



TEC Investigation Report – Service Skills Institute Incorporated (trading as ServiceIQ)

Executive Summary

1. In 2017 the Tertiary Education Commission (TEC) initiated an investigation into Service Skills Institute Incorporated (ServiceIQ). The investigation began after ServiceIQ requested that TEC retrospectively fund a large number of 2016 and 2017 Employer A trainees enrolled in the NZ Certificate in Retail (Level 2) (NZCRL2). ServiceIQ further requested that the New Zealand Qualifications Authority (NZQA) retrospectively award this qualification to in excess of 12,000 Employer A trainees.
2. TEC and NZQA undertook their own initial investigations into the NZCRL2 at Employer A pertaining to their respective jurisdictions of compliance with TEC funding conditions and quality assurance. These investigations identified significant breaches of legislative requirements and funding conditions in relation to ServiceIQ's quality assurance, enrolment practices and training oversight. As a result TEC and NZQA declined ServiceIQ's request to retrospectively fund and award qualifications to Employer A trainees.
3. To ensure issues were not more widely spread, TEC expanded its investigation to include NZCRL2 and NZCRL3 at Employer B, Employer C and the New Zealand Certificate in Food and Beverage Services Level 3 (NZCFBL3) at Employer D.
4. While the wider investigation found no material issues with the NZCRL3 at Employer B, Employer C or with Employer D's NZCFBL3, it identified issues with the NZCRL2 at Employer B, similar to those found at Employer A. Key findings are:
 - ServiceIQ used bulk sign-up sheets in lieu of individual training agreements for both Employer A and Employer B which do not satisfy legislative and funding condition requirements;
 - ServiceIQ had very limited involvement in the training process; and
 - ServiceIQ included a large number of trainees in induction training who had been employees for many years without applying recognition of prior learning (RPL), which the TEC does not fund.
5. In addition to declining ServiceIQ's request to retrospectively fund Employer A trainees, the findings resulted in the TEC also recovering \$2,819,417.26 (GST exclusive) in monies for already funded 2016 and 2017 NZCRL2 Employer A and Employer B trainees.
6. Since then ServiceIQ has developed a plan of remedial actions and we are working with the organisation on their implementation.

Background

7. ServiceIQ is one of 11 Industry Training Organisations (ITOs). Following the merger of the Aviation Tourism Travel Training Organisation, Hospitality Standard Institute and Retail Institute in 2013, ServiceIQ became the recognised ITO for hospitality, aviation, retail, travel, tourism and museums.

It is responsible for arranging workplace-based training, which includes managing and administering industry training and New Zealand apprenticeships.

Rationale for the investigation

8. We initiated the investigation over concerns about the robustness of ServiceIQ's enrolment and training processes. This was triggered by the then Chief Executive's request in August 2017 to retrospectively fund over 6,400 Employer A trainees for the NZCRL2.
9. ServiceIQ also sought to have these qualifications retrospectively awarded to over 12,000 Employer A trainees who completed training during 2015, 2016 and 2017 but had no credits reported to the NZQA.
10. During the same period, ServiceIQ also requested that a cohort of trainees from Employer C who had already completed qualifications be deleted from the Industry Training Register (ITR) and that NZQA delete the qualification from the trainees' record of learning.
11. Given that the issues concerned both the TEC and NZQA, both agencies launched their own investigations to assess the extent of the issues. This report details TEC's investigation findings.

TEC's approach to the investigation

12. TEC takes a flexible approach to monitoring. Rather than outsourcing all of our investigations, we are undertaking some of them in-house. What we used to call reviews has been blended into investigations. This allows us a more targeted response to the level of risk and issues identified.
13. In the case of ServiceIQ, we have been working closely with the organisation and relevant staff throughout the process. We were mindful to place as little burden on the organisation as possible, while still ensuring the interests of trainees, employers, government and the tertiary education system more broadly, are protected.
14. Our investigation included interviews with staff and trainees of ServiceIQ's employers. Their responses are reflected in this report.

Investigation Scope

15. The initial investigation looked at ServiceIQ's training processes and procedures for the NZCRL2 in relation to Employer A and Employer C trainees. To do this we completed:
 - › a review of ServiceIQ's policies and procedures in relation to enrolling and verifying trainees, monitoring trainee progression and reporting to both the TEC and NZQA;
 - › analysis of the ITR, including funding implications;
 - › interviews with ServiceIQ personnel involved in the above processes;
 - › interviews with a sample of trainees; and
 - › interviews with representatives from Employer A and Employer C.
16. The initial investigation identified significant issues with ServiceIQ's oversight of enrolment and training for Employer A trainees. We expanded the investigation to include NZCRL2 and NZCRL3 at Employer B and Employer C and the NZCFBL3 at Employer D, to check the extent of the issues.

Qual Link

17. The programmes under investigation are all delivered through Qual Link. This is a process ServiceIQ has developed for industry training. It maps the existing in-house training provided by an employer to the learning outcomes and unit standards of a qualification listed on the New Zealand Qualifications Framework (NZQF).
18. Where gaps are identified, ServiceIQ works with the employer to provide, or develop further training or material to meet the requirements of the unit standards within the approved industry training programme. The Qual Link is confirmed when the employer's training meets those requirements.

Investigation Findings

19. We found no material issues with ServiceIQ's enrolment processes and training oversight for the NZCRL3 at Employer B, Employer C and Employer D's NZCFBL3.
20. The issue regarding ServiceIQ's request to delete 43 of Employer C's NZCRL3 trainees from the industry training register has also been resolved. It arose because of a systems error at Employer C which led to it incorrectly reporting trainees as having completed NZCRL3 modules. Employer C has since updated its learner management system so that similar reporting errors are not repeated. However, the deletion of the trainees has resulted in a recovery of funding ServiceIQ received for these trainees.
21. Our initial investigation identified that ServiceIQ used bulk sign-out sheets in lieu of individual training agreements for Employer A and Employer B over 2016-2017 (for NZCRL2 trainees). However ServiceIQ was able to subsequently provide TEC with individual training agreements for approximately 80 percent of Employer A trainees and for 20 percent of Employer B trainees that were entered into the ITR during that period. The key findings for both Employer A and Employer B are:
 - › ServiceIQ used bulk sign-out sheets in lieu of individual training agreements, which provide insufficient information to confirm trainee eligibility and do not satisfy legislative and funding condition requirements;
 - › Several bulk sign-out sheets had signatures missing. As they are used as training agreements they must be signed by the trainee or they are not eligible for funding. Having the employer signature is also an essential step in the verification of trainee process by ServiceIQ;¹
 - › Several bulk sign-out sheets did not include the 12 week appraisal date (which is a necessary step in attaining the qualification);
 - › There appeared to be some irregularities in the signature fields of one Employer A bulk sign-out sheet which we would have expected to be followed up by ServiceIQ;
 - › ServiceIQ had very limited involvement in the training process. A consistent response from store managers we interviewed was that ServiceIQ only visited or made contact when they needed enrolments or confirmation of completions; and
 - › ServiceIQ included a large number of trainees in the ITR who had received training many years prior, but had not applied the process for recognition of prior learning, which the TEC does not fund.

Training Agreements

22. The training agreement is the formal agreement between the trainee, employer and the ITO. In order for an ITO to enter the trainees into the ITR and be eligible for funding, trainees must have individual training agreements with their employer.²
23. ServiceIQ has a generic training agreement which is customised (depending on the employer and/or programme) and also used to collect trainee information. If used, the information collected in this training agreement satisfies the legislative requirements and funding conditions for enrolment information.³

Bulk sign-up sheets

24. We identified a large number of Employer A and Employer B trainees in the NZCRL2 programme that were signed up using a bulk sign-up sheet in lieu of an individual training agreement.
25. The bulk sign-up sheets do not capture trainee information⁴, which is a breach of both legislative requirements and TEC funding conditions.

¹ Process supplied by ServiceIQ on 6 December 2017.

² The following funding conditions are applicable (ITF006: TEO to ensure that industry trainees meet certain criteria and ITF020: TEO must keep records).

³ Under section 159YD, to demonstrate that a TEO is using funding for the purposes for which it is provided, the TEO must keep enrolment records for each industry trainee. These records are outlined on the TEC website at <https://www.tec.govt.nz/funding/funding-and-performance/funding/fund-finder/industry-training-fund/enrolment/>

Enrolment information is also required via the funding condition ITF001: TEO to supply information to TEC

⁴ TEOs must keep information for each trainee that specify, amongst other things:

- › the learner's details including name, date of birth, citizenship

26. Set out below is an overview of ServiceIQ’s enrolment process using the bulk sign-up sheets for Employer A and Employer B during 2016 and 2017 to award the NZCRL2:

- ServiceIQ would receive a download from Employer B or Employer A system which outlined all staff employed at the time and any training modules they had completed
- ServiceIQ would match this to trainee data on their system and remove anyone who had already signed up
- ServiceIQ would send bulk sign-up sheets to store managers and ask them to get employees to sign against their name to confirm they wanted to be awarded the NZCRL2.
- By signing these sheets, employees were agreeing to the terms and conditions of the training agreement. The bulk sign up sheets effectively replaced individual training agreements.
- Once the sheets were signed by employees, the store manager would also sign the sheet confirming the accuracy.
- ServiceIQ would upload the data into their system, verify the identity and the trainee would be entered into the Industry Training Register.
- Training would be completed by the trainee, this included completion of books and online quizzes.
- Once modules were completed, the employer would report this information through to ServiceIQ.
- ServiceIQ would match completed modules and award relevant unit standards.
- Once all modules were completed, a certificate would be awarded by ServiceIQ.

27. The investigation found that in 2016 and 2017, ServiceIQ used the bulk sign-up process for approximately 80 percent of funded Employer B trainees and 20 percent of funded Employer A trainees. This is evidenced by a ServiceIQ letter sent to Employer B store managers in August 2016:

About the sign-on sheet

*This form replaces the individual ServiceIQ Training Agreement and is only valid for the individual trainees listed in the table. The staff member **must** sign in the box against their name which states that they agree to the Terms & Conditions on page 3 of the Training Agreement.*

28. This contradicts the undertaking given in ServiceIQ’s letter to the TEC dated 5 July 2016, when discussing the 2016 intake of trainees:

*Acceptance of qualifications as an outcome is an “opt in” process through which ServiceIQ **then progresses a formal training agreement** for eligible trainees. (Emphasis added)⁵*

29. TEC’s expectation of an individual training agreement is reflected in TEC’s reply to ServiceIQ on 21 July 2016:

- › if the learner is in New Zealand on a visa or work permit, the learner's variation of conditions
- › that the TEO has verified that the learner the meets the criteria of:
- › an industry trainee, or
- › a New Zealand Apprentice
- › the learner’s previous academic achievement or evidence of recognition of prior learning.

⁵ Letter from ServiceIQ to TEC on 5 July 2016.

It is your expectation that training agreements will be established so that these trainees can be entered into the Industry Training Register and that enrolments going forward will be at projected levels.⁶

Recognition of Prior Learning (RPL)

30. NZQA defines RPL as a process that involves formal assessment of a learner's relevant and current knowledge and skills (gained through prior learning) to determine achievement of learning outcomes of a qualification.⁷
31. TEC does not fund prior learning and our funding conditions explicitly state that TEOs must not claim funding for RPL and must have a process in place to assess prior learning.⁸
32. Our investigation found that many trainees for both Employer B and Employer A captured in the bulk sign-up sheets had completed their training well before the 2016 and 2017 funding years. This suggests the trainees had prior knowledge before enrolling in the NZCRL2. Discussions with store managers and trainees confirmed this.
33. We also note that in discussion with store managers, some staff were not aware they were doing the NZCRL2 during their induction training and only became aware when they were asked to sign the bulk sign-up sheets.
34. ServiceIQ did not provide any evidence that an RPL process had taken place with any of the trainees included in the bulk sign-up process.
35. ServiceIQ contended that it is common practice for organisations to invite longer serving staff to enrol in new induction programmes to ensure these staff have current knowledge. It may also occur where an employee has moved to a full-time role or has changed roles within the company.
36. We do not accept this. While this may apply for more advanced levels, the NZCRL2 is an entry level programme which covers basic competencies which we would expect any long serving staff member to have. Further, trainees and store managers we spoke to told us that staff were approached and told that their training/experience from their previous years' work could be used to obtain NZCRL2.
37. Irrespective of this, ServiceIQ had no processes in place to identify them.
38. Since that time ServiceIQ has made a commitment to confirm all Qual Links have an NZQA approved workplace-specific embedded process for RPL, Recognition of Current Competencies (RCC) and Credit Recognition Transfer (CRT), for use as and when required.

Identification Verification

39. To comply with the reporting requirements under section 159YD of the Education Act 1989, the TEO must verify an industry trainee's identity. Once verified, the TEO is then able to determine if the learner meets the eligibility criteria to be enrolled as an industry trainee or apprentice.
40. During our analysis of Employer B information, we found that ServiceIQ did not verify trainee identification, rather, it relied on an attestation by Employer B staff.
41. ServiceIQ's process when it was unable to obtain sufficient identification is set out below:

For the trainees who have been unable to supply one of the valid forms of ID, Employer B Group agrees that all the information supplied in August 2016 was correct and valid. Employer B Group also confirms that these trainees are either citizens of New Zealand or had an appropriate visa or residency status at the time of training; consistent with the right to be employed in New Zealand

42. The attestation is signed by a member of Employer B Group. A blanket verification by one staff member of all trainees is not a robust process or compliant with the legislative verification requirements or TEC funding conditions.

⁶ Letter from TEC to ServiceIQ on 21 July 2016.

⁷ Recognising learning for credit: Guidelines for the recognition and award of credit for learning <http://www.nzqa.govt.nz/assets/About-us/Consultations-and-reviews/CRT-and-RPL/FINAL-CRT-RPL-Guidelines-for-consultation.pdf>

⁸ ITF010: TEO not to claim funding from the Industry Training Fund for recognised prior learning

Quality Assurance

43. Funding conditions stipulate that programmes continue to meet any quality assurance requirements set by NZQA.⁹ This did not occur in the case of the Employer A trainees.
44. NZQA’s investigation identified multiple areas in which ServiceIQ failed to comply with the rules relating to industry training programmes. ServiceIQ’s failure to ensure the Employer A industry training programme was operating appropriately on an ongoing basis is a breach of the Industry Training Apprenticeships Act 1992 (ITA Act) which requires ITOs to develop and maintain arrangements for the delivery of industry training that will enable trainees to achieve the relevant skill standards.
45. No breaches were identified by NZQA for Employer B trainees.

Funding implications and recovery

46. Because of the substantive issues we found with ServiceIQ’s enrolment and eligibility assessment processes relating to the NZCRL2 at Employer A, we declined ServiceIQ’s request to retrospectively enter 6,400 trainees into the ITR.
47. For the same reason we are recovering \$2,819,417.26 (GST exclusive) in monies for already funded 2016 and 2017 NZCRL2 Employer A and Employer B trainees and Employer C deletions.

Remedial Actions

48. ServiceIQ’s Executive has developed a Renovation (Action) Plan to address breaches of the ITA Act, Rules and Requirements identified in the TEC/NZQA reports, as well as the recommendations from ServiceIQ’s recent NZQA External Review and Evaluation (EER). Relevant points of the plan are outlined below:

Issue	Remedial Action
Arranging Training	<ul style="list-style-type: none"> Review and refresh ServiceIQ’s current training and quality assurance processes to ensure compliance with all associated acts, rules and requirements.
Review Qual Link Processes	<ul style="list-style-type: none"> Review all ServiceIQ’s Qual Links to ensure: <ul style="list-style-type: none"> Sufficient evidence is captured to verify workplace learning. There is sufficient supervision of training, including complete Memorandums of Understanding (MoU) for large employers. There is an approved and embedded process for RPL/RCC/CRT. That all quality assurance and moderation requirements are robustly applied. There are appropriate approvals in place, including at an Executive team level.
Staff Training	<ul style="list-style-type: none"> Develop and conduct internal training for relevant ServiceIQ staff, focussed on process and procedure that ensures compliance with the requirements and intent of the Industry Training and Apprenticeships Act 1992; TEC Funding Rules; NZQA Consent to Assess Rules; NZQA Industry Training Programme Approval Rules, and ServiceIQ’s revised Consent and Moderation Requirements.
Pre and Post Moderation	<ul style="list-style-type: none"> Review and refresh ServiceIQ’s overall business approach to pre and post-moderation across all industry sectors. This includes the training and moderation of registered workplace assessors - specifically, moderation of assessments they have actioned and oversight of the assessors themselves, as well as assessment processes, including workplace verification.

⁹ ITF009: TEO to ensure industry training programmes meet certain criteria

Conclusion

49. It is our expectation that entering into a training agreement is a conscious decision by a trainee, and that during training there will be appropriate oversight and engagement from the ITO. This did not occur for a large cohort of trainees completing training at Employer A and Employer B.
50. We acknowledge ServicelQ's commitment to resolving the issues identified and the availability and cooperation from staff during the course of the investigation.
51. We are working with ServicelQ to ensure that the remedial actions are implemented and will conduct a follow-up review later this year to verify this.