

16 September 2015

§ 9(2)(a)

The Chair of the Audit and Risk Committee
Service IQ
PO Box 25522
Wellington 6146

Dear § 9(2)(a)

Service IQ TEC trainee data funding conditions

In connection with our engagement letter of 16 December 2014 we report our findings in respect to ServiceIQ trainee data management.

We note that the controls and processes that ServiceIQ have in place have been found to be operating as ServiceIQ designed them. We did not identify any significant control process weaknesses from the work undertaken though we have suggested some possible improvements in our full Trainee Data Review Report to the Board dated January 2015.

Below we have summarised the work performed and resultant findings in relation to each of the trainee data agreed-upon procedures, as set out in our engagement letter dated 16 December 2014.

1. Review the processes for managing and reporting on all trainees under ServiceIQ's supervision

Procedure:

We interviewed selected key management personnel responsible for managing and reporting on trainees and documented the process. We then evaluated the process for potential control improvements and reported our findings.

Finding:

We made the following observations:

- The responsibility of managing and reporting on trainees is that of the sector managers and their teams. The training management system, ITOMIC, is used to record trainee progress and status. The sector managers and their team communicate with their trainees via visits and phone calls. The Support Service Team also produce a variety of trainee monitoring reports which are then sent to the IE Team, Support Services Team, and/or Training Advisors and Sector Advisors where appropriate.
- We noted that during 2014 processes around ensuring all active trainees are still in training have been tightened. A Trainee Management - Operational Procedure was developed in June 2014 which encompasses reporting on pending trainees, on hold trainees, trainees on visa, overdue trainees, Training Advisor and Sector Advisor reporting, key client monthly reporting and biannual training confirmation/phone call. We also note that during 2015 further internal controls will be implemented including ensuring quarterly follow ups with all trainees are entered in ITOMIC. In addition to this new tools, such as the employer portal and Mobile ITOMIC, will better facilitate timely data accuracy between ServiceIQ and employers/trainees.

- We did not identify any significant control weaknesses from our review of the processes in place. We did make some recommendations to the Board to put in place additional controls around data relied on from a third party.

2. Through testing establish the two key requirements have been met:

- **ServiceIQ retain appropriate identification for all Trainees in training for which funding is being received**

The investment plan covering the period 1/1/2014 through 31/12/2015 is the subject of our review and was executed on 22/11/2013. The rules in place at the time the investment plan was executed are considered the appropriate benchmark from which compliance should be tested.

We found no control or process weaknesses in our testing of identification being held on file. All identification met the internal processes of ServiceIQ as we understand them to be.

Of the 50 tested there were 3 cases which could be contested as not having ID on their file consistent with the TEC requirements. The possible exceptions related to historic, pre-ITOMIC trainees where NSNs had been collected in the pre-ITOMIC database, but in the move to ITOMIC the evidence trail was lost. All other evidence available in connection with these 3 cases was reviewed and satisfied us the individuals involved were real people for which training was being undertaken.

- **All Trainees for which funding is being received are in fact in training**

We found that for all trainees tested ServiceIQ had made contact and was therefore following their processes. Of the 50 tested there were 3 cases (6%) where it could not be verified that the trainee was still in training. In these cases no credits had been achieved for the programme enrolled in, and the programme expected end date had elapsed. In these cases there was no evidence that confirmation had been obtained from the employer as the employers were dealing with sector training advisers. We note that records outside of ITOMIC showed evidence of contact with the employer and/or the trainee in all three cases, however they did not have satisfactory conclusions at the time our agreed upon procedures took place, which was prior to the scheduled data cleansing process that Service IQ go through to verify their data prior to 31 March 2015.

We verified each trainee was subsequently withdrawn. This was effective from 1/1/2014 for two trainees and 1/9/2014 for the third which is the time she left the employment where the training was undertaken. We are satisfied the internal control process was working appropriately to identify and follow up on trainees where evidence existed that they may not be eligible for funding and that only those trainees eligible for funding have been funded.

3. To establish the requirements as noted above we will select a sample of 50 trainees and perform the following:

- a. **Trainee management system includes information about:**
 - trainee apprentice's enrolment events,

We tested two apprentices and noted that full enrolment information was stored for both of them. We are satisfied that this requirement is being met.

- credit achievement; and

We tested 50 trainees for credit achievement and noted that credit achievement was being recorded in ITOMIC for each. For some, there were no credits registered in the last year. These were due to individual circumstances where the programme in question granted credits only at the end of the course. As noted above, there were three trainees tested where the lack of registration of credits indicated that they may not still be in training. However all of these exceptions showed evidence of

contact from ServiceIQ and had been tagged for removal from trainee database by ServiceIQ. When we checked the cleansed final database after 31 March 2015 we noted all three had been removed.

- recognition of prior learning

We tested 50 trainees and noted that, where a prior qualification had been achieved by the trainee, this had been declared by the trainee in the application form. The standard application form asked the applicant this question. The application forms were stored without exception in ITOMIC.

b. Enrolment and supporting documentation is retained to verify that each funded trainee is eligible to attract industry training funding

We interviewed staff to see what enrolment and supporting documentation is obtained for each funded trainee, and reviewed this against the TEC rules. We selected a sample of fifty trainees within ITOMIC across the key industry sectors. We tested this sample to see if the relevant enrolment and supporting documentation is retained to verify that each funded trainee is eligible to attract industry training funding.

Please refer to section 2 above for findings.

c. Trainee agreement records are maintained and contain relevant information

We reviewed the TEC requirements for trainee agreement records, interviewed staff and tested a sample of 50 trainees for compliance.

Evidence of the TEC rules requiring valid training agreements are kept and found no exceptions to the rule from our sample of fifty trainees tested apart from those noted above.

However, we did not test the requirements of rule ITF009 which state that the TEC is to ensure the programme trainees are enrolled in meets a list of criteria.

We have taken it as given that approval has been obtained from TEC to run the programs currently in place.

d. Results of credit achievement for each trainee are reported in line with NZQA requirements

We interviewed staff and selected a sample of 50 trainees to ensure that credit achievements for each trainee are reported promptly, as required by the NZQA.

We noted from the sample of 50 trainees selected that credit achievements were submitted to NZQA between 1 to 187 days after the date of achievement with an average of 36 days.

We are not aware of the guidelines in this area in terms of what is considered 'prompt' however at face value 187 days would seem a significant delay.

e. The terms of the apprenticeship co-ordinator agreement are being met

We reviewed two apprenticeship co-ordinator agreements.

From the work performed we noted no instances of non-compliance.

f. The monitoring of a apprentice's individual training plan and reporting requirements are being met

We selected a sample of two modern apprentices within ITOMIC. We tested this sample to see if the training plan was being monitored and reporting requirements were being met.

We noted that for both apprentices sampled the 3 monthly site visits were being done and logged in the ITOMIC system. Both apprentices had apprentice training plans signed by both parties and both met the eligibility criteria in that they were employed and over 16 years old.

If you have any questions about the content of this letter, please contact us.

Yours faithfully
BDO Wellington

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