TEC Investigation Report – Competenz's Enrolment and Eligibility Assessment Processes

Executive Summary

1. In mid-2017 Competenz advised the TEC it had identified issues with one of its employers concerning the eligibility of temporary trainees for TEC funding.

2. On behalf of Competenz, and in collaboration with the TEC, Grant Thornton undertook an investigation into Competenz's trainee enrolment and eligibility assessment processes. The investigation found that Competenz received funding for ineligible temporary trainees in 2015 and 2016. This resulted in Competenz repaying $56,080.64 (GST exclusive) for over-funding.

3. The investigation also found that Competenz incorrectly granted employers permission not to use the Literacy and Numeracy Adult Assessment tool (LNAAT) for level 1 and 2 programmes.

4. Grant Thornton's wider review of eight of Competenz's largest clients identified other mainly minor administrative matters, which are being addressed.

5. One issue that required a follow-up concerned a training agreement submitted to Competenz with the incorrect employment status of the trainee. This was found to be an isolated incident and Competenz has since implemented the requisite changes that address this issue.

6. The TEC will undertake a follow-up audit later in 2018 to ensure all issues have been addressed.

Background

7. Competenz is one of 11 Industry Training Organisations (ITOs) in New Zealand. Its coverage includes manufacturing, engineering, baking, food and beverage processing, forest industries and fire protection systems.

8. In 2017 Competenz received $22.14 million of TEC funding for 5,500 STMs (Standard Training Measure[1]).

9. In early 2017 Competenz initiated a process to ensure that trainees who were entered into the Industry Training Register (ITR[2]) were eligible for TEC funding. As some employers who Competenz arranged training for had 'temporary workers', it was apparent that they may not meet certain eligibility criteria.

10. Competenz labelled these temporary workers as "quarantined" in their Trainee Management System (TMS). The quarantine process was designed to assess whether the temporary workers were eligible for training funding.

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[1] An STM is the amount of training required for a learner to achieve 120 credits in an approved structured training programme.

[2] The ITR is an online tool that collects trainee and apprenticeship data from Industry Training Organisations that receive funding from the TEC's Industry Training Fund.

11. In September 2017, Competenz advised the TEC it appeared this process had not been followed. Instead of assessing trainees' funding eligibility, the ITO's National Manager in charge of one specific employer had approved all the quarantined temporary workers as eligible for training.

12. The issue prompted Competenz, in collaboration with the TEC, to engage Grant Thornton to review its trainee enrolment and eligibility assessment processes. This was to determine whether it was an isolated incident or more widely spread. It also included a review of the same processes for eight of Competenz's largest clients.

TEC's approach to the investigation

13. As announced in late 2017, we have re-aligned our methodology to take a more flexible approach to monitoring, including how we conduct investigations. What we used to call reviews have been blended into investigations. This is a more flexible approach designed for better response to the levels of risk and issues identified.

14. Under the new approach, rather than outsourcing our investigation, we are closely involved with tertiary education organisations (TEOs) throughout the process and use external parties to support our work. Our intention is to place as little burden on TEOs as possible, while still ensuring the interests of learners, government and the tertiary education system more broadly are protected. You can read more about our new approach here.

15. We jointly agreed with Competenz that the most effective approach was to engage Grant Thornton to investigate the specific issue and also to look wider to ensure that this was an isolated incident.

16. The TEC also analysed data submitted by Competenz. Once we received the Grant Thornton report we compared our findings with those of the report and followed up with both Grant Thornton and Competenz on matters that required clarification. This was to give the TEC confidence that matters raised in both the report and our own analysis had been, or were in the process of, being addressed.

17. This report utilises information received directly from Competenz, from the Grant Thornton report, and TEC subject matter experts.

Scope of Grant Thornton report

18. The scope and approach undertaken by Grant Thornton was to:

- analyse trainee enrolment data of a broad range of employers for 2015 to 2017

- sample 30 industry-based trainees entered into the Industry Training Register (ITR) to assess alignment with TEC eligibility criteria

- review performance measures and compensation incentive programmes.

Findings of the investigation

Trainee Eligibility

19. The investigation confirmed that Competenz received funding for ineligible trainees in 2015 and 2016. This was mainly due to:

- insufficient clarity of training processes and each party's roles and responsibilities in the contract

- insufficient detail of trainee eligibility assessment and enrolment processes for staff in Competenz's Standard Operating Procedures (SOPs).

20. There was no evidence that the issues were driven by performance incentives or other personal gain.

Other Issues

21. To ensure this was an isolated incident, the investigation looked at eight other of Competenz's largest clients, focusing on trainee records and eligibility.

22. Except for two issues, which are set out below, the majority of the issues identified are minor and administrative in nature.

Application of Literacy and Numeracy Adult Assessment Tool (LNAAT)

23. One of the issues was that Competenz granted exceptions to four employers not to use the LNAAT for Level 1 and 2 programmes in line with the TEC's Industry Training Fund conditions.

24. The TEC is rolling out a more flexible approach to LNAAT by removing the requirement to assess all trainees at levels 1 and 2. However, we still expect that all trainees without prior qualifications who are enrolled at any level (but in particular level 1 and 2), to have their literacy and numeracy needs assessed and appropriate support provided.

Employer provided incorrect trainee information to Competenz

25. In one instance one employer provided a training agreement which incorrectly stated the trainee's employment status. This arose when the employer stated the trainee as its employee, rather than as a temporary worker, which could affect funding eligibility. However, as the employer did sign the training agreement, it must have considered this trainee to be eligible.

26. While Competenz relies on the information provided by employers regarding the eligibility status of trainees, we have asked Competenz to reinforce with employers the importance of submitting accurate information on the employment status of trainees.

Remedial Actions

Issue	Remedial Action

Trainee eligibility	• As soon as Competenz became aware of the eligibility issues it backdated ineligible trainees to the start date and removed them from the ITR, so it would not receive funding for them. Competenz also reviewed prior years of the affected employer and repaid the TEC $56,080.64 (GST exclusive) of funding received for ineligible learners in 2015 and 2016.
	
	• Since that time Competenz has:
	
	   • undertaken a full review of its database against eligibility to confirm each trainee is employed and actively working towards the training plan
	
	   • implemented monthly eligibility checks
	
	   • implemented regular checks of the database for any information gaps
	
	   • developed specification for eligibility checks that can be captured in its Trainee Management System, so that these become reportable to management
	
	   • initiated an update of its SOPs to ensure everyone is trained on Competenz's internal processes to meet the obligations of TEC funding conditions
	
	   • conducted a review of the induction process for account managers and re-induction for all account managers and training advisors
	
	   • reviewed current contracts to ensure all requirements are covered off in conjunction with industry training providers. Any variation of current contracts will require sign-off by its General Manager Information Technology and the Chief Financial Officer in the future.

Issue	Remedial Action
Application of LNAAT	• Competenz has advised that where employers opted not to use the tool it was usually because they had applied their own assessment tools. The TEC is open to allowing this approach and will consider it as an option in our more flexible LNAAT process due to be rolled out this year. • Competenz has given its assurances to adjust its processes to comply with the TEC's expectations.
Employer provided incorrect trainee information to Competenz	• Competenz has implemented changes to the training agreement wording to be more explicit in both the Training Agreement and the Corporate and Provider Agreement that the person is the organisation's trainee and not temporary staff. • Competenz has further given the undertaking to periodically take random samples to check trainee eligibility criteria have been met.

Next steps

Follow-up TEC audit

27. A standard TEC audit of Competenz is scheduled for late 2018. The audit will also check that all matters raised by the investigation have been addressed.

Conclusion

28. Competenz proactively notified the TEC immediately when issues were identified. Competenz has collaborated with the TEC throughout this process. This has greatly aided the investigation and is a good example of the TEC and a TEO working together to ensure compliance.

29. We are satisfied that Competenz has undertaken all the necessary steps to address and resolve the issues identified, and we look forward to continue working with Competenz in a constructive way in the future.

We ensure New Zealand's future success.