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GOVERNMENT NOTICES • GOEWERMENTSKENNISGEWINGS

DEPARTMENT OF HIGHER EDUCATION AND TRAINING

NO. 584

21 MAY 2020

TREASURY REGULATIONS (2005), REGULATION 20**APPOINTMENT OF MINISTERIAL COMMITTEE OF INQUIRY TO CONDUCT AN INDEPENDENT INVESTIGATION INTO THE BUSINESS PROCESSES, SYSTEMS AND CAPACITY OF THE NATIONAL STUDENT FINANCIAL AID SCHEME**

I, Dr Bonginkosi Emmanuel Nzimande, MP, Minister of Higher Education, Science and Technology, in terms of Regulation 20 of the Treasury Regulations (2005), hereby appoint a Ministerial Committee of Inquiry to conduct an independent investigation into the business processes, systems and capacity of the National Student Financial Aid Scheme, and make recommendations for a future model of administering student financial aid. The Terms of Reference for the Committee of Inquiry are attached hereto.



Dr BE Nzimande, MP

Minister of Higher Education, Science and Technology

Date: 08/05/2020

Establishment of a Ministerial Committee of Inquiry to conduct an independent investigation into the business processes, systems, and capacity of the National Student Financial Aid Scheme (NSFAS) and make recommendations for a future model for administering student financial aid

Background

In 2017, the National Student Financial Aid Scheme (NSFAS) rolled out a new funding system for students to all universities and Technical and Vocational Education and Training (TVET) institutions. The new system, referred to as a “student-centred” model involved the direct funding of students by NSFAS. The roll out of the new model was preceded by several years of development that followed the NSFAS review in 2009/10, as well as various interventions on the part of the Department of Higher Education and Training (the Department).

The NSFAS student-centred model was intended to provide an improved information technology platform for submitting and processing student applications where students applied directly to NSFAS through an online application system. In the “old” system institutions received an allocation with an upfront payment, managed the awarding and payments of loans to students, and thereafter submitted claims to NSFAS for payment to institutions. The new system was intended to allow NSFAS to manage allocations, students to know their funding status before registration, and on signing of a loan agreement form and schedule of particulars, receive their allowances immediately after registration.

NSFAS underestimated the magnitude of the processes and timelines required to implement the new model effectively. In addition, NSFAS did not have the requisite capacity and technical knowledge required for a successful student financial aid administration from the start of the applications process to successfully funding students. The Information Technology (IT) platform and systems built to manage the processes were not able to function effectively. There were huge delays in paying students and making funding decisions and it was necessary for outside assistance to be brought in to resolve the 2017 funding cycle. By August 2018, there were still aspects of the 2017 student funding cycle that had to be resolved, and these had a knock-on effect on the 2018 funding cycle.

While some changes to systems and processes at NSFAS during 2017 resulted in a relatively successful application phase for the 2018 cycle (with students applying directly to NSFAS in 2017 and many of the funding decisions being concluded by January 2018), the rest of the processes at NSFAS were subject to severe challenges and unacceptable delays in 2018.

This was in part due to the complexities introduced by the start of the roll-out of the new funding for poor and working class students through the new DHET Bursary scheme introduced in 2018, but also related to the entity not doing enough to address the multiple system problems and inadequate business processes already under strain in 2017.

The effect of these challenges were serious. As the student funding cycle progressed in 2018, NSFAS was unable to finalise funding decisions and process payments to students, even at a late stage of the academic year. This meant that NSFAS relied almost entirely on institutions to make payments to students. Many students remained unconfirmed and unfunded late in 2018, and there was evidence of multiple data and IT integration/system problems at NSFAS.

The root causes of these problems are multiple and complex, and relate to problems in the areas of business processes, policy and controls, and staffing capacity. The core problems relate to, but are not restricted to, an inadequate information technology architecture and system and business processes that are not fit-for-purpose and were designed without adequate consultation with and consideration of institutional systems. While there have been internal reviews of these systems, recommendations have not been fully implemented at this stage. However, the entity has itself identified some serious control and system weaknesses that are being urgently addressed.

With the introduction of substantial new student funding from government, along with a range of new policy considerations, and taking into account the existing weaknesses in the entity, the challenges facing NSFAS in these areas became acute. This led to the Minister of Higher Education and Training placing NSFAS under Administration in August 2018, for an initial period of 12 months. A second phase of Administration commenced in August 2019. Many of the problems, and additional concerns have been unearthed during the period of Administration thus far. Although the 2019 student funding cycle was much better managed, and there is evidence of significant improvements, some of the core problems identified above remain.

The Minister has decided to appoint a Ministerial Committee of Inquiry to conduct an independent investigation into the root causes of the systems, process, policy and capacity challenges and to make recommendations about the short and long-term changes necessary for an effective student financial aid system at NSFAS.

Role of NSFAS Management

The NSFAS Management and Administration team will be expected to work closely with the Committee of Inquiry and provide all relevant reports, reviews and investigations undertaken by the NSFAS to the investigation team. The investigation should not repeat recent review and investigative work already done, but rather take this into consideration in its investigation. It must also ensure alignment with any related work being undertaken at NSFAS.

Scope of the investigation

The scope of the investigation is to determine the root causes of the problems experienced with the roll out of the “student-centred” model at NSFAS and the implementation of the new bursary scheme from 2018, and make recommendations for the future business processes, systems, policies and capacity necessary at NSFAS to administer student financial aid effectively.

The investigation must include an assessment of what should be done to make the current systems and processes ‘fit for purpose’ for the future.

The investigation will lay the basis for a set of proposals for the longer-term future of the student funding model for the DHET bursary scheme and other government funding schemes already supported through NSFAS.

Terms of Reference for the investigation

The investigation must include:

- An assessment of the approved enterprise architecture and business processes of the new student-centred model approved by the NSFAS Board in 2012 – 2013. This must include a full examination of the role and responsibilities of all role players (i.e. NSFAS, universities, TVET colleges, the Department) in the model.
- A full review of the IT systems that support the NSFAS student centred model, and specifically the interface between the NSFAS IT system and the IT systems at universities and colleges. This review must identify the critical issues that have led to the failure of the integration of data between NSFAS and institutions and make recommendations on the possibility of adaptation to automatically support data transfer. It must make a determination on the extent to which the architecture of the NSFAS model is aligned with university and TVET college processes and IT systems, and what the gaps/ challenges with the model may be.
- A review of the findings and determination of the progress on recommendations of all reports that have been undertaken by NSFAS between 2014 and 2020 to address systems and capacity deficiencies of the NSFAS funding model. This includes the full student funding cycle from application to evaluation and funding decisions made, to the integration of institutional data and engagement with institutions to confirm funding for students, to the disbursement and payment systems.
- A review of the system performance of NSFAS in relation to the 2018, 2019 and 2020 application processes for TVET college and university students, in lieu of the implementation of the new DHET Bursary Scheme including the assistance provided by the NYDA and other partners.
- A review of the approved processes set up for the NSFAS financial eligibility means test evaluation process in lieu of the new DHET Bursary Scheme for the 2018-2020 application process and the implementation thereof.
- A review of the suitability of all disbursement systems, including related business processes and internal controls relating to this.
- An investigation into the policies, controls and agreements in place at NSFAS to administer the full scope of the system, identifying weaknesses and challenges in all these areas. This should include all departments within the entity – finance, HR, ICT, operations etc.
- A review of the organogram, current job descriptions, and skills requirements to administer a future financial aid system.
- A review of the governance processes and models in place to ensure effective oversight of management of the entity.

- An assessment of the roles and responsibilities and relationships between NSFAS and universities and TVET colleges and proposals for any necessary changes in this area.

On the basis of the investigations to be conducted above, the Committee should make recommendations for improvements in all areas, as well as to advise on an appropriate model and processes for ensuring effective student funding support at universities and TVET colleges for the future.

Time frame

The investigation should be completed within six months from the date of appointment of the Committee.

Reporting Requirements:

The Ministerial Committee of Inquiry is accountable to the Minister of Higher Education and Training. The following key deliverables are expected:

- A draft workplan for the Committee: within two weeks of the start of the process.
- An interim report on progress with the investigation after two months of the commencement of the process, and monthly reports thereafter.
- A final report with assessments and recommendations in all areas at the end of the six-month period.

Composition of the Committee of Inquiry:

The members of the Committee will be identified before publication in consultation with the Minister.

While the Committee of Inquiry is appointed by the Minister of Higher Education and Training and must work closely with the Department of Higher Education and Training in carrying out its work, it must act independently and objectively in relation to its terms of reference.

Confidentiality:

The principle of confidentiality is important in this review, and members of the Committee of Inquiry must refrain from disclosing confidential information relating to the investigation unless this is required in terms of the law.

Administrative arrangements:

The Department, through the Directorate: Management Support, will provide secretariat and administrative support to the Committee. The Directorate will serve as the link between the Committee of Inquiry and the Office of the Minister in all aspects of the work of the Committee. However, as it is likely that the Committee members may spend substantial time at the NSFAS offices, it may be necessary for office space and other work-related resources to be provided to the team by NSFAS. This will be negotiated with NSFAS through the Department.

The maximum remuneration payable to non-official members of Committees of Inquiry will be in terms of Treasury Regulation 20.2.2, the maximum remuneration payable to non-official members of Committees of Inquiry with effect from 1 April 2018

The remuneration payable to additional experts/consultants will be in terms of the hourly rates for consultants as per the Department of Public Administration guideline with effect from 1 July 2019.

