



# **UPDATE TO THE PORTFOLIO COMMITTEE ON HIGHER EDUCATION AND TRAINING**

Dr Randall Carolissen, NSFAS Administrator

A high-angle, top-down view of five diverse individuals sitting around a light-colored wooden conference table. The group includes a man with a beard and a turban, a woman with curly hair in a yellow sweater, a woman with blonde hair in a denim jacket, a woman with dark hair in a pink shirt, and a man in a blue shirt. They are engaged in a meeting, with various items on the table such as notebooks, a laptop, a smartphone, pens, and sticky notes. The background shows a modern office setting with a hexagonal tile floor and a wicker basket.

# Overview

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## Organization & HR

- Deployment of Senior Management team at institutions to deal with issues at institution level.
- Onboarded a team of experts to support the Administrator in the areas of Finance and Risk, ICT, HR, Operations, and Business Enablement.
- Refocus staff on NSFAS Mandate.
- Improve organisational culture and climate – Performance and Accountability.
- Comprehensive Policy Review in progress.

## IT Stabilization

- Stabilization of systems that support core business processes including disbursement. Systems have been running for 52 days without failure.

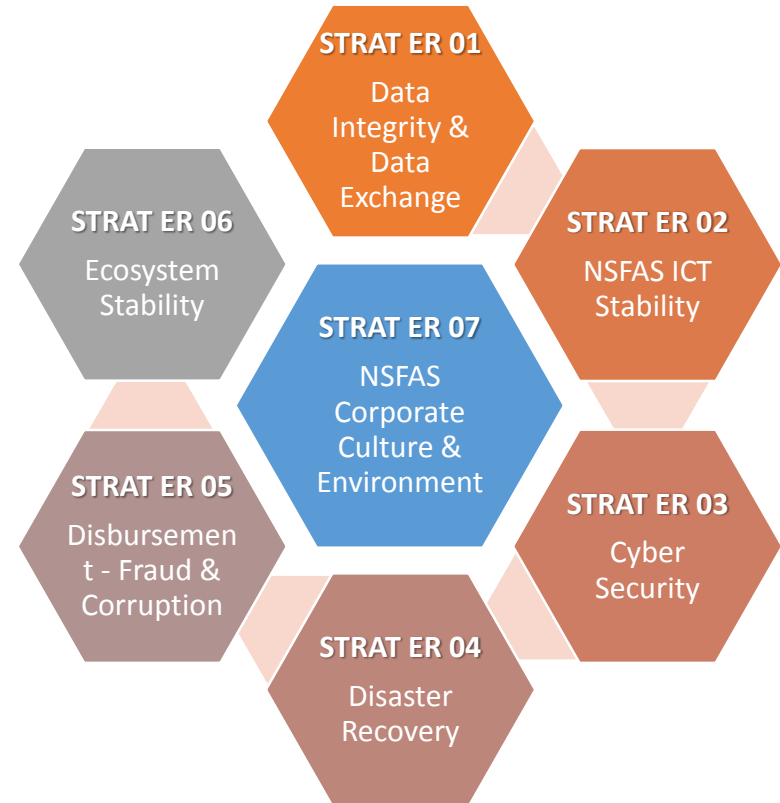
## Partnerships

- Building partnerships with key stakeholders including institutions, funders, DHET and student bodies.

# Overview– Cont'

## Risk Management

- Developed new Enterprise Risk Register with 34 risks identified.
- From these Seven (7) strategic risk areas were prioritised.
- Data Governance framework and Integrity – on going.
- Project Approach to focus on key areas required to close off 2017/2018 and readiness for 2019.



## Overview– Cont'

### Audit Findings

- NSFAS received qualified audit from the Auditor General.
- The internal Audit has also identified set of issues documented in the NOCLAR (Non Compliance with Laws and Regulations) report.
- NSFAS has developed a comprehensive plan to mitigate both the Audit finding and to implement NOCLAR recommendations – detailed plan attached.

## Overview– Cont'

### Legislative Compliance

- Comprehensive review and plan of action to address issues raised by PCHET, Accountant General, Internal Audit, and other Forensic documents.
- Amended 2018/19 APP to align with Administrator's Terms of Reference (ToR).
- Revised 2019/20 Strategic Plan and drafted APP.
- Reprioritised 2018/19 Administrative budget in line with the Administrator's areas of focus.

## Overview– Cont'

### Operational Improvements & Remedial action

- Reengineered Remittance processes. R10 Billion was unlocked.
- TVET students that have not signed their contracts are being approved on proof of registration - AG's approval received.
- Prioritised outstanding funding decisions for late applications; established workarounds to unlocked students affected by errors due to system inefficiencies.
- Prioritised Data Remediation, especially for 2017/2018 funding cycle in order to resolve issues, e.g. wrong funded qualifications; students funded below 50% mark;
- Together with all stakeholders, engaged on policy dialogue and coherence ensuring standardisation of allowances across the sector for improved administration.

## Overview– Cont'

### Disbursement Process Reengineering

- NSFAS mandate prescribes disbursement directly to students and institutions, and any third party appointments to be approved by NSFAS.
- Current status is that many institutions have appoint third party agents to disburse allowances to students.
- These unauthorised appointments have potential to erode financial benefits envisaged for students;
- NSFA intends to remove all commercial interests from the disbursement process





# 1. 2018 Progress Update

# 2018 Progress Report

Report Date: 23 November 2018

	21-AUG 2018			23-Nov-18			INCREASE/ DECREASE
	UNIVERSITY	TVET	TOTAL	UNIVERSITY	TVET	TOTAL	
Total Num. of Students Funded (Registered)	288 298	192 952	481 250	358 637	242 441	601 078	119 828
Registration Matched Successfully			472 195			571 524	99 329
Registration Data Received With Errors			9 055	18 264	11 290	29 554	20 499
Contracts Not Signed	23 197	39 297	62 494	14 255	21 154	35 409	-27 085
Number of Students Received Allowances	256 901	150 661	407 562	323 718	204 235	527 953	120 391
Disbursement Errors			2 139	3 756	4 406	8 162	6 023
Have not Received Allowances			73 688	36 275	36 850	73 125	-563

527 953 students have received allowances from the 601 078 funded students.

Students that have not Received Allowances include the following categories: **73 125**

- Registration Data from institutions with errors: 31 000
- Contracts not signed: 35 409
- Internal System Errors: 8 162

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## **2. Stakeholders Support and Engagements**



# Stakeholder Engagements

## STUDENTS

- Intensifying Outreach programs and improving access to rural areas.
- Meeting with student bodies to re-establish “good faith” relations.
- NSFAS trained 200 Gauteng Education Career Practitioners that are assisting learners with 2019 applications.
- NSFAS is reviewing its application process for Persons with Disabilities to ensure adequate support.

## DHET & OTHER GOVERNMENT BODIES

- NSFAS has deployed teams to support institutions across all regions
- Strengthen relationships at the Executive institutional level.
- Partnership with Parliamentary Democracy Office (PDO).
- Exploring strategic partnerships with HEAIDS on student financial wellness for 2019.
- NSFAS and DHET engagement regarding funding policies and have received their input into a draft MoU for 2019.
- Work more directly with institutions to improve the disbursement process for Persons with Disabilities.

# Stakeholder Engagements

## TVETS

- Dedicated team consisting of DHET/TVETs/NSFAS specialists are working on 2017/2018, and 2019 processes, data exchange and systems.
- Policy discussion on standardisation of allowances for students on going.
- TVET capacity challenges – 11 TVETs are critical. Simplifying and aligning NSFAS application processes with TVET processes.

## PLANNED ACTIVITIES:

- Workshop for Finance Officers, Academic Administrators and Financial Aid officers for the 4<sup>th</sup> - 6<sup>th</sup> December
  - Present the new Rules and Guidelines for 2019; and
  - Outline processes and procedures for the 2019 cycle.

## UNIVERSITIES

- NSFAS attended the Finance Executive Forum (FEF) on 2nd November to presented an initial road map of where we have come from, some of the challenges we are facing, how we are addressing them.
- A meeting with the Vice-Chancellors, Registrars and the Finance Executives has been arranged for 3rd December to iron out any issues regarding the 2019 cycle.
  - In preparation a draft MoU has been circulated to the FEF clarifying the roles and responsibilities of all parties.



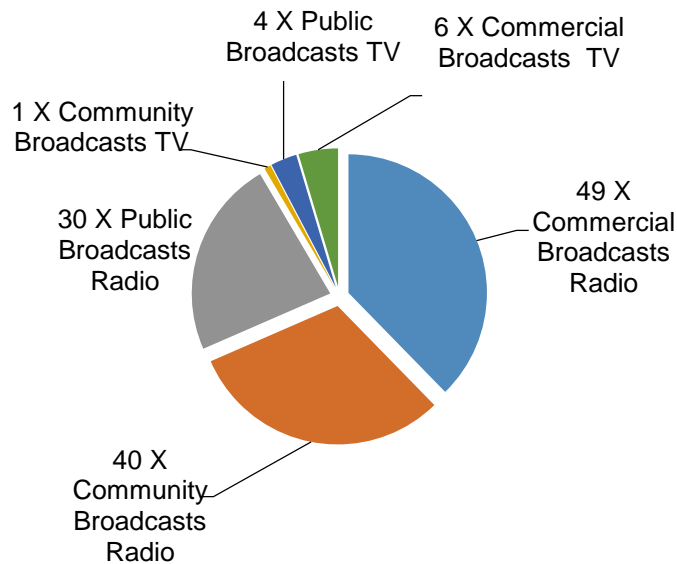
### **3. Progress report on 2019 Applications**

# Communications, Publicity and Awareness

## SUMMARY

- 28 August – Media statement on successful testing of the online application system for 2019.
- 30 August - Media statement on notice to open applications on September 03, 2018.
- 03 September – Media statement on the first day of opening of applications.
- 23 September – Media statement calling SASSA beneficiaries to apply for NSFAS funding.
- 18 October – Media statement on the launch of the Service Centre for walk-in students.
- 01 November – Media statement on the 30 days countdown.

## PUBLICITY



## TACTICS

- Issued 6 x Media Release related to 2019 applications
- Recorded weekly soundbites for news bulletins across stations
- Secured interview slots on community, and public radio and TV stations
- Received and responded to media enquiries through dedicated Press Office
- Procured paid adverts on community media with GCIS
- Launch of NSFAS Walk-in Centre with Deputy Minister
- Count down campaign with Deputy minister
- Regional managers structures engagements

# 2019 Progress Report & Readiness

<b>CHANNEL COMPARISON (SAME PERIOD)</b>	<b>2018</b>	<b>2019</b>
<b>APPLICATIONS RECEIVED VIA NYDA</b>	<b>35 216</b>	<b>24 835</b>
<b>APPLICATIONS RECEIVED VIA ONLINE</b>	<b>156 719</b>	<b>263 856</b>
<b>TOTAL APPLICATIONS</b>	<b>191 935</b>	<b>288 691</b>

*Report Date: 20 November 2018.*

- The Closing date for 2019 Application is 30 November 2018.
- 2019 application process opened a month later than 2018 and we have already received 33% applications more.
- The application system has remained stable through this process.
- NSFAS is expecting a spike in applications in the week ending 30<sup>th</sup> November.
- 95% of applications have been evaluated. Failure to submit the required supporting documents remains an issue (approx. 49K applications).





## 4. 2019 Readiness

# 2019 Readiness

In order to prepare adequately for 2019, the Administrator, together with management team, identified critical priority projects to ensure an improved 2019 funding year. These have been projectized and resourced to ensure delivery.

- **MASTER DATA SETUP: Funders & Qualifications**
  - Redefine and configure master data setup for 2019.
- **CLOSE OUT 2017 AND 2018**
  - Data Remediation.
  - Complete all outstanding work for 2017 and 2018 applications.
- **DATA INTEGRATION**
  - Stabilise interface between NSFAS and institutions.
  - Improve system-to-system communications between NSFAS and institutions.
- **NOCLAR (Non Compliance with Laws and Regulations)**
  - Remediate all related internal audit findings by 14 December 2018.
- **2019 DISBURSEMENTS**
  - NSFAS is engaging with financial institutions to expediate disbursement and payment of allowances directly to students; Timelines will be confirmed and communicated as soon as engagements are completed.
- **IT STABILISATION**
  - Stabilization of systems that support core business processes including disbursement. Systems have been running for 52 days without failure.



**5. Progress report  
on Investigations**



## Context

- In the 2017 academic year NSFAS **migrated all remaining institutions** (58) to the student-centred model.
- In the student-centred model students **apply for funding once**. The contract includes an **estimate of the funding required for the duration of study**.
- During the migration, some contracts (2,427) were generated with incorrect amounts (amounts less than R1,000) while the contract amount on other contracts (11,153) was less than the funding required.
- In both instances, NSFAS disbursed the **correct funding to institutions and students based on the registration data**.
- The extent of payments in excess of erroneous contract amounts was determined by management to be R284m (on the full population), external auditors projected R727m (R504m on student loans and R223m on bursaries).
- The external auditors were unable to verify the extent of payments in excess of contract amounts as the records of contract amounts on NSFAS databases were not reliable.
- This resulted in a **material scope limitation**.

## Context

- There was a **significant breakdown in controls and inadequate governance processes** which resulted in NSFAS making payments in excess of contract amounts.
- Determination of the impact of the above on reporting was a technical and complex matter – NSFAS obtained a legal opinion and the audit team referred the matter to their technical department.
- The legal opinion obtained by NSFAS indicated that:
  - the payments in excess of contract amounts **did not result in non-compliance with the NSFAS Act/NCA.**
  - Where there was a clear error on the contract, amounts are recoverable in terms of common law.
  - Where there is no clear error, payments in excess of contract amounts may not be recoverable.
- The Auditor General did not agree with the legal opinion obtained by NSFAS. They concluded that:
  - the payments in excess of contract amounts resulted in **material non-compliance with the NSFAS Act and the National Credit Act,** resulting in the payments being **classified as irregular expenditure (IE).**

# Progress on Investigations

- Deficiencies were identified in governance and internal controls over disbursement of funds to students and institutions.
- The deficiencies were the result of actions not taken by the previous Board and/or previous Executive Management.
- A service provider has been appointed to perform a forensic investigation on disbursements to determine whether any fraud took place.
- The investigation has just commenced.
- There is ongoing work on internal controls remediation in terms of a plan that has been agreed with internal audit – NOCLAR project.



**6. Progress report  
on addressing  
Audit Outcomes**

# Addressing Auditor General's Findings

- The corrective action focus on the following aspects:
  - Re-issue contracts with correct funding amount.
  - Verification of the extent of over disbursements taking into account the 2018/19 payments.
  - Interim review by the Auditor-General.



# Addressing Auditor General's Findings

## PAYMENTS IN EXCESS OF CONTRACT AMOUNTS

CORRECTIVE ACTION	TARGET DATE	STATUS
Verify/confirm contract amounts	Jan-19	In progress
Identify all accounts with over payments in excess of contract amounts or risk of payments in excess of contract amounts.	Oct-18	Completed
Determine the correct contract amount	Oct-18	Completed
Configure ICT systems to generate and issue revised contracts	Nov-18	In progress
Communicate revised contracts to affected students	Nov-18	Not yet started
Monitor signing of contracts / implement communication campaigns	Dec 18 - Mar 19	Not yet started
Determine extent of over disbursements for 2018/19	Dec-18	Not yet started
External auditors to perform verification of the extent of over disbursements for 2017/18 and 2018/19	Mar-19	Not yet started
Disbursement process redesign	Mar-19	In progress
Improve access controls and segregation of duties	Dec-18	In progress

# Addressing Auditor General’s Findings

## OTHER MATTERS

FINDING/CORRECTIVE ACTION	TARGET DATE	STATUS
<b>Investments with asset managers not approved by NT</b>		
Disinvest funds invested with asset managers	Aug-18	Completed
<p><b>Reliability of reported performance information</b>                      On-line applications were erroneously included in the manual application calculation and this overstatement could not be corrected at the time.</p> <p>Additional reviews have been introduced on performance information submitted for reporting.</p>	Ongoing	In progress



**End**