. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting authority and executive management and are reflected in the key governance responsibilities addressed below.

##### KEY GOVERNANCE RESPONSIBILITIES

14. The PFMA tasks the accounting authority with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
<b>Clear trail of supporting documentation that is easily available and provided in a timely manner</b>			
1.	No difficulties were experienced during the audit concerning delays or the availability of requested information.		X
<b>Quality of financial statements and related management information</b>			
2.	The financial statements were not subject to any material amendments resulting from the audit.		X
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	✓	
<b>Timeliness of financial statements and management information</b>			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines of section 55 of the PFMA.	✓	
<b>Availability of key officials during audit</b>			
5.	Key officials were available throughout the audit process.	✓	
<b>Development and compliance with risk management, effective internal control and governance practices</b>			
6.	Audit committee		
	• The public entity had an audit committee in operation throughout the financial year.	✓	
	• The audit committee operates in accordance with approved, written terms of reference.	✓	
	• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 271.8.	✓	

No.	Matter	Y	N
7.	Internal audit		
	<ul style="list-style-type: none"> <li>The public entity had an internal audit function in operation throughout the financial year.</li> </ul>	✓	
	<ul style="list-style-type: none"> <li>The internal audit function operates in terms of an approved internal audit plan.</li> </ul>	✓	
	<ul style="list-style-type: none"> <li>The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 27.2.</li> </ul>	✓	
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		✗
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	✓	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.		✗
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in Treasury Regulation 27.2.		✗
12.	Powers and duties have been assigned, as set out in 56 of the PFMA.	✓	
<b>Follow-up of audit findings</b>			
13.	The prior year audit findings have been substantially addressed.	✓	
14.	SCOPA resolutions have been substantially implemented.	No applicable resolutions	
<b>Issues relating to the reporting of performance information</b>			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		✗
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		✗
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the National Student Financial Aid Scheme against its mandate, predetermined objectives, outputs, indicators and targets Treasury Regulation 29.1/30.1.	✓	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.		✗

15. While the public entity received an unqualified audit opinion, the shortcomings in respect of certain key governance responsibilities in the table above require attention particularly in areas of the quality of the financial statements, the information systems, control processes and procedures to ensure the accuracy and completeness of performance information. The main issues driving these findings include shortcomings in control activities (manual or automated controls are not adequate to ensure that transactions are completely and accurately processed) and monitoring (ongoing monitoring by the leadership).

16. Over and above the observations above, key issues that should receive the attention of those charged with

governance were highlighted in the final management report of the public entity. Those deficiencies are indicative of a situation where improvement is required in control activities (manual or automated controls are not adequate to ensure that transactions are completely and accurately processed), monitoring (ongoing monitoring by the relevant leadership) and information and communication (pertinent information is not identified and captured in a form and time frame to support financial reporting).

#### LATE FINALISATION OF THE AUDIT REPORT

17. In terms of section 55(1)(d)(iii) of the PFMA, I am required to submit my report to the accounting officer within two months of the receipt of the financial

statements. In the interest of improving accountability and finalising internal processes to ensure high quality standards of reporting are maintained, the finalisation of this report was delayed.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

##### REPORT ON PERFORMANCE INFORMATION

18. I have reviewed the performance information as set out on pages 17 – 32.

##### THE ACCOUNTING AUTHORITY RESPONSIBILITY FOR THE PERFORMANCE INFORMATION

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

##### THE AUDITOR-GENERAL'S RESPONSIBILITY

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

21. In terms of the foregoing, my engagement included performing procedures of a review nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

22. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

#### FINDINGS ON PERFORMANCE INFORMATION. NON-COMPLIANCE WITH REGULATORY REQUIREMENTS

#### LACK OF EFFECTIVE, EFFICIENT AND TRANSPARENT SYSTEMS AND INTERNAL CONTROLS REGARDING PERFORMANCE MANAGEMENT.

23. Our review of the performance information revealed that the entity had not established systems, policies and procedures to record and monitor performance information as required by Treasury Regulation 29.3.1 for the year under review.

#### USEFULNESS AND RELIABILITY OF REPORTED PERFORMANCE INFORMATION

24. The following criteria were used to assess the usefulness and reliability of the information on the entity's performance with respect to the objectives in its strategic plan:

- **Consistency:** Has the entity reported on its performance with regard to its objectives, indicators and targets in its approved strategic plan?
- **Relevance:** Is the performance information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate? Is this specific and measurable, and is the time period or deadline for delivery specified?
- **Reliability:** Can the reported performance information be traced back to the source data or documentation and is the reported performance information accurate and complete in relation to the source data or documentation?

The following findings relate to the above criteria:

#### REPORTED PERFORMANCE INFORMATION NOT RELIABLE

25. Sufficient appropriate evidence in relation to certain reported performance information could not be obtained, as reliable source documentation could not be furnished for audit purposes.

#### APPRECIATION

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

*Auditor-General*

Cape Town  
27 September 2009



## General Information

Country of incorporation and domicile	South Africa	Chief Executive Officer	Pragasen Naicker (ex officio Board member) (resigned 31 July 2009)
Nature of business and principal activities	The nature of the activities of the Scheme is to provide sustainable financial assistance in the form of loans and bursaries to eligible students at public higher education institutions and further education and training (FET) 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, 7801
		Business address	18-20 Court Road Wynberg, 7801
		Postal address	Private Bag X1 Plumstead, 7800
NSFAS Board	Sipho Mila Pityana (Chairperson) Ngozi Mary Awa Nasima Badsha Phillip Dexter (outgoing 30 June 2008) Brian Gallant Martin Hall (resigned 8 February 2009) Bonakele Jacobs (outgoing 30 June 2008) Zeona Jacobs (coopted 10 February 2009) Spencer Janari Nathan Johnstone Duma Malaza Lynne Matthews Thamsanqa Ncokwane Priscilla Ngqula (coopted 9 October 2008, resigned 26 March 2009) Babalwa Ntabeni-Matutu (outgoing 30 June 2008) Moabi Mosotho Petlane Marshall Rapiya (outgoing 30 June 2008) Laura Schultz (outgoing 30 June 2008) Nyiko Shivambu	Bankers	FNB Corporate Bank (Cape Town) A Division of FirstRand Bank Limited
		Auditors	Auditor-General
		Scheme registration number	Established by the NSFAS Act (Act 56 of 1999)

*NATIONAL STUDENT FINANCIAL AID SCHEME*  
*Financial Statements for the year ended*  
*31 March 2009*



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## *NSFAS Board's Approval and Statement of Responsibility*

The NSFAS Board is required by the Public Finance Management Act, (Act. No. 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Scheme as at the end of the financial year and the results of its operations and cash flows for the period ended, in conformity with South African Statements of Generally Accepted Accounting Practice (GAAP), and the prescribed Standards of Generally Recognised Accounting Practices (GRAP).

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

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

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

The NSFAS Board has reviewed the Scheme's cash flow forecast for the year to 31 March 2010 and, in the light of this review and the current financial position, they are satisfied that the Scheme has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The financial statements set out on pages 57 - 82, which have been prepared on the going concern basis, were approved by the NSFAS Board and were signed on its behalf by:

Siphon M Pityana (Chairperson)

Pragasen Naicker (Chief Executive Officer)

## Report of the Board Members

The NSFAS Board submits their report for the year ended 31 March 2009.

### 1. GENERAL REVIEW

#### MAIN BUSINESS AND OPERATIONS

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

The results are summarised below:

#### RESULTS

	2009 R	2008 R
New grants*	1, 748, 604, 000	1, 389, 482, 000
New grant - FET colleges	200, 000, 000	100, 000, 000
Student loan recovery re-injected	396, 999, 000	294, 860, 000
Total awards	2, 353, 866, 200	1, 760, 018, 353
Administration expenses	41, 537, 000	26, 530, 000
Administration expenses to awards ratio	1.76%	1.52%
Bursary awards**	855, 708, 000	612, 414, 960
Bursary awards - FET colleges***	218, 971, 000	65, 340, 040
Percentage of courses passed****	76.47%	75.09%

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

\*\* Up to 40% of a loan may be converted into a bursary on the basis of academic performance.

\*\*\* FET college 100% bursary awards.

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

### 2. GOING CONCERN

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

### 3. POST BALANCE SHEET EVENTS

The Board is not aware of any matter or circumstance arising since the end of the financial year.

### 4. CORPORATE GOVERNANCE

Committees of the Board were established in terms of the NSFAS Act, as follows: an Executive Committee, an Audit Committee, a Finance Committee, and others intended for the oversight of the Scheme activities, namely: an Allocations Committee, a Remuneration Committee, a Communications, Stakeholder and Outreach Committee, a Research Committee, and a Development Committee, all of which make for good corporate governance.

The current NSFAS Board was appointed with effect from 1 July 2008 for a four year term ending on 30 June 2012. The membership of the Board is set out on page 53. The Board co-opted Ms Priscilla Ngqula CA (SA) onto the Board, and appointed her as the Finance Committee Chairperson effective 9 October 2008, after which Ms Ngqula resigned from the Board on 26 March 2009. Mr Stephen Smith was appointed as Chairperson of the Audit Committee in July 2008, and Mr Theuns Tredoux of the Department of Education was co-opted as a member of the Audit Committee effective

10 February 2009. After the end of the financial year, Mr Pragasen Naicker tendered his resignation as the Chief Executive Officer of the Scheme with effect from 31 July 2009.

NSFAS is registered with the National Credit Regulator as a credit provider, in compliance with the National Credit Act (NCRP 2655).

### 5. NATURE OF ACTIVITIES

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

For the year under review, the NSFAS interest rate was pegged at 80% of the repo rate, as determined by the South African Reserve Bank. The NSFAS interest rate

therefore fluctuated from time to time in line with fluctuations in the repo rate (2008: fixed rate at 7% per annum). From 2010 the Board has determined that the interest rate will be fixed annually at 80% of the repo rate as at 1 April.

Once students have initiated repayment, the interest accumulated on their outstanding debt to date is recognised as income as follows: interest repaid is recognised as interest received and interest still to be repaid as at year end is raised as interest accrued. These interest amounts are detailed in note 15 to the annual financial statements.

Up to 40% of NSFAS standard awards can be converted into bursaries. The percentage converted is dependent on pass rates of students. In addition, the Scheme manages funds on behalf of some donors with the stipulation that the funds are awarded as full bursaries.

### 6. STUDENT AWARDS

	Academic years		Financial years		
	2008 R	2007 R	2009 R	2008 R	1991-2008 R
<b>Awards - HEIs</b>					
Number of students	118 450	113 519			489, 775
Rands	2, 133, 123, 000	1, 693, 299, 127			12, 046, 545, 630
<b>Awards - FET colleges</b>					
Number of students	35 352	12 283			47 635
Rands	220, 743, 200	66, 719, 226			287, 462, 426
<b>Loans repaid</b>					
Capital (Rands)			418, 050, 394	363, 944, 189	2, 103, 221, 583
Interest (Rands)			137, 695, 326	115, 270, 005	521, 642, 331
<b>Total loans repaid (Rands)</b>			<b>555, 745, 720</b>	<b>479, 214, 194</b>	<b>2, 624, 863, 914</b>

Since its inception in 1991, the Scheme has awarded approximately R12 billion (2008: R10 billion) in loans and bursaries. Internal systems are regularly enhanced to ensure constant improvement in the Scheme's loan recovery strategy. By the end of the financial year, monthly recoveries had reached R41.7 million (2008: R35 million).

## Statement of Financial Position

### 7. PROVISION FOR DOUBTFUL DEBTS ON STUDENT LOANS

A model specific to NSFAS was developed by Fifth Quadrant Actuaries and Consultants to determine a realistic provision for doubtful debts. This model is contingent on two factors: the loan recovery rate and the mortality rate (including an element for disability). A variable for changes in the employment rate has now

also been developed and is included in the present version of the model, although the assumption remains that current rates of employment will remain constant.

The provision for doubtful debts has shown an improvement over the last 5 years as follows, with marginal increases in the latter 2 years:

	R	Increase/ (Decrease) R
31 March 2005 (29.9%)	1, 115, 489, 303	(124, 360, 454)
31 March 2006 (27.4%)	1, 264, 271, 145	148, 781, 842
31 March 2007 (22.8%)	1, 234, 439, 220	(29, 832, 145)
31 March 2008 (23.2%)	1, 464, 952, 032	230, 512, 812
31 March 2009 (23.8%)	1, 774, 096, 257	309, 144, 225

Taking into consideration the improvement in the loan recovery rate, keeping constant the effect of mortality as for the previous year, and assuming that the rate of employment remains constant over the next 10 years, the provision for doubtful debts amounts to 23.8% for the

year under review. The marginal increase of 0,6% in the provision from 23,2% in the prior year is primarily due to a slight increase in the student drop-out rate. The weighted average of 23,8% is based on a provision of 24,8% on outstanding capital and 19,6% on interest accrued.

	2009 R	2008 R	Increase/ (Decrease) R
<b>On Capital</b>			
Total outstanding capital	6, 045, 312, 000	5, 195, 462, 000	849, 850, 000
Provision of 24.8% (2008: 23.2%)	1, 499, 236, 257	1, 205, 348, 032	293, 888, 225
<b>On Interest</b>			
Total interest accrual	1, 402, 349, 000	1, 118, 981, 000	283, 368, 000
Provision of 19.6% (2008: 23.2%)	274, 860, 000	259, 604, 000	15, 256, 000

Figures in Rand thousand	Notes	2009	2008
<b>Assets</b>			
<b>Current assets</b>			
Financial assets	4	123, 061	343, 980
Accounts receivable		422	476
Prepayments	5	152, 221	4, 057
Student loans	6	530, 000	501, 000
Amounts owing by institutions	7	81, 299	58, 095
Amounts owing by donors	8	-	25, 578
Cash and cash equivalents	9	801, 429	402, 259
		<b>1, 688, 432</b>	<b>1, 335, 445</b>
<b>Non-current assets</b>			
Property, plant and equipment	2	8, 433	7, 856
Intangible assets	3	544	544
Student loans	6	5, 143, 565	4, 348, 491
		<b>5, 152, 542</b>	<b>4, 356, 891</b>
<b>Total assets</b>		<b>6, 840, 974</b>	<b>5, 692, 336</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	10	5, 277	1, 550
Provisions	11	276	220
Amounts due to institutions	12	21, 026	-
Deferred income	13	5, 000	10, 076
		<b>31, 579</b>	<b>11, 846</b>
<b>Total liabilities</b>		<b>31, 579</b>	<b>11, 846</b>
<b>Net assets</b>		<b>6, 809, 395</b>	<b>5, 680, 490</b>
<b>Net assets</b>			
Reserves		6, 809, 395	5, 680, 490
<b>Total net assets</b>		<b>6, 809, 395</b>	<b>5, 680, 490</b>

## Statement of Financial Performance

Figures in Rand thousand	Notes	2009	2008
<b>Revenue</b>			
Administration grants		20, 813	17, 569
Grants received for student awards	14	1, 948, 604	1, 489, 482
Interest received	15	590, 107	411, 212
Irrecoverable debts recovered		6	27
	16	<b>2, 559, 530</b>	<b>1, 918, 290</b>
<b>Other income</b>		<b>118</b>	<b>219</b>
<b>Expenses</b>			
Administration expenses*	17	(41, 537)	(26, 530)
Bursaries - Higher Education Institutions		(855, 708)	(612, 415)
Bursaries - FET colleges		(218, 971)	(65, 340)
(Increase)/decrease in provision for doubtful debts		(309, 145)	(230, 512)
Irrecoverable debts		(5, 169)	(5, 034)
(Loss)/profit on funds invested		773	(50)
Administration and management fees on investments		(1, 815)	(1, 142)
<b>Total expenses</b>		<b>(1, 431, 572)</b>	<b>(941, 023)</b>
<b>Surplus for the year**</b>		<b>1, 128, 076</b>	<b>977, 486</b>

\* Refer to Supplementary information on page 81.

\*\* Refer to Analysis of surplus on page 62.

## Analysis of Surplus

Figures in Rand thousand	Notes	2009	2008
<b>Operational</b>			
Administration grants		20, 813	17, 569
Interest received	15	590, 107	411, 212
Other income		118	219
Less: Administration and investment costs		(42, 579)	(27, 722)
<b>Surplus available for reinvestment in student awards</b>		<b>568, 459</b>	<b>401, 278</b>
<b>Capital</b>			
Grants received for student awards		1, 948, 604	1, 489, 482
Irrecoverable debts recovered		6	27
<b>Less</b>			
Bursaries		(1, 074, 679)	(677, 755)
(Increase)/decrease in doubtful debts provision		(309, 145)	(230, 512)
Irrecoverable debts		(5, 169)	(5, 034)
		<b>559, 617</b>	<b>575, 267</b>
<b>Total surplus reported*</b>		<b>1, 128, 076</b>	<b>976, 545</b>
<i>* Primarily being the repayable loan portion of student awards.</i>			
<b>Other income</b>			
Unclaimed debtors credits		115	206
Gains on disposal of assets		3	3
Other income		-	10
		<b>118</b>	<b>219</b>
<b>Surplus is stated after:</b>			
<b>Expenses</b>			
Auditors' remuneration	20	(559)	(577)
Board members' and officers' emoluments	23	(4, 758)	(3, 363)
Consulting fees		(1, 588)	(363)
Depreciation/Amortisation		(961)	637
Irregular expenditure	21	(1, 186)	-

## Statement of Changes in Net Assets

Figures in Rand thousand	Fair value adjustment reserve	Capital fund	Total reserves	Surplus	Total net assets
<b>Balance at 01 April 2007</b>	(146)	4, 703, 175	4, 703, 029	-	4, 703, 029
Surplus for the year	-	-	-	977, 486	977, 486
Transfer to capital fund	-	977, 486	977, 486	(977, 486)	-
Fair value adjustment	(25)	-	(25)	-	(25)
<b>Total changes</b>	<b>(25)</b>	<b>977, 486</b>	<b>977, 461</b>	<b>-</b>	<b>977, 461</b>
Opening balance as previously reported	(171)	5, 679, 720	5, 679, 549	-	5, 679, 549
Adjustments:					
Re-classification - prior year	-	941	941	-	941
<b>Balance at 01 April 2008 as restated</b>	<b>(171)</b>	<b>5, 680, 661</b>	<b>5, 680, 490</b>	<b>-</b>	<b>5, 680, 490</b>
Surplus for the year	-	-	-	1, 128, 076	1, 128, 076
Transfer to capital fund	-	1, 128, 076	1, 128, 076	(1, 128, 076)	-
Fair value adjustment	913	-	913	-	913
Transfer payment on behalf of the Department of Agriculture - prior year	-	(84)	(84)	-	(84)
<b>Total changes</b>	<b>913</b>	<b>1, 127, 992</b>	<b>1, 128, 905</b>	<b>-</b>	<b>1, 128, 905</b>
<b>Balance at 31 March 2009</b>	<b>742</b>	<b>6, 808, 653</b>	<b>6, 809, 395</b>	<b>-</b>	<b>6, 809, 395</b>

## Cash Flow Statement

Figures in Rand thousand	Notes	2009	2008
<b>Cash flows from operating activities</b>			
Cash receipts from:			
Grants for capital fund and administration costs		1, 989, 919	1, 483, 249
Student loan repayments - Interest		137, 695	115, 270
Student loan repayments - Capital		395, 952	331, 989
Other receipts		135	1, 190
<b>Total cash receipts</b>		<b>2, 523, 701</b>	<b>1, 931, 698</b>
Less cash paid:			
For student awards		(2, 343, 676)	(1, 739, 595)
To employees and suppliers		(38, 015)	(28, 933)
Prepayments- Initial student registration fees		(152, 221)	(4, 057)
Change in amounts due to institutions		20, 954	(102)
<b>Total cash paid</b>		<b>(2, 512, 958)</b>	<b>(1, 772, 687)</b>
Cash generated from operations	22	10, 743	159, 011
<b>Net cash from operating activities</b>		<b>10, 743</b>	<b>159, 011</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(1, 538)	(921)
Proceeds on disposals of property, plant and equipment		3	23
Net movement in financial assets		220, 919	(100, 851)
Interest on funds invested		169, 043	88, 594
<b>Net cash from investing activities</b>		<b>388, 427</b>	<b>(13, 155)</b>
<b>Total cash movement for the year</b>		<b>399, 170</b>	<b>145, 856</b>
Cash and cash equivalents at the beginning of the year		402, 259	256, 403
<b>Cash and cash equivalents at the end of the year</b>	<b>9</b>	<b>801, 429</b>	<b>402, 259</b>

## Accounting Policies

### 1. PRESENTATION OF FINANCIAL STATEMENTS

These accounting policies are consistent with the previous period.

The Scheme is a public entity established by the National Student Financial Aid Scheme Act (Act 56 of 1999), and is recognised as a Schedule 3A public entity in terms of the Public Finance Management Act (Act 1 of 1999). The financial statements have been prepared on the historical cost basis of accounting, except for available for sale financial assets measured at fair value, and incorporate the following principal accounting policies which have been consistently applied in all material aspects, except as referred to in note 1.1 below.

#### 1.1 BASIS OF PREPARATION

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

##### Standard of GRAP

GRAP 1:	Presentation of financial statements
GRAP 2:	Cash flow statements
GRAP 3:	Accounting policies, changes in accounting estimates and errors

##### Replaced Statement of GAAP

AC101:	Presentation of financial statements
AC118:	Cash flow statements
AC103:	Accounting policies, changes in accounting estimates and errors

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

#### TERMINOLOGY DIFFERENCES:

##### Standard of GRAP

Statement of financial performance
Statement of financial position
Statement of changes in net assets
Net assets
Surplus/deficit for the period
Accumulated surplus/deficit
Reporting date

##### Replaced Statement of GAAP

Income statement
Balance sheet
Statement of changes in equity
Equity
Profit/loss for the period
Retained earnings
Balance sheet date

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

The amount and nature of any restrictions on cash balances are disclosed.

Paragraphs 11 to 15 of GRAP 1 have not been implemented as the budget reporting standard is in the process of being developed by the international and local standard setters. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect fair presentation.

The following Standards of GRAP have been issued and are effective from 01 April 2009, as determined by the Minister of Finance:

GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements

GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets.

The following International Standards and Statements have been issued and are effective from 01 April 2009:

IAS20	Accounting for Government Grants and Disclosure of Government Assistance
IAS36	Impairment of Assets

#### 1.2 PROPERTY, PLANT AND EQUIPMENT

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it.

Sundry assets with a cost of less than R1,000 each are written off in the year of acquisition.

Restoration costs upon acquisition of land and buildings are capitalised to the depreciable amount of land and buildings. Any significant refurbishment costs that improve the condition of land and buildings are capitalised to the carrying amount of land and buildings.

The carrying amount of assets are reviewed at each reporting date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is

estimated. The estimated recoverable amount is the higher of the asset's fair value less cost to sell and its value in use.

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

Property and equipment, except for land, are depreciated on the straight line method of depreciation over their expected useful lives:

Item	Average useful life
Land	Indefinite
Buildings	50 years
Furniture and equipment	5 years
Motor vehicles	5 years
IT equipment	3 years
Intangible assets	3 years

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within "Other income".

#### ESTIMATION OF USEFUL LIVES

Assets are assessed at each reporting date to determine if any change in estimate of their useful lives needs to be determined.

#### 1.3 GROSS REVENUE

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

#### INCOME

Government grants are recognised as income in the period in which they are received to match the intended purpose.

**DEFERRED INCOME**

Government and other grants received in the current financial year for utilisation towards the intended purpose in the following financial year.

**1.4 FINANCIAL INSTRUMENTS****INITIAL RECOGNITION**

Financial instruments are initially measured at fair value, which is the fair value of whatever was paid or received to acquire the financial instruments. Transaction costs are included for all financial instruments, except for instruments at fair value through profit and loss. Subsequent to initial recognition, financial instruments are measured as set out below.

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

**FAIR VALUE DETERMINATION**

The carrying amounts of the financial assets and liabilities reported in the Statement of financial position are approximate fair values at 31 March 2009.

**LOANS AND RECEIVABLES**

Student loans and amounts owing by institutions are classified as loans and receivables. Loans are measured at amortised cost using the effective interest method. Receivables are recognised at cost.

**ACCOUNTS PAYABLE**

Accounts payable are recognised at cost.

**CASH AND CASH EQUIVALENTS**

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

**AVAILABLE FOR SALE FINANCIAL ASSETS**

These financial assets are non-derivatives that are either designated in this category or not classified elsewhere.

Non-coupon negotiable certificates of deposit (NCDs) and Committed rolling carry are classified as available for sale. Available for sale financial assets are measured at fair value, and changes therein, other than impairment

losses and foreign currency differences, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to surplus or deficit.

**1.5 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. Leased assets relating to operating leases are not recognised on the Scheme's Statement of financial position.

**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. This asset or liability is not discounted.

Rentals are expensed in the period they are incurred.

**1.6 IMPAIRMENT OF ASSETS**

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

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

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

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

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

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

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

- pro rata on the basis of the carrying amount of each asset in the unit.

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss.

**1.7 EMPLOYEE BENEFITS****DEFINED CONTRIBUTION PLANS**

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

**1.8 PROVISIONS**

Provisions are recognised when:

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

**1.9 INTEREST**

The interest rate on student loans is pegged at 80% of the repo rate as determined by the South African Reserve Bank. The interest rate therefore fluctuated from time to time in line with fluctuations in the repo rate. Once students have initiated repayment, the interest accumulated on their outstanding debt to date is recognised as income as follows: interest repaid is recognised as interest received and interest still to be repaid as at year end is raised as interest accrued.

The interest rate is to remain static with effect from 01 April 2009, at 80% of the repo rate as set by the South African Reserve Bank as determined at their first

meeting, subsequent to this date. This rate will remain in effect until it is reviewed on the same basis, at the commencement of each subsequent financial year.

Interest on financial assets and cash and cash equivalents is accrued and is capitalised to the various instruments at amortised cost.

**1.10 FOREIGN EXCHANGE****FOREIGN CURRENCY TRANSACTIONS**

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

**1.11 STUDENT AWARDS**

Students' awards are in the form of loans and bursaries.

**1.11.1 STUDENT LOANS**

The repayment of student loans is dependent upon the employment and income level of the loanee. A portion of this loan may be converted into a bursary depending on academic performance. An amount which is considered adequate has been provided for doubtful debts. However, it is impossible to reliably predict the future academic performance or employment prospects of existing student loanees and hence determine the amount that will eventually be recovered. NSFAS has commissioned its actuaries to develop a loan recovery projection model to enable more reliable and accurate projections into the future.

Student loans are raised against an individual student when a claim submission has been made by the institution to NSFAS at capital amount. The amount projected to be collected within 12 months from the reporting date is classified as a current asset and the balance as a non-current asset.

**1.11.2 STUDENT BURSARIES**

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

**1.12 PREPAYMENTS**

Payments are made to institutions during January, February and March of each year for initial student registration fees. For the 2009 academic year, institutions were able to claim up to 30% of their annual NSFAS allocations (budgets) in this category, as approved by the NSFAS Board.

## Notes to the Financial Statements

### 2. PROPERTY, PLANT AND EQUIPMENT

Figures in Rand thousand	Cost / Valuation	2009 Accumulated depreciation	Carrying value	Cost / Valuation	2008 Accumulated depreciation	Carrying value
Land and buildings*	4, 783	(417)	4, 366	4, 783	(337)	4, 446
Furniture and equipment	2, 082	(1, 060)	1, 022	1, 926	(932)	994
Motor vehicles	119	(80)	39	119	(57)	62
IT equipment	7, 370	(4, 364)	3, 006	5, 988	(3, 634)	2, 354
<b>Total</b>	<b>14, 354</b>	<b>(5, 921)</b>	<b>8, 433</b>	<b>12, 816</b>	<b>(4, 960)</b>	<b>7, 856</b>

#### Reconciliation of property, plant and equipment 2009

Figures in Rand thousand	Opening Balance	Additions	Change in estimate	Depreciation	Total
Land and buildings*	4, 446	-	-	(80)	4, 366
Furniture and equipment	994	156	130	(258)	1, 022
Motor vehicles	62	-	-	(23)	39
IT equipment	2, 354	1, 382	281	(1, 011)	3, 006
	<b>7, 856</b>	<b>1, 538</b>	<b>411</b>	<b>(1, 372)</b>	<b>8, 433</b>

#### Reconciliation of property, plant and equipment 2008

Figures in Rand thousand	Opening Balance	Additions	Disposals	Change in estimate	Depreciation	Total
Buildings	4, 527	-	-	-	(81)	4, 446
Furniture and equipment	509	377	(1)	320	(211)	994
Motor vehicles	86	-	-	-	(24)	62
IT equipment	1, 740	544	(19)	1, 151	(1, 062)	2, 354
	<b>6, 862</b>	<b>921</b>	<b>(20)</b>	<b>1, 471</b>	<b>(1, 378)</b>	<b>7, 856</b>

#### CHANGE IN ESTIMATES

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

In recognition of the changed usage of certain items of property, plant and equipment and intangible assets, NSFAS revised their remaining useful lives as at 31 March 2009. The change in estimates for the current year amounts to R955,000 (2008 : R 2.6 million).

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

## Notes to the Financial Statements

### 3. INTANGIBLE ASSETS

Figures in Rand thousand	Cost / Valuation	2009 Accumulated amortisation	Carrying value	Cost / Valuation	2008 Accumulated amortisation	Carrying value
Computer software, internally generated [Loan Management System (LMS)]	1, 632	(1, 088)	544	1, 632	(1, 088)	544

#### Reconciliation of intangible assets 2009

Figures in Rand thousand	Opening Balance	Change in estimate	Amortisation	Total
Computer software, internally generated (LMS)	544	544	(544)	544

#### Reconciliation of intangible assets 2008

Figures in Rand thousand	Opening Balance	Change in estimate	Amortisation	Total
Computer software, internally generated (LMS)	-	1, 088	(544)	544

### 4. FINANCIAL ASSETS

Figures in Rand thousand	2009	2008
Non-coupon Negotiable Certificates of Deposit (NCDs)*	25, 624	16, 145
Committed rolling carry*	-	270, 148
Fixed deposits**	-	57, 687
Promissory notes*	97, 437	-
	<b>123, 061</b>	<b>343, 980</b>

\* These investments are classified as "Available for sale". Refer to note 30.

\*\* These investments are classified as "Held to maturity". Refer to note 30.

See note 28 for the detail of the utilisation of financial assets.

### 5. PREPAYMENTS

Prepayments to institutions for initial student registration fees.

Figures in Rand thousand		
Prepayments	152, 221	4, 057

## Notes to the Financial Statements

### 6. STUDENT LOANS

Figures in Rand thousand	2009	2008
Opening balance	4, 849, 491	4, 179, 770
<b>In/(out)flows</b>		
Awards 2008 academic year – Donor funds	1, 956, 867	1, 443, 734
Awards 2008 academic year – NSFAS recovered funds	396, 999	294, 860
Interest accrued – repaying debtors	283, 369	207, 348
Bursaries – HEIs*	(855, 708)	(612, 415)
Bursaries – FET colleges	(218, 971)	(65, 340)
Capital repayments	(418, 050)	(363, 944)
(Increase)/Decrease in provision for doubtful debts**	(309, 145)	(230, 512)
Irrecoverable debts recovered	6	27
Irrecoverable debts	(5, 169)	(5, 034)
Other general movements	64	997
Credits returned on 100% bursaries	(6, 188)	-
	<b>5, 673, 565</b>	<b>4, 849, 491</b>
Current portion	(530, 000)	(501, 000)
	<b>5, 143, 565</b>	<b>4, 348, 491</b>
<b>Analysis of student loans</b>		
Net capital balance	6, 045, 312	5, 195, 462
Prior year interest accrued	1, 118, 981	911, 633
Prior year interest accrued – Provision for doubtful debts**	(219, 320)	(211, 499)
Current year interest accrued	283, 368	207, 348
Current year interest accrued – Provision for doubtful debts**	(55, 540)	(48, 105)
Provision for doubtful debts on outstanding capital**	(1, 499, 236)	(1, 205, 348)
	<b>5, 673, 565</b>	<b>4, 849, 491</b>

\* The proportion of student loans converted into bursaries based on results received from institutions as at 31 March 2009. Adjustments to results and omissions/errors that may have occurred in the final reports from institutions would not be material.

\*\* The total provision for doubtful debts at 31 March 2009 is R1,774,096,257 (2008: R1,464,952,032).

### 7. AMOUNTS OWING BY INSTITUTIONS

Student credit balances refunded by institutions after 31 March 2009.

Figures in Rand thousand		
Amounts owing by institutions	81, 299	58, 095

### 8. AMOUNTS OWING BY DONORS

Figures in Rand thousand		
Department of Labour	-	25, 578

## Notes to the Financial Statements

### 9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Figures in Rand thousand	2009	2008
Bank and cash balances	149, 772	131, 617
Fixed deposits (maturing within 3 months of reporting date)	651, 657	270, 642
	<b>801, 429</b>	<b>402, 259</b>

### 10. ACCOUNTS PAYABLE

Figures in Rand thousand		
Student credit balances received from institutions	1, 106	-
Receivables clearing accounts	199	297
Accrued expenses	3, 413	791
Leave pay due to employees	559	462
	<b>5, 277</b>	<b>1, 550</b>

### 11. PROVISIONS

RECONCILIATION OF PROVISIONS – 2009

Figures in Rand thousand	Opening Balance	Net Change	Total
Bonuses due to employees	220	56	276

### 12. AMOUNTS DUE TO INSTITUTIONS

Payments due to institutions for student awards as at 31 March 2009 and were paid in full by 30 April 2009:

Figures in Rand thousand		
Amounts due to institutions	21, 026	-

### 13. DEFERRED INCOME

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

Figures in Rand thousand		
Department of Agriculture	5, 000	8, 300
Irish Aid	-	1, 776
	<b>5, 000</b>	<b>10, 076</b>

## Notes to the Financial Statements

### 14. GRANTS RECEIVED FOR STUDENT AWARDS

Figures in Rand thousand	2009	2008
Department of Education*	1, 681, 862	1, 315, 128
Other South African government departments	179, 621	98, 598
Higher education institutions	70, 608	75, 312
Private sector	14, 700	-
Foreign aid	1, 776	-
Non-government organisations	37	444
	<b>1, 948, 604</b>	<b>1, 489, 482</b>

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

### 15. INTEREST RECEIVED

Figures in Rand thousand		
Interest received on student loans	137, 695	115, 270
Interest accrued on student loans	283, 369	207, 348
Interest on student loans	<b>421, 064</b>	<b>322, 618</b>
Interest on funds invested	169, 043	88, 594
	<b>590, 107</b>	<b>411, 212</b>

### 16. REVENUE

Figures in Rand thousand	Notes		
Interest received	15	590, 107	411, 212
Administration grants		20, 813	17, 569
Irrecoverable debts recovered		6	27
Grants received for student awards	14	1, 948, 604	1, 489, 482
		<b>2, 559, 530</b>	<b>1, 918, 290</b>

### 17. EMPLOYEE BENEFITS

The Scheme operates a defined contribution retirement plan for all employees.

During the year the Scheme contributed R1,804,576 (2008: R1,365,146) to the plan. In addition, employees contributed R902,235 (2008: R682,854). Both employer and employee contributions are included in the salaries expenditure in the administration expenses reflected in the Statement of financial performance. Refer to note 18.

### 18. OPERATING SURPLUS

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

Figures in Rand thousand		
Profit on sale of property, plant and equipment	3	3
Operating lease expenses	50	50
Depreciation on property, plant and equipment	961	(637)
Employee costs	16, 757	13, 111

## Notes to the Financial Statements

### 19. TAXATION

The Scheme 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. This exemption is applicable from the date that the Scheme was established.

### 20. EXTERNAL AUDITORS' REMUNERATION

Figures in Rand thousand	2009	2008
Fees	559	577

### 21. IRREGULAR EXPENDITURE

Figures in Rand thousand		
Consulting fees	1, 186	-

An internal audit procurement review was performed on the appointment of a consultant during the year under review, and it was found that there was a regulatory breach in terms of process. The Audit Committee has made recommendations to the Board which have been accepted in order to prevent this from recurring.

### 22. CASH GENERATED FROM OPERATIONS

Figures in Rand thousand		
Surplus for the year	1, 128, 076	977, 487
<b>Adjustments for:</b>		
Depreciation/Amortisation	961	(637)
Profit on sale of assets	(3)	(3)
Movements in provisions	56	8
Change in fair value adjustment	913	(25)
Transfer payment on behalf of the Department of Agriculture - prior year	(84)	-
	<b>1, 129, 919</b>	<b>976, 830</b>
<b>Changes in working capital:</b>		
Accounts receivable	56	973
Prepayments	(148, 164)	-
Accounts payable	3, 727	(557)
Change in amounts due by institutions	(23, 204)	(31, 955)
Change in amounts due by donors	25, 578	(25, 578)
Change in amounts due to institutions	21, 026	(102)
Change in grants received in advance	(5, 076)	1, 776
Change in student loans	(824, 076)	(673, 782)
Interest on funds invested	(169, 043)	(88, 594)
	<b>10, 743</b>	<b>159, 011</b>

## Notes to the Financial Statements

### 23. BOARD MEMBERS' AND OFFICERS' EMOLUMENTS

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

SERVICES AS:

2009 Figures in Rand thousand	Salary/Fee	Bonuses	Pension contributions	Subsistence and travel costs	Total
<b>Board members</b>					
Per diem allowances	-	-	-	50	50
Travel costs	-	-	-	335	335
	-	-	-	<b>385</b>	<b>385</b>
<b>Officers' emoluments</b>					
Chief Executive Officer	820	-	119	-	939
Chief Financial Officer	544	41	80	-	665
Chief Operations Officer	511	41	79	-	631
Communications and Development Officer*	423	-	62	-	485
Manager: Human Resources	456	34	66	-	556
Manager: Information Technology	550	45	87	-	682
Policy and Research Officer**	347	14	54	-	415
	<b>3, 651</b>	<b>175</b>	<b>547</b>	-	<b>4, 373</b>
	<b>3, 651</b>	<b>175</b>	<b>547</b>	<b>385</b>	<b>4, 758</b>
<b>2008 Figures in Rand thousand</b>	<b>Salary/Fee</b>	<b>Bonuses</b>	<b>Pension Contributions</b>	<b>Subsistence and travel costs</b>	<b>Total</b>
Board members	-	-	-	434	434
Officers' emoluments	2, 426	148	355	-	2, 929
	<b>2, 426</b>	<b>148</b>	<b>355</b>	<b>434</b>	<b>3, 363</b>

\* Appointed 1 July 2008.

\*\* Appointed 1 August 2008.

## Notes to the Financial Statements

### 24. COMMITMENTS

#### AUTHORISED CAPITAL EXPENDITURE

The Scheme had no capital commitments at the reporting date.

#### OPERATING LEASES - AS LESSEE (EXPENSE)

Figures in Rand thousand Minimum lease payments due	2009	2008
- within one year	50	50
- in second to fifth year inclusive	-	50
	<b>50</b>	<b>100</b>

Operating lease payments represent rentals payable by the Scheme for its offices. Leases are negotiated for an average term of five years and rentals are fixed for an average of three years. No contingent rent is payable.

### 25. CONTINGENCIES

NSFAS holds a Corporate Access Management Services/Payment and Collections Services agreement (CAMS/PACS) with the corporate bankers that facilitate electronic payments and debit order processing. The Payments and Collections Services agreement that facilitates debit order deductions from debtors requires a settlement facility of R460,000 (2008: R460,000). A settlement facility of R600,000 (2008: R600,000) is required for payroll. An encashment facility of R1,000 is in place to facilitate Petty Cash.

NSFAS has a short term contingent facility (bank guarantee) of R500,000 (2008: R500,000) in favour

of the South African Post Office that facilitates the timely mailing of quarterly statements to all debtors.

In terms of Section 53(3)(1) of the PFMA, the Scheme has applied to National Treasury for approval to retain its surplus. For the year under review, the uncommitted cash surplus amounts to R122 million which the Scheme may need to transfer to the National Revenue Fund if the approval to retain the uncommitted cash surplus is not granted by National Treasury. In terms of the NSFAS mandate, cash surpluses may only be utilised when approved by the Minister of Education, and is not available to NSFAS to use at its discretion.

## Notes to the Financial Statements

### 26. RELATED PARTIES

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

Figures in Rand thousand Related party transactions	2009	2008
<b>Purchases from related parties</b>		
State IT Agency (SITA) – Data centre services	1,387	-
State IT Agency (SITA) – Data entry services	499	-
<b>Administration grant</b>		
Department of Education	20,513	17,569
<b>Grants received for student awards</b>		
Department of Agriculture	8,322	8,300
Department of Education	1,301,862	1,095,128
Department of Education – FET colleges	200,000	100,000
Department of Education – Funza Lushaka Teacher Bursaries	180,000	120,000
Department of Labour	43,523	25,578
Department of Social Development	111,869	50,000

### 27. COMPARATIVE FIGURES

Where necessary, comparative figures have been adjusted to conform with changes in presentation and classification in the current year. Refer to Note 29 for detail.

### 28. UTILISATION OF FINANCIAL ASSETS AND CASH AND CASH EQUIVALENTS

Financial assets and cash and cash equivalents totalling R924 million (2008: R746 million) include R795 million (2008: R664 million) recovered money that NSFAS

holds for re-injection into the Scheme. The balance is held on behalf of third parties for allocation by the Scheme.

The Scheme expects to provide awards to students amounting to approximately R3 billion for the 2009 academic year. This will be funded from expected new grants and the recovered money reflected above. The projected cash flow for these expected funds and NSFAS recovered money is as follows:

Figures in Rand thousand Quarter ending	Expected new grants	NSFAS re-injection	Cumulative
June 2009	346,338	-	346,338
September 2009	1,500,000	250,000	2,096,338
December 2009	400,000	250,000	2,746,338
March 2010	181,000	74,920	3,002,258
	<b>2,427,338</b>	<b>574,920</b>	

## Notes to the Financial Statements

### 29. RE-CLASSIFICATION/PRIOR PERIOD ERRORS

During 2009, the entity discovered that intangible assets were incorrectly disclosed under property, plant and equipment. Both asset categories have subsequently been restated.

of the prepayments for Initial Student Registration fees were incorrect. Provisions for doubtful debts and the reserves have been restated accordingly.

The correction of the error(s) and re-classification results in adjustments as follows:

During 2009, the entity discovered that provision for doubtful debts as a result of the incorrect disclosure

Figures in Rand thousand Reconciliation of net assets at 31 March 2008	Notes	As previously stated	Prior year error / Re-classification	Restated amount
Financial assets		343,980	-	343,980
Accounts receivable		177	299	476
Prepayments	5	-	4,057	4,057
Student loans	6	501,000	-	501,000
Amounts owing by institutions		58,095	-	58,095
Amounts owing by donors		25,578	-	25,578
Cash and cash equivalents		402,259	-	402,259
<b>Total current assets</b>		<b>1,331,089</b>	<b>4,356</b>	<b>1,335,445</b>
Property, plant and equipment	2	8,400	(544)	7,856
Intangible assets	3	-	544	544
Student loans	6	4,351,611	(3,120)	4,348,491
<b>Total non-current assets</b>		<b>4,360,011</b>	<b>(3,120)</b>	<b>4,356,891</b>
Accounts payable	10	793	757	1,550
Provisions	11	682	(462)	220
Deferred income	13	10,076	-	10,076
<b>Total liabilities</b>		<b>11,551</b>	<b>295</b>	<b>11,846</b>
<b>Total assets less total liabilities</b>		<b>5,679,549</b>	<b>941</b>	<b>5,680,490</b>
Reserves		5,679,549	941	5,680,490
<b>Total net assets</b>		<b>5,679,549</b>	<b>941</b>	<b>5,680,490</b>

## Notes to the Financial Statements

Figures in Rand thousand Reconciliation of surplus for 2008	As previously stated	Prior year error / Re- classification	Restated amount
Revenue	1, 918, 290	-	1, 918, 290
Other income	219	-	219
Gross income	1, 918, 509	-	1, 918, 509
Administration expenses	(26, 530)	-	(26, 530)
Bursaries - Higher Education Institutions	(612, 415)	-	(612, 415)
Bursaries - FET colleges	(65, 340)	-	(65, 340)
(Increase)/decrease in provision for doubtful debts	(231, 453)	941	(230, 512)
Irrecoverable debts	(5, 034)	-	(5, 034)
(Loss)/profit on funds invested	(50)	-	(50)
Administration and management fees on investments	(1, 142)	-	(1, 142)
<b>Surplus for the year</b>	<b>976, 545</b>	<b>941</b>	<b>977, 486</b>

### 30. RISK MANAGEMENT

#### MARKET RISK

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

#### - INTEREST RATE RISK

Interest rate risk refers to the impact on future cash flows on financial assets and student loans. Interest rate risk on financial assets is not significant as the investment profile is conservative in nature. Interest charged on outstanding student loans is linked to the Repo rate as determined by the South African Reserve Bank from time to time.

#### CREDIT RISK MANAGEMENT

##### - CREDIT RISK

Credit and counterparty risk refers to the effects on future cash flows and earnings of debtors defaulting on their obligations. The Scheme limits its exposure to credit risk on loans advanced through implementing

legislative policy. An adequate level of provision for doubtful debts is made at each reporting date.

Granting of student loans is governed by well established criteria, including a national means test which is normed on an annual basis. The maximum student loan exposure at reporting date was R5.7 billion.

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

##### - PRICE RISK

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

#### LIQUIDITY RISK

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

## Notes to the Financial Statements

Figures in Rand thousand Analysis of financial instruments	Carrying Value	Fair Value	Fair Value adjustment
<b>Financial assets</b>			
Available for sale - Non-coupon NCDs	25, 824	25, 624	200
Available for sale - Promissory notes	97, 979	97, 437	542
	<b>123, 803</b>	<b>123, 061</b>	<b>742</b>
Student loans*	5, 143, 565	5, 143, 565	-
Amounts owing by institutions	81, 299	81, 299	-
Accounts receivable	422	422	-
Cash and cash equivalents	801, 429	801, 429	-
	<b>6, 150, 518</b>	<b>6, 149, 776</b>	<b>742</b>
<b>Financial liabilities</b>			
Accounts payable	5, 277	5, 277	-
Deferred income	5, 000	5, 000	-
Amounts due to institutions	21, 026	21, 026	-
	<b>31, 303</b>	<b>31, 303</b>	<b>-</b>

Figures in Rand thousand Maturity analysis of financial instruments	On demand / callable	Due in 1 year	Due 2 - 10 years	Total
<b>Financial assets</b>				
Available for sale - Non-coupon NCDs	25, 624	-	-	25, 624
Available for sale - Promissory notes	97, 437	-	-	97, 437
Student loans	-	530, 000	4, 613, 565	5, 143, 565
Amounts owing by institutions	-	81, 299	-	81, 299
Accounts receivable	422	-	-	422
Cash and cash equivalents	801, 429	-	-	801, 429
<b>Less: Financial liabilities</b>				
Accounts payable	(5, 277)	-	-	(5, 277)
Deferred income	(5, 000)	-	-	(5, 000)
Amounts due to institutions	(21, 026)	-	-	(21, 026)
	<b>893, 609</b>	<b>611, 299</b>	<b>4, 613, 565</b>	<b>6, 118, 473</b>

\* The fair value of Student loans equals the carrying amount, as the impact of discounting has already been lessened due to only providing for interest on repaying student debtors.

## Supplementary Information

### 1. GRANTS RECEIVED FOR STUDENT AWARDS

Figures in Rand thousand	2009	2008
<b>Grants received for student awards</b>		
Communicare	37	444
Department of Agriculture	8, 322	8, 300
Department of Education	1, 301, 862	1, 095, 128
Department of Education – FET Colleges*	200, 000	100, 000
Department of Education – Funza Lushaka Teacher Bursaries**	180, 000	120, 000
Department of Labour	43, 523	25, 578
Department of Social Development	111, 869	50, 000
Eastern Cape Provincial Government	15, 907	14, 720
Irish Aid	1, 776	-
Nedbank Bursaries	14, 700	-
	<b>1, 877, 996</b>	<b>1, 414, 170</b>
<b>Capital grants from educational institutions</b>		
University of Cape Town	260	2, 948
Central University of Technology	-	2, 572
Durban University of Technology	5, 073	17, 045
University of the Free State	872	-
Johannesburg University	9, 545	-
University of Kwa-Zulu Natal	15, 181	24, 553
Nelson Mandela Metropolitan University	3, 000	-
University of Pretoria	5, 300	4, 987
Rhodes University	12, 384	8, 704
University of South Africa	17, 828	8, 004
Tshwane University of Technology	1, 165	6, 457
University of Western Cape	-	42
	<b>70, 608</b>	<b>75, 312</b>
	<b>1, 948, 604</b>	<b>1, 489, 482</b>

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

\*\* Bursaries for teacher training at higher education institutions.

### 2. ADMINISTRATION EXPENSES

Figures in Rand thousand	2009	2008
Accommodation	153	125
Advertising	214	-
Auditors' remuneration – External audit fees	559	577
Bank charges	717	797
Broader communications strategy*	1, 449	445
Computer expenses	(190)	194
Consulting fees**	1, 588	363
Courier services	415	129
Debtor tracking	33	37
Donations and gifts	45	45
Equipment rental	74	56
Insurance	144	121
Internal audit fees***	2, 552	978
Legal expenses	604	483
Irregular expenditure: Consulting fees – Business Process Re-engineering	1, 186	-
Operational workshops and visits	677	480
Postage	4, 786	3, 643
Printing and stationery	3, 262	2, 330
Promotions	131	63
Recruitment fees	493	685
Repairs and maintenance	1, 286	812
Salaries	16, 757	13, 111
SITA data centre services****	1, 387	-
SITA data entry services*****	499	-
Telephone and communications	672	602
Training	153	318
Travel and subsistence	930	773
	<b>40, 576</b>	<b>27, 167</b>
Depreciation/Amortisation	961	(637)
	<b>41, 537</b>	<b>26, 530</b>

\* Broader communications strategy: Required focus as a result of the appointment of the Communications and Development Officer.

\*\* Consulting fees: Accpac ERP business partner, actuarial assistance with the appointment of asset managers.

\*\*\* Internal audit fees: Completion of current and prior year audits in the 2008/2009 financial year due to Internal Audit procedural changes to prevent overlaps.

\*\*\*\* SITA (State IT Agency) data centre services: Outsourcing of the NSFAS data centre, incl. seats in line with business continuity plan.

\*\*\*\*\* SITA data entry services: Outsourcing of data capture and scanning of loan agreement forms.

Note: An internal audit procurement review was performed on the appointment of a consultant during the year under review, and it was found that there was a regulatory breach in terms of process. The Audit Committee has made recommendations to the Board which have been accepted in order to prevent this from recurring.