

**Tertiary Education
Commission**

Te Amorangi Mātauranga Matua



Audit Guidelines

September 2020

Contents

Audit guidelines	3
The Tertiary Education Commission (TEC)	3
Understanding the TEC's monitoring role	3
Monitoring principles	4
Scope and types of audits	4
How we undertake audits	5
Records required	5
Reliance on other audits or compliance activities	5
Inter-Agency co-ordination	6
Inherent Limitations of an audit	6
Reasonable and limited assurance	6
Complaints about our audit processes	6

Audit guidelines

These guidelines will help you understand how the Tertiary Education Commission (TEC) undertakes tertiary education organisations (TEOs) audits and what you can expect during an audit.

We carry out audits of the tertiary education organisations TEOs we fund. This is a standard procedure and is part of our overall approach to monitoring TEOs.

Auditing provides assurance that TEOs are complying with the Education and Training Act 2020 and conditions imposed on their funding.

We are committed to partnering with TEOs, and sharing learnings from our monitoring work that will help the sector build capability so we can all achieve better outcomes for learners.

Our audit focus will be on assisting TEOs in achieving their objectives through well-reasoned audits, evaluations and analyses of the business viability and student education outcomes.

The Tertiary Education Commission (TEC)

The Tertiary Education Commission (TEC) invests approximately \$3 billion every year into tertiary education. We regularly monitor approximately 700 TEOs to ensure they are performing and meeting their funding agreements.

As the Government's key investor in tertiary education, our monitoring helps ensure TEOs deliver agreed services, so New Zealanders can get the knowledge and skills they need for lifelong success. Tertiary education is a substantial commitment of time and resources for learners, taxpayers, and government and they deserve full value for their investment.

Understanding the TEC's monitoring role

TEC takes a flexible and graduated approach to monitoring. We work with TEOs to assist where necessary and to make sure that when intervention is required, both the TEO and TEC only invest as much time and effort as is necessary in the circumstances.

By using the extensive information and data we have available from across the education sector, we take an intelligence-led, proactive approach to monitoring. This means we can identify issues early, provide relevant and timely support, and respond appropriately.

Our monitoring work includes working collaboratively with TEOs, informing and educating TEOs on their obligations and helping them perform to their absolute best.

Further information and guidelines regarding our monitoring role is available on TEC's website, such as:

- › types of monitoring undertaken,
- › monitoring principles,
- › how investigations are undertaken,
- › TEC conduct during an investigation, and
- › how we deal with information.

Monitoring principles

We will conduct ourselves in a professional manner and will aim to undertake all of our monitoring work in accordance with the following principles¹:

- › *Principle 1: We are objective, fair, and impartial*
- › *Principle 2: We aim to be as open and transparent as we can be*
- › *Principle 3: We are accountable for our decisions*
- › *Principle 4: We investigate in a timely way*
- › *Principle 5: We handle information responsibly.*

Scope and types of audits

TEC's monitoring function is set out in section 409(1)(h) of the Education and Training Act 2020, which provides that the TEC's functions are "to monitor the performance of organisations that receive funding from TEC, including by measuring performance against specified outcomes." Monitoring commences once the TEO is funded and tracks the TEO's performance in delivery and organisational viability.

The scope of each audit will depend on the type of audit being undertaken and the level of assessed risk. Audits may also vary by sub-sector to match their different funding requirements. The scope of each individual TEO audit will be advised prior to the audit.

Funded TEOs may be subject to one or more of the following types of audit;

- › Self-audits - a questionnaire or check list used to assess and improve the quality and delivery of a TEOs services and processes. A robust self-audit process would provide senior management with comfort that the TEO has clearly understood TEC funding conditions and is complying with them. TEC may use the self-audit results as input into further audits.
- › Desktop audit – a high level review of policies and procedures designed to verify that a TEO has implemented effective policies, procedures and delivery practices. TEO performance will be reviewed using information and data held by TEC, along with selected information provided by the TEO.
- › On-site audit – an in depth audit of the TEOs policies and procedures to verify that a TEO has implemented effective policies, procedures and delivery practices. This will require a TEC auditor to undertake field work at the TEO.
- › On site special or focused audit – special events may require ad hoc auditing that may occur for a number of different reasons, e.g. new funding and as an output from a systems review.

Note an audit is a snapshot at a given point in time and may not provide a view of ongoing compliance.

While conducting audits, new information or risks identified may require changes to the audit scope or elevation to an investigation. If we suspect fraudulent activity has occurred or is occurring, we will report it to the police and/or the Serious Fraud Office.

¹ Refer to our [investigation guidelines](#) for further details about our monitoring principles

How we undertake audits

The main phases of a TEC audit are:

- › Planning and Preparation – gaining an understanding of the TEO, identifying risk factors, developing an audit strategy, and assessing materiality.
- › Testing and Field Work – fieldwork (both on and off site) is conducted by speaking to TEO staff members, gathering information and reviewing procedures and processes. We test for compliance with policies and procedures. Internal controls are evaluated to make sure they're adequate. We will discuss issues as they arise to give the organisation an opportunity to respond.
- › Review and Reporting - evaluating and reporting the results of the detailed testing in light of our understanding of the TEO and forming an opinion on the systems, processes and practices are effective to meet funding requirements. The TEO will have the opportunity to review and comment on the draft audit report before it is finalised.
- › Finalising the audit report– we will take the TEOs comments into account and finalise the audit report.
- › Corrective actions – any corrective actions required will depend on the nature of issues identified, but may include funding recoveries, reporting resubmissions, process improvements and improvement action plans. We will work with the TEO to make improvements to their practices to ensure improved compliance in the future.

Records required

Audits will review the records kept by each TEO. These records are required to be kept and made available for inspection under clause 13(1) of Schedule 18 of the Education and Training Act 2020 (for on-plan funding under section 425), and 25(1) of Schedule 18 (for off-plan funding under section 428).

Examples of information that may be reviewed during an audit include:

- › internal reports relating to performance and data requirements
- › policies and procedures
- › student records
- › New Zealand Qualifications Authority (NZQA) letters of approval
- › fees information
- › student handbooks
- › organisation charts.

Reliance on other audits or compliance activities

Ever-increasing compliance requirements and business complexity have driven an increase in audits and other compliance requirements for all TEOs. These activities provide assurance on the areas they have assessed, and recommendations to strengthen the related controls, often in areas that are within the scope of the TEC's audit work.

The results of these other assurance providers can be integrated with the work of the TEC's audit to communicate a comprehensive integrated view of the TEO and the risks it faces.

TEC will consider ways to adopt the work of other assurance providers to minimise duplication of work and disruption to the TEO, provide enhanced coverage, and conserve audit resources for high-risk processes.

Common external assurance providers may include Audit New Zealand, public accounting firms, consulting companies, legal firms, and internal audit functions of TEO service providers.

Inter-Agency co-ordination

The TEC works closely with a number of government agencies, including the New Zealand Qualifications Authority (NZQA), the Ministry of Social Development (MSD), Immigration New Zealand (INZ), and the Ministry of Education (MoE) in an all-of-government approach.

Where we obtain information that may affect any of these agencies, we will advise that agency of our concern and possible sources of information for its own enquiry. We will also work with other enforcement agencies to ensure that our monitoring activities are coordinated as required to reduce the burden on TEOs.

Inherent Limitations of an audit

TEC's audits do not provide complete assurance of historical, current or future compliance. This is because the TEC takes a sample-based approach, and only audits against a limited scope of the applicable funding conditions and other requirements. This approach allows us to obtain reasonable or limited assurance of compliance, without placing an undue burden on TEOs or our own resources.

As such, despite our best efforts, some issues may remain undetected. Non-detection of non-compliance during an audit does not make that practice compliant. If non-compliance is detected at a later date, the TEC may take action under the Education and Training Act 2020, or recover funding. Such action and funding recovery will not be restricted by non-detection of an issue in a previous audit or investigation.

Reasonable and limited assurance

During an on-site audit, the auditor will be looking to obtain *reasonable assurance* by relying on control systems in place, sampling and other testing to form a view of overall compliance and reporting accuracy. It should not be assumed that every detail or record has been checked and verified by the auditor. Therefore, there is a low risk that the audit will not detect all areas of non-compliance or may express an incorrect conclusion.

Limited assurance is obtained where TEC undertakes Desk-top audits as these are based on limited information that has been sent to us. While the risk of not detecting non-compliance is higher than expected for reasonable assurance audits, this is minimised by our overall TEO risk assessments before the audit scope is determined.

TEO audits are undertaken to provide reasonable assurance of a TEOs compliance with the Education and Training Act 2020 and conditions imposed on TEC funding and for no other purpose. We do not accept or assume responsibility to any third party, for our audit work, the audit report, or the opinions we have formed.

Complaints about our audit processes

Any person who wishes to complain about our audit process in a particular case should contact the Chief Executive's office at chiefexecutive@tec.govt.nz.

If you are not satisfied by our response, you may bring your concerns to the Office of the Ombudsman (<http://www.ombudsman.parliament.nz/make-a-complaint>)