



Department of Education & Training

Higher Education and Skills Group

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Ms Melissa Foote
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Dear Ms Foote

2017 SKILLS FIRST AUDIT AND ASSURANCE PROGRAM – BUSINESS PROCESS AUDIT AND TRANSACTIONAL COMPLIANCE AUDIT OUTCOME

I write regarding the *Skills First* Audit and Assurance Report dated 17 January 2018, for the Business Process Audit (BPA) and Transactional Compliance Audit (TCA) conducted at Total Business Services and Training Pty Ltd (TBST).

The audits consisted of an examination of your organisation's business and transactional processes in order to assess your organisation's compliance with the 2017 Standard VET Funding Contract (the **Contract**), and the 2014-16 VET Funding Contract (Version 3) for the purposes of Fee Concessions only. The audits found a number of exceptions as summarised below.

Summary of Findings

The BPA identified **major** control weaknesses in relation to Training Participation and the Internal Audit Checklist.

The TCA identified **medium** risk findings in relation to Eligibility and Fee Concessions.

Eligibility (Report Ref: 2.1)

Within the two BPA and 25 TCA student files tested, the auditor found one instance where the eligibility assessment was performed after the first claim was submitted.

The Department of Education and Training (the **Department**) notes your comments in relation to the non-compliances and your reported corrective actions to be taken. However, the Department reminds your organisation of its obligations under the **Contract** and the *2017 Guidelines about Determining Student Eligibility and Supporting Evidence (Eligibility Guidelines)* to:

- a. Test individuals' eligibility for training subsidised through *Skills First* in accordance with the **Contract** and *Eligibility Guidelines* (Clauses 5.2 c) of the **Contract**);
- b. Comply, at all time, with the *Eligibility Guidelines* (Schedule 1, Clause 3.2 of the **Contract**);
- c. Provide accurate Student Statistical Reports to the Department (Clause 7.1 b) of the **Contract**); and

- d. Not make a claim for payment under this Contract for the delivery of Training Services that has not occurred at the time the claim is made (Schedule 1, Clause 13.25 of the Contract).

Training Participation (Report Ref: 2.2)

Within the two BPA student files (eight subjects) and 30 TCA subjects tested the auditor found four instances relating to the same student where a second point of EOP was not sighted for a subject with a duration greater than one month.

The Department acknowledges your comments in relation to the non-compliances, and the reported corrective actions to be taken. However, the Department reminds your organisation of its obligations under the Contract to:

- a. Retain and make available to the Department or its auditors all records relating to Training Services, including Evidence of Participation (Clause 10.9 e) i) of the Contract);
- b. Support all Training Services with Evidence of Participation in accordance with Schedule 1, Clause 11 of the Contract, for each unit of competency/module delivered for each Eligible Individual (Schedule 1, Clause 11.1 of the Contract);
- c. Retain and provide at audit two points of Evidence of Participation per unit of competency/module if the period between the Activity Start Date and Activity End Date for the unit of competency/module is greater than one month, including one point within the first month and one point within the last month of training delivery and/or assessment as identified by the reported Activity End Date. Two different forms of Evidence of Participation must be used (Schedule 1, Clause 11.3 b) of the Contract);
- d. Report all withdrawals within the year of the scheduled training and no later than two months from the point for withdrawal, whereby the point of withdrawal is either the date of formal withdrawal or the date of last engagement if no formal withdrawal has occurred (Schedule 1, Clause 13.31 of the Contract); and
- e. Provide accurate Student Statistical Reports to the Department (Clause 7.1 b) of the Contract).

Fee Concessions (Report Ref: 2.3 and 2.4)

Within the 145 TCA student files tested the auditor found

- a. Two instances where the Fee Concession/Exemption Identifier had been incorrectly reported to the SVTS (Report Ref: 2.3). Both instances related to the same student; and
- b. Two instances where your organisation had not correctly reported the actual hourly tuition fee charged to each Eligible individual (Report Ref: 2.4).

The Department acknowledges your comments in relation to the non-compliances, and the reported corrective actions to be taken. However, the Department reminds TBST of its obligations the 2014-16 VET Funding Contract (Version 3) (2014-16 Contract) and the 2016 *Guidelines about Fees* to

- a. Use an electronic Student Management System which complies with the Victorian VET Student Statistical Collection Guidelines, in order to provide accurate Student Statistical Reports to the Department (Clauses 7.1 a) and 7.1 b) of the 2014-16 Contract);
- b. Adhere to the requirements set out in the Guidelines about Fees and/or Contract Notifications as issued by the Department, and/or orders or regulations pursuant to the Act or the National Act (Clause 5.1 of the 2014-16 Contract); and
- c. Report to the Department all fee concession granted in accordance with the Victorian VET Student Statistical Collection Guidelines (Clause 3.5 of the Guidelines about Fees).

Internal Audit Checklist

The auditors reviewed your organisation's most recent Internal Audit Checklist, which noted conformance across key business process areas. However, number of exceptions identified in the audit report indicate major control weaknesses.

The Department reminds TBST of its obligations under the Contract to conduct an internal audit of its compliance with the VET Funding Contract, ensuring it is signed off by the CEO of the Training Provider and for any non-compliances identified a rectification plan is developed and actioned within a reasonable timeframe (Clauses 11.4 and 11.5 of the Contract).

Student Interviews

Student interviews were conducted and the following issues were noted:

- a. One student reported that prior to enrolment they were not asked about any prior qualification they held or were studying;
- b. One student indicated there was an insufficient amount of training prior to assessment;
- c. Three students reported that prior to enrolment the Training Provider did not discuss with them their reason for doing the course; and
- d. One student indicated that they were not satisfied with the trainer.

In addition, review of the 2017 RTO Performance Indicators Report (published on the SVTS on 31 August 2017) noted TBST received satisfaction levels significantly lower than State-average for all areas surveyed (including student satisfaction with their experience, outcomes, perception of teaching and assessment process). The satisfaction levels were also shown to have decreased in the past three years.

The Department encourages TBST to address all concerns highlighted during interviews as a matter of priority, including reviewing all related procedures to ensure students are enrolled in a course that is the most suitable and appropriate to their needs, and are confident they are receiving high quality Training Services in line with the Contract. Further, the Department encourages TBST to ensure all *Skills First* Teachers are trained in, understand and implement all applicable requirements as per the Contract.

Observations

The qualifications tested during the BPA were the Certificate IV in Accounting and the Certificate IV in Bookkeeping. The Department notes that your organisation has been delivering Certificate IV in Bookkeeping and Certificate IV in Accounting as a dual qualification. Management advised that from 1 December 2017 dual qualifications will only be offered to students that demonstrate suitability, consistency and dedicated application to their course studies.

The Department is very concerned regarding these comments, as the requirement to determine the suitability and appropriateness of all qualifications in which government funded students are enrolled, have been fundamental aspects of the VET Funding Contract for a number of years. This raises the query for the Department about how your organisation has justified the delivery of the dual qualification to all individuals affected.

The Department notes the comments by TBST regarding the suitability of enrolling students in the dual qualification and reminds your organisation of its obligations under the Contract to:

- a. Have a clear and documented business process for conducted PTR's that demonstrate how the Training Provider determined which qualification/s the student enrolled in and why this was the most suitable training option for that student. This process must be made

available to the Department or its auditors, for audit or review purposes (Schedule 1, Clauses 5.2 and 5.3 of the Contract);

- b. Not enrol an Eligible Individual in a course or qualification that is at an inappropriate level for that student (Schedule 1, Clause 5.4 of the Contract); and
- c. Complete the PTR prior to the student's enrolment, including details of how the proposed training aligns the Skills First Program objectives, and the rationale for the selected qualification being suitable for the students and that the proposed learning strategies and materials are appropriate (Schedule 1, Clause 5.5 of the Contract).

Further, you are reminded that failure to comply with the requirements of the contract may attract a financial penalty as per Schedule 1, Clauses 5.6 and 5.7 of the Contract..

Management Action Plan

As per Clause 11.3(b)(iii) of the Contract, TBST is required, within six months of the date of the final 2017 BPA-TCA report, to advise the Department in writing of the steps taken to comply with and implement the plan.

Review of Findings

The findings in the BPA / TCA Report constitute Material Breaches as defined in Clause 1.1 of the Contract. The Department reserves all of its rights under the Contract, including those described in Clause 17.2 such as the right to suspend part or all of the provision of Training Services under the Contract, withhold or suspend payment of any funds, require the refund of funds already paid, or require the payment of a monetary penalty.

Next Steps

Upon review of the findings, the Department has determined that no further audit activity will be undertaken at TBST at this time. However, the Department will continue to monitor your organisations compliance with the Contract, and in accordance with Clause 11.1 of the Contract, the Department reserves the right to conduct an audit, review or investigation at any reasonable time to confirm TBST's compliance with the Contract.

You are also advised that as per Clause 3.5 of the Contract, performance at audit may be taken into account when considering future contract arrangements.

The Department trusts that your organisation found the audit process useful for continuous improvement purposes.

Yours sincerely,



David Barron
Director
Funding and Quality Assurance Services
Higher Education and Skills Group
Department of Education and Training

Date: 9 May 2018