



18 OCT 2016



Dear 

On 31 May 2016 the Ministry received a transfer of your request from the Ministry of Education requesting, under the Official Information Act 1982, the following information:

- *Copies of all information, documents, material including interviews and media comments concerning the investigation into the Practical Education Training Centre (PETC) between 2000 and 2002.*

Firstly I would like to apologise for the delay in responding to your request and thank you for your patience.

The investigation into PETC involved multiple agencies and the Ministry's role was the investigation of individual students' possible misuse of the Student Loan Scheme. The Ministry had initially identified in excess of 150 documents, however, additional time was required to separate the documents pertaining to individual students from the documents pertaining to the investigation into PETC, as you had requested.

I understand you have received a response from the Ministry of Education and the New Zealand Qualifications Authority for the same information.

I have enclosed the following nine documents held by the Ministry that were additional to those already provided by the Ministry of Education or NZQA, regarding the investigation into PETC. You will note that information pertaining to other education providers and specific students is withheld as it is out of scope of your request:

1. 'Quality Audit Report on Practical Education Training Centre Ltd', dated 20 July 2001.
2. 'New Zealand Qualification Authority Practical Education Training Centre Ltd (PETC)', dated 16 August 2001.
3. 'Update on Practical Education Training Centre', dated 2 August 2002.
4. 'Ministry of Social Development Report: Practical Education Training Centre', dated 6 November 2001.
5. 'Practical Education Training Centre – Progress with Investigation', dated 29 November 2001.
6. 'Student Loan Compliance Report: Practical Education and Training final report', dated 31 January 2002.

7. 'Student Loan Scheme Compliance – Supplementary Report on PETC and XXXX – Student Follow up options', dated 1 March 2002.
8. 'Implementation Plan – Practical Education Training Centre (PETC)', dated 11 March 2002.
9. 'Review on Student Activity – Practical Education Training Centre (PETC) and XXXX', dated 18 August 2002.

Information concerning legal advice is withheld under section 9(2)(h) to maintain the legal privilege. The greater public interest is in ensuring that government agencies can continue to obtain confidential legal advice.

The principles and purposes of the Official Information Act 1982 under which you made your request are:

- to create greater openness and transparency about the plans, work and activities of the Government,
- to increase the ability of the public to participate in the making and administration of our laws and policies and
- to lead to greater accountability in the conduct of public affairs.

This Ministry fully supports those principles and purposes. The Ministry therefore intends to make the information contained in this letter and attached documents available to the wider public after ten working days. The Ministry will do this by publishing this letter and attachments on the Ministry of Social Development's website. Your personal details will be deleted and the Ministry will not publish any information that would identify you as the person who requested the information.

If you wish to discuss this response with us, please feel free to contact OIA_Requests@msd.govt.nz.

You have the right to seek an investigation and review by the Ombudsman of this decision. Information about how to make a complaint is available at www.ombudsman.parliament.nz or 0800 802 602.

Yours sincerely



Ruth Bound
Deputy Chief Executive, Service Delivery

QUALITY AUDIT REPORT

on

Practical Education Training Centre Ltd

Audit Date: 27/28 June 2001
Report Date: 20 July 2001

This report has been checked by Practical Education Training Centre Ltd for factual accuracy. These findings will be used by NZQA Quality Assurance Services (Case Management) as input into their decision as to the registration and accreditation status of Practical Education Training Centre Ltd and in the determination of required corrective actions, as they deem appropriate.

Part 1 – Overview

1 Objectives

Our audit aimed to obtain reasonable assurance that Practical Education Training Centre Ltd (PETC) has effective quality management systems and is substantially achieving its goals and objectives as required by Quality Assurance Services - Standard One (QAS Standard One).

The audit is to be used by QAS Case Management to determine the registration and accreditation status of Practical Education Training Centre Ltd.

2 Scope

This was a special purpose audit and focused on the application and effectiveness of the Quality Management System in relation to the distance delivery of the National Certificate in Travel course. In addition, the audit examined the implementation of corrective actions that have been applied as a result of the scheduled audit on 1 December 2000.

An audit is a snapshot of the organisation's performance at a given point of time. As such it is not a guarantee of ongoing compliance and effectiveness. An audit is based on sampling and instances of non-compliance may remain undetected.

3 Responsibilities

Practical Education Training Centre Ltd is responsible for meeting all requirements of QAS Standard One, by ensuring the quality of its management systems and the achievement of its goals and objectives.

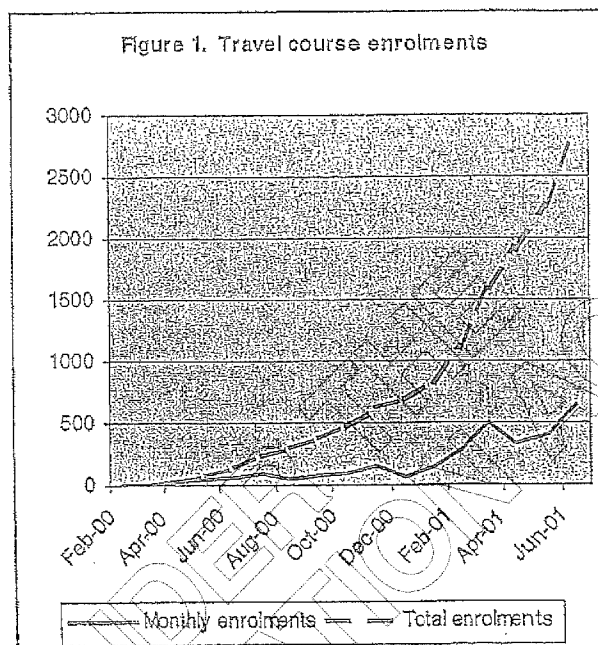
The New Zealand Qualifications Authority's (NZQA's) responsibility under the Education Act 1989 is to register private training establishments and to grant accreditation to organisations offering approved programmes.

4 Background

Practical Education Training Centre Ltd was first registered in 1990 and has a wide range of sub-field and domain accreditations, mostly up to Level 3 and Level 4 on the National Qualifications Framework. The organisation has advised NZQA of its intention to deliver the National Certificates in Travel (Level 3 and level 4) by both contact and distance delivery methods.

Monthly enrolments onto the Level 3 distance travel course have increased significantly, rising from one or two per month in February 2000 to 640 in June 2001. At the date of the audit, enrolments on the programme were in excess of 2800 (Figure 1).

Practical Training Education Centre Ltd is now one of the largest providers of travel courses in the country. The Ministry of Education is seeking confirmation that the capacity of the organisation to deliver a quality assured course has not been exceeded as a result of the expansion in enrolments.



The course fees for the distance travel courses can include the cost of a computer "package" to assist students in the computing components of the programme. There have been a limited number of instances (eight identified by PETC) where students have obtained computers through the student loans scheme as part of the course fees, and have subsequently abandoned the course and sold the computers to second-hand dealers. The Department of Work and Income New Zealand is concerned about the possible abuse of the student loans scheme and the Training Incentive Allowance by students on the distance travel course.

5 Summary

The audit identified that, in relation to the delivery of the distance travel courses, Practical Education Training Centre Ltd has not met six of the requirements of QAS Standard One.

Two of the non-compliances present significant risks to students. The first relates to the entry requirements for the course and the need to ensure that students enrolling on the course have a reasonable likelihood of success. The second concerns the nature of the course material used and its suitability for distance learners.

The organisation has self-identified the latter of these significant non-compliances and is implementing strategies to correct the situation. These strategies include:

- provision of regional workshops to support learners
- major investment in staff and resources to develop learning materials specifically designed for distance delivery

The organisation is also considering making the provision of the computer package dependent on successful completion of an introductory module (unit standard 9808).

However, despite the extremely poor success rate of students on the travel course, the organisation does not believe it needs to modify either its policy or procedures for entry.

Other non-compliances relate to inadequate processes for gaining input on the operation of the course from various client groups. The organisation could not demonstrate that it had sought the advice of an industry advisory group in the development of the current distance programme and has not conducted any student evaluations other than for its regional workshops.

The policies and procedures for dealing with students who abandon the course are not adequate in terms of when such students are formally withdrawn from the programme.

The audit also examined other areas of the organisation's operation and the response to the findings of the scheduled audit conducted on 1 December 2000. The revised quality management system still contained sections that did not meet the requirements of QAS Standard One. These non-compliances related mostly to unclear goals and objectives and the lack of measurable performance indicators through which to gauge achievement.

In summary, Practical Education and Training Centre Ltd is in a growth phase, and staff are enthusiastic about the expansion. The organisation appears to have been a little surprised by the speed with which the enrolment on to its travel courses has increased. It has expanded its resources to meet the increased demand, and has initiated major projects designed to increase student retention and achievement, but it is not reviewing its student entry procedures. The next six to eight months will be crucial for the organisation to demonstrate that it can meet the challenges of its own successful marketing.

The results of our audit are recorded in Part 2 – Findings.

Part 2 – Findings

Section One

1.1 Goals and Objectives

QAS Standard One requires that the organisation has measurable goals and objectives for its clients and stakeholders.

One requirement was not met:

- *The organisation has performance or quality indicators for its range of goals and objectives that are used in self-evaluation.*

The revised section of the quality management system (QMS) does not identify performance indicators by which to measure the achievement of the goals and objectives of the organisation.

Section Two

1.2 Adequate and Appropriate Means

QAS Standard One requires that the organisation has adequate and appropriate means to achieve its goals and objectives. Specifically, this includes the requirement that the organisation has a coherent quality management system that facilitates the achievement of the organisation's goals and objectives.

One requirement was not met:

- *There is a coherent Quality Management system in place including: Policies & procedures that are implemented; Organisation structures; Responsibilities; Resources; Evaluation & review processes.*

The QMS does not adequately cover many areas of operation. Throughout the document, there is a misinterpretation of "performance indicators" with evidence of implementation given under this heading instead of identifying how the level of performance will be assessed. In addition, in many sections there is confusion between policies and procedures.

Specific parts of the QMS that do not meet the requirements are:

2.4 *Quality Assurance considerations*

There are no goals and objectives defined and no indication of how achievement of the goals will be measured (i.e. performance indicators).

5.9 *Staff training and development*

Responsibilities for staff training and development are not identified and the register of staff training is not a "procedure".

6.9 *Distance Learning*

The policies described in this section do not include:

- specifications for tutors competent to deliver distance programmes
- any indication of tutor work load
- any involvement of instructional design input into the learning packages
- any time lines for completion of assignments
- any mechanism for ensuring likelihood of success

6.9.1 *Distance learning student inactivity*

This policy is inadequate in that it recognises a student who has abandoned the course as having withdrawn only when 50 weeks of the course have elapsed.

8.2.3 *Physical resources and policies*

Most of the procedures listed in this section are not procedures but are policies. In addition, the section contains factual errors relating to the activities of the building landlord.

9.3 *Equipment standards and maintenance*

The policy stated in this section does not indicate that the organisation will maintain resources, merely that it will endeavour to. The way in which the various groups listed are responsible for implementation of this policy is not defined.

12.3 *Course content and development*

Unit standards are not the "content" of a course but are used to determine the competencies/standards required to be achieved. The procedures described for registering students on the framework and for recording their achievement results are not relevant to this section.

12.3.1 *Changing course content*

The section uses the phrase "change of unit standards" when it should state "change of course content".

12.4 *Moderation of assessments*

The internal moderation procedures as stated do not ensure that all assessment is valid, fair and consistent. In addition, it is not clear whether the internal moderation procedures relate only to the assessment of the Adult Education and Training courses.

12.5.2 *Programme Development*

Collections of unit standards do not constitute a programme of study. The procedures also indicate that programmes may be designed around the abilities of the teaching staff rather than the needs of the clients.

12.5.3 *Programme evaluation*

The frequency of student evaluations is not clearly specified and there is no indication of how the organisation will consider any feedback obtained.

14.2 *Prior Credit*

This section incorporates a paragraph entitled 'Enrolled in a certificate course'. This paragraph describes a procedure which is totally against the principles of RPL by applying a financial penalty to students who have already achieved some of the unit standards that make up the course.

1.2.1 *Governance and management*

QAS Standard One requires that the organisation has adequate and appropriate governance and management to achieve its goals and objectives.

This element was not examined as part of this special purpose audit.

1.2.2 *Input from clients and stakeholders*

QAS Standard One requires that the organisation has adequate and appropriate input from clients and stakeholders to achieve its goals and objectives.

One requirement was not met:

- *Evaluation provides for effective input from clients and stakeholders.*

No end-of-course student evaluations of the distance delivery courses have been conducted. In the future, the organisation intends to implement student evaluations at the mid-point and at the end of all distance courses.

Recommendation to improve effectiveness:

- *Revise the forms used for the evaluation of courses and workshops to improve clarity, consistency and relevance of questions.*

This will allow more useful feedback to be collected from students to inform the reviews of programme delivery.

1.2.3 Personnel

QAS Standard One requires that the organisation has adequate and appropriate personnel to achieve its goals and objectives.

One requirement was not met:

- *Details of staff selection, appraisal and development policies, procedures, responsibilities, evaluation and review.*

There was no evidence of performance appraisals of tutorial staff.

1.2.4 Resources

QAS Standard One requires that the organisation has adequate and appropriate resources to achieve its goals and objectives.

This element was not examined as part of this special purpose audit.

1.2.5 Client relations and support

QAS Standard One requires that the organisation has adequate and appropriate client relations and support to achieve its goals and objectives.

Two requirements were not met:

- *There are in place policies, procedures, responsibilities, evaluation and review processes for establishing and clearly publicising learner entry requirements that include no unreasonable barriers.*

The National Certificate in Travel (Level 3) does not have any academic entry requirements and the organisation has no procedures to ensure the students it accepts onto the course have a reasonable likelihood of success (teaching staff have no input into the enrolment processes). Of 145 students enrolled between January and June 2000, only two have achieved the fourteen unit standards required to gain the qualification. Approximately half the students enrolled during this period did not achieve any unit standards.

- *Copies of documents supplied to learners adequately cover the following areas: Rules & regulations; Disciplinary procedures; Welfare & learner support services; Fees information for learners; Withdrawals & refunds; Complaints procedures.*

There are no policies or procedures covering the possible payment for the external supervision of assessments.

1.2.6 Delivery of education and training

QAS Standard One requires that the organisation has adequate and appropriate delivery of education and training to achieve its goals and objectives.

One requirement was not met:

- *Policies, procedures, responsibilities, resources, evaluation and review processes for the development, delivery and evaluation of learning programmes.*

There is no evidence of any advisory group involvement in the development of the National Certificate in Travel (Level 3 and Level 4).

Many of the workbooks used for the distance learning course are not appropriate for distance delivery. They have been designed for contact teaching to be used in conjunction with tutor guides, class activities and discussion.

The organisation has recognised the shortcomings of its current course material and has invested significantly in highly qualified and experienced personnel to develop learning packages specifically for distance delivery courses.

The revised policies and procedures for the management of "inactive" students are not adequate. Under the new procedures, reminder letters are sent every two months to students who do not submit any assignments. However they are not considered to have withdrawn from the course until 50 weeks have elapsed.

1.2.7 Assessment and moderation

QAS Standard One requires that the organisation has adequate and appropriate moderation and assessment to achieve its goals and objectives.

One requirement was not met:

- *Policies, procedures, responsibilities, resources, evaluation and review processes for assessment and moderation.*

There is no evidence of internal moderation of assessments. External moderation complies with the relevant AMAPs.

1.2.8 Research

QAS Standard One requires that the organisation has adequate and appropriate research (if appropriate) to achieve its goals and objectives.

This element of the Standard does not apply to Practical Education Training Centre Ltd as it is not delivering degrees.

1.2.9 Quality assurance of qualifications and courses

QAS Standard One requires that the organisation adequately and appropriately quality assure its qualifications and courses to achieve its goals and objectives.

One requirement was not met:

- *The organisation has quality assurance systems in place for courses and qualifications it is delivering, or standards for which it is responsible, that include: Objectives with indicators of quality & quantity; Internal audits of practices; Reviews of outcomes.*

There are no objectives, no performance indicators or any evidence of audits and reviews conducted.

1.2.10 Quality assurance of education and training organisations

QAS Standard One requires that the organisation has adequate and appropriate quality assurance of education and training organisations off-site (where appropriate) to achieve its goals and objectives.

This element was not examined as part of this special purpose audit.

1.2.11 Notification and reporting

QAS Standard One requires that the organisation has adequate and appropriate notification and reporting to achieve its goals and objectives.

This element was not examined as part of this special purpose audit.

Section Three

1.3 Achievement of goals and objectives

QAS Standard One requires that the organisation is substantially achieving its goals and objectives and can provide assurance that it will continue to do so.

Two requirements were not met:

- *Documented quality management system of organisational structures, responsibilities, procedures and resources for setting and implementing quality policies.*
- *The quality management system has review processes that either amend or confirm goals and objectives, policies and procedures.*

The QMS is still under development and has yet to identify specific goals and objectives and their measurement. The identification of specific goals and objectives related to the achievement of learners is critical in view of the very poor record of student retention and graduation from the distance travel courses.

NEW ZEALAND QUALIFICATIONS AUTHORITY

Practical Education Training Centre Ltd (PETC)

Interim report to Associate Minister of Education (Tertiary Education).

16 AUGUST 2001

This interim report was prepared following discussions with staff from other agencies and the Minister's office in view of possible media inquiries regarding the status of student loans and PETC's accreditation status. This report contains the level of information that NZQA would normally make available to the media in cases of possible withdrawal of accreditation.

- 1 PETC was visited for a scheduled audit in December 2000.
- 2 The audit report included a number of requirements to be met before registration and accreditation would be confirmed. These requirements were not considered serious or unusual. They were generally to do with policies and procedures, not the quality of courses or their delivery, and included some aspects of distance delivery of the travel and tourism programme.
- 3 By April 2001, following a number of exchanges with PETC, NZQA was satisfied with PETC's responses to the audit report requirements. This was a documentation check, not a visit. However, given the documentation and the ten year history of satisfactory performance by this provider, NZQA was confident that policies and procedures had been improved.
- 4 In May and June NZQA had reports of increased enrolments in the distance programme (from MOE) and issues to do with student use of loan funds (via the media). PETC was contacted, initially by telephone, a special purpose audit was proposed by NZQA and agreed to by PETC.
- 5 A special purpose audit was conducted on 27-28 June. The audit report was finalised (after communications between NZQA and PETC) on July 20. PETC accepted the accuracy of the report.
- 6 On 27 July NZQA wrote to PETC seeking responses to the audit report requirements.
- 7 On 3 August NZQA received PETC's responses to the audit report requirements.

- 8 On 14 August NZQA wrote to PETC advising that the responses to the audit report requirements were not satisfactory. PETC had until 31 August to satisfy NZQA's requirements. Otherwise, accreditation for the travel and tourism programme would be withdrawn.
- 9 In general, in cases where accreditation is withdrawn
- (a) PTEs are required to have fee protection measures in place,
 - (b) NZQA accepts all existing NQF results and endeavours to arrange for unassessed work to be assessed by another accredited provider, and
 - (c) NZQA endeavours to direct students to similar courses run by other providers so that qualifications can be completed.

NZQA has been informed by PETC that student fees are held in a trust account. This would appear to provide some protection for students, although it does not meet the formal requirement as the account is not independently administered.

6 November 2001

Ministry of Social Development Report: Practical Education Training Centre

Executive Summary


1. If the New Zealand Qualifications Authority (NZQA) is required to confirm accreditation of distance learning travel courses at PETC, then in the Ministry's opinion we would not have legal grounds to continue to defer approval of outstanding Student Loan or Training Incentive Allowance applications.
2. To date a total of 1,505 students have returned completed loan contracts to the Ministry but have had their Student Loan fee payments to PETC deferred. If all of these students were now to be approved, potentially around \$8,420,000 in fees would be released to PETC.
3. If the Ministry was required to release outstanding loan fee payments to PETC, and the MOE were to subsequently withdraw PETC's Notice of Entitlement, the Ministry could be accused of not acting in the best interests of taxpayers or students.
4. Initial considerations by the Ministry indicate it could be difficult to take general action against those students who have undertaken PETC courses with no intention of completing course work.

Ministry of Social Development Report: Practical Education Training Centre

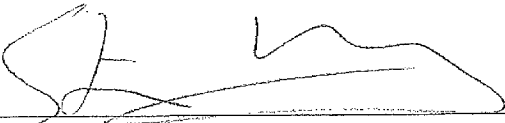
Recommended Action

We recommend that you:

- a. **note** that since August, in response to the NZQA's review of accreditation of distance learning travel courses at PETC, the Ministry has continued to withhold all payments in relation to applications for TIA and Student Loans, in respect of PETC travel courses.
- b. **note** that the level of enquires from students has been steady, however as the issue is taking longer to resolve than first anticipated, some students are becoming increasingly frustrated.
- c. **note** that to date a total of 1,022 students have returned completed loan contracts to the Ministry, but have had their Student Loan approval deferred. A further 483 students have been approved a loan, but the loan was suspended prior to payment being issued to PETC. If all of these 1,505 students were now to be approved, potentially around \$8,420,000 in fees would be released to PETC.
- d. **note** that if the NZQA confirms accreditation of PETC travel courses, the Ministry would then be legally required to re-commence processing of the 1,505 deferred Student Loans applications referred to above, and where appropriate release fee payments to PETC.
- e. **note** that there are risks for the Ministry if accreditation/Notice of Entitlement is withheld. These risks are due to the fact that the Ministry cannot legally pay loan monies to institutions who have not met the NZQA and MOE requirements as provided by the Education Act 1989.
- f. **note** that our initial legal opinion is that student fraud may be very difficult to prove in relation to the necessary intention on behalf of the student.
- g. **note** that the Ministry continues to work closely with the MOE and NZQA in relation to PETC issues.


Tony Gavin
General Manager
Specialist Services

Minister's Signature

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|---|---------|
|  | 7/11/01 |
| Steve Maharey Minister of Social Services and Employment | Date |

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Ministry of Social Development Report: Practical Education Training Centre

Purpose of Report

1. I am aware that your office has received regular updates from Ministry of Education (MOE) officials in relation to the current issues surrounding the Practical Education Training Centre (PETC). This report provides an update on the specific actions taken by the Ministry of Social Development (the Ministry) to date, and highlights some potential risks for the Ministry.

Background

2. On 14 August 2001 the NZQA wrote to PETC advising that they had until 31 August 2001 to show cause why accreditation for their travel and tourism programme should not be withdrawn. This letter was issued as the result of problems identified during an NZQA audit of PETC.
3. In light of the NZQA's action, and their obvious concerns about the quality of PETC's distance learning travel courses, it was recommended to you, and you agreed, that the Ministry (then the Department of Work and Income) should suspend the processing of Student Loan and Training Incentive Allowance (TIA) applications in respect of these courses. The Ministry did not recommend declining these applications, but rather delaying a final decision on approval, until the outcome of the NZQA review was known.
4. Both the Ministry and MOE agreed that the legal basis for the decision to suspend processing of applications could be effectively defended, on the grounds that the decision was both lawful and reasonable. It was also noted that the level of risk associated with the decision was in the low to medium range.

Ministry Actions

5. Since August the Ministry has continued to withhold all payments in relation to applications for TIA and Student Loans, in respect of PETC distance learning travel courses. The Ministry has written to the student's involved, advising them of the actions the Ministry has taken and why. Scripting is also in place for telephone staff receiving enquiries from affected students. The level of enquires from students has been steady, however as the issue is taking longer to resolve than first anticipated, students are becoming increasingly frustrated.
6. The Ministry has continued to liase closely with the MOE and the NZQA on developments since August.
7. The Ministry has also discussed with PETC what actions will be required to manage outstanding Student Loan applications once a decision on accreditation is made by the NZQA.

Current Situation

Loans approved since 1 January 2001

8. Since 1 January 2001, 3,009 students have had fees paid to PETC in respect of distance learning travel courses. This equates to a dollar value of \$16,343,000.
9. 2,749 of these students are currently in receipt of a benefit, and of this number, 377 have been approved a TIA. Because these courses are part-time, students do not qualify for the living costs portion the Student Loan, unless they are also undertaking another course concurrently.

Loans waiting to be approved

10. To date a total of 1,022 students have returned completed loan contracts to the Ministry, but have had their Student Loan approval deferred. A further 483 students have been approved a loan, but the loan was suspended prior to payment being issued to PETC. If all of these 1,505 students were now to be approved, potentially around \$8,420,000 in fees would be released to PETC. Prior to the release of any fees, we have agreed with PETC that the enrolment status of these students would need to be re-confirmed as it is likely many students will have discontinued study or may no longer wish to commence study at PETC. Therefore the number of students for whom payment is released would likely be less than 1,505.

Comment

11. The decision to defer approval of Student Loans was based on the NZQA's investigations regarding on-going accreditation. Within the next week, PETC is due to present information to the MOE and NZQA in relation to their financial accounts. Should this information satisfy NZQA's requirements, they may be placed in a position whereby they have no option but to confirm accreditation for distance learning travel courses at PETC (this is assuming MOE do not find other grounds to withdraw PETC's Notice of Entitlement in the interim).
12. Should NZQA confirm accreditation, the Ministry would be left with no option but to re-commence processing of the 1,505 deferred Student Loan applications referred to above, and where appropriate release fee payments to PETC.

Legal basis for approving payment

13. Section 261 of the Education Act 1989 states;

261. Only accredited institutions or establishments to provide approved courses - An institution or private training establishment does not have power to provide an approved course of study or training unless the institution or establishment is accredited to provide that course.

14. Accreditation is not given unless the following requirements have been met:

- (1) The private training establishment (PTE) must be registered by the NZQA under section 233 of the Education Act 1989.
- (2) The PTE must be granted a Notice of Entitlement to Government Assistance for Tertiary Education from the MOE under section 238A of the Education Act.
- (3) Under section 258 of the Education Act each individual course provided by the PTE must be approved.

The PTE must apply for accreditation under section 259 of the Education Act and only accredited institutions or establishments under section 261 may provide approved courses.

15. Once the above requirements are met in relation to PETC the Ministry will be legally obliged to re-commence processing of the deferred Student Loan applications as there will be no legal basis to either continue to suspend or cancel the process.

16. If the MOE withdraw PETC's Notice of Entitlement, or the NZQA withdraw course accreditation or registration, the Ministry would not be legally obliged to release the outstanding loan payments. The Notice of Entitlement clearly states that the PTE must be registered and accredited by the NZQA.

17. If accreditation is withheld by the NZQA and/or PETC's Notice of Entitlement is withdrawn by the MOE, then the Ministry will work with these central agencies to protect the financial and educational interests of students who are working towards qualifications.

Risks

18. There are several identified risks for the Ministry associated with the current situation:

- It is possible that the Ministry may be forced into a position of having to release further fee payments to PETC as a result of the NZQA confirming accreditation. However if the MOE were to subsequently withdraw PETC's Notice of Entitlement as a result of their own investigations, the Ministry's actions in releasing payment could draw criticism. It may be perceived that the Ministry is continuing to provide significant Government funding to a provider (and continuing to place students in debt) with the knowledge that serious concerns exist around the quality of the education being provided.
- If accreditation is confirmed by the NZQA, but the Ministry does not re-commence processing the currently deferred loan applications, there is substantial legal risk for the Ministry. There would be no legal basis for deferring action on these loans and PETC would likely make a claim for consequential loss arising from the Ministry's actions.
- If deferral of the loan process is not lifted, and there is a perception from PETC that the NZQA or MOE are delaying unnecessarily in making final decisions on the issue, PETC may take legal action claiming for consequential loss. The Ministry's position would likely be more robust than that of the NZQA and MOE as the Ministry is justified in not processing loans for an institution which may have its accreditation and/or a Notice of Entitlement withdrawn.
- There is risk in the fact that PETC still holds accreditation. PETC could state, as could students, that while the investigation is under way and they still hold accreditation, loan monies should be paid. The Ministry's position as outlined above, and which PETC have accepted to date, is that it would be imprudent for the Ministry to release Crown money when

an investigation is ongoing, and in the knowledge that accreditation may be withdrawn. Furthermore our advice to students has been that it would be imprudent for the Ministry to approve a loan allowing them to commence studies, when the future of the course is at risk. A joint communication strategy has been agreed between the Ministry, the MOE and the NZQA. This strategy emphasises the actions of the agencies in trying to protect the interests of legitimate students.

19. The Ministry, the MOE and NZQA have discussed these risks and the agencies are working co-operatively to mitigate their impact.

Student Fraud

Out of scope



29 November 2001

Ministry of Social Development Report: Practical Education Training Centre – Progress with Investigation

Recommended Action

- a) Note the contents of this report.
- b) Note that in the opinion of the Serious Fraud Office, for fraud to be proven in relation to an individual student there would need to be a proven dishonest representation or intentionally false statement or deliberate omission by a student, or the provider.
- c) Note that MSD has identified 105 students whose access to the Student Loan scheme in respect of travel courses at PETC will be targeted for investigation by the MSD Benefit Control area.
- d) Note that ongoing analysis of patterns of enrolment within PETC and between PETC and other providers may mean that the breadth of the investigation extends beyond these 105 cases.
- e) Note that it is estimated the investigation of these 105 cases will require a dedicated resource of 23 Benefit Control staff for the equivalent of at least one week, at a cost of around \$20,500, and that this cost estimate does not include the time or cost of prosecutions, should they follow.
- f) Note that whilst this investigation will be conducted utilising existing MSD investigation resources, its scale will place significant additional pressure on these resources.
- g) Note that the Ministry of Social Development will report to you on progress with these investigations and any other related issues, by 31 January 2002.
- h) Note that the Ministry of Social Development will continue to proactively monitor and investigate, in consultation with the Ministry of Education and the New Zealand Qualifications Authority, student activity in respect to possible misuse of the Student Loan scheme in relation to other providers.

Tony Gavin
General Manager
Specialist Services

Minister's Signature

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| Steve Maharey Minister of Social Services and Employment | Date |

Ministry of Social Development Report: Practical Education Training Centre – Progress with Investigation

Purpose of Report

1. This report provides an update on the Ministry of Social Development's (MSD) investigation of possible misuse of the Student Loan Scheme by students at the Practical Education Training Centre (PETC).

Background

2. MSD last reported on the specific actions taken in relation to PETC on 06 November 2001.
3. The Serious Fraud Office (SFO) and Crown Law Office (CLO) opinions in relation to the activities of PETC have since been forwarded to the Ministry of Education (MoE) and been made available to MSD.
4. These opinions confirm the initial legal advice of MSD, that for fraud to be proven there would need to be a provable dishonest representation or intentionally false statement or deliberate omission by a student, or PETC.
5. In response to the SFO and CLO opinions, the MoE has withdrawn funding for the Travel Consultancy (Distance Option) course at PETC, pending further investigations.

s 9(2)(h) OIA Legal professional privilege

RELEASED UNDER THE OFFICIAL INFORMATION ACT

Crown Law

7. Correspondence from the Crown Law Office to MoE dated 12 November 2001 confirms:

- i. The view that the Ministry of Education has evidence of PETC's suspected and understated misuse of the Student Loan scheme by their students **and**
- ii. The suspension of government assistance (for these courses) may continue as long as investigation of the possible fraud or misuse of public money is expedited.

Education Act 1989

8. Section 307 of the Education Act 1989 gives MSD authority to investigate and prosecute students (and in some cases education providers) where false or misleading information is provided.
9. Section 307AA of the Education Act 1989 also requires the recipient of an allowance or loan to advise MSD or their provider of any change in circumstances that would materially affect their entitlement to a loan or allowance.

Investigations to Date

10. Investigations to date have revealed that the general nature of the allegations of fraud or abuse of the loan scheme by individual students at PETC are (within the context of the advice of the Serious Fraud Office) largely circumstantial. The nature of the loan scheme is such that completion of the course of study, and confirmation the students' intentions around study are not primary drivers in deciding entitlement.
11. Whilst students are required to advise either MSD or their provider of any change in circumstances that would materially affect entitlement, the key issue is when this advice occurred in relation to drawing money from their loan account, and whether this is sufficient to prove intent to defraud or abuse the scheme.
12. Information to date in relation to students enrolled in the PETC Distance Travel courses, would indicate the following areas warrant further investigation:
 - i. Students with no units of study completed.
 - ii. Multiple (close or overlapping) enrolments (at PETC or at PETC and another education provider) on courses that offer common inducements (e.g. computers).
 - iii. Students at the same or adjacent addresses who are enrolled on these particular courses.
 - iv. Students on these courses on-selling computers.
 - v. Students whose actions indicate they have not complied with Section 307AA of the Education Act 1989.

14. The overall low completion rate for these courses appears to be a reasonable indicator of possible fraud or abuse of the Student Loan Scheme when other indicators are also present. Further investigation will determine whether or not the students tabled above have completed any units of study. Ongoing analysis of patterns of enrolment within PETC and between PETC and other providers may mean that the breadth of the investigation extends beyond these 105 cases.
15. The difficulty will be in proving intent to defraud, or conspiracy to defraud, in the absence of any direct evidence, such as the provision of false or misleading statements. We are not able to accurately determine whether this evidence exists without further investigation of individual students.
16. Taking into account the threshold specified by the SFO for proving fraud by students and the relative openness of the Student loan scheme, proving fraud in individual cases could prove difficult.

Resource Implications

17. It is estimated the investigation of these 105 cases will require a dedicated resource of 23 Benefit Control staff for the equivalent of at least one week, at a cost of around \$20,500. This cost estimate does not include the time or cost of prosecutions, should they follow.
18. Whilst this investigation will be conducted utilising existing MSD investigation resources, its scale will place significant additional pressure on these resources.

Conclusion

19. Further investigations into 105 PETC students have commenced. These investigations will establish whether in these individual cases, there is sufficient evidence to prove intent to defraud, conspiracy to defraud or the making of false applications for a Student Loan.

¹ It is possible within the design of the current loan scheme, for a student to access more than the \$6500 PTE fee cap within a 52 week period. This can occur if the student enrolls in multiple courses and the end date of the 2nd course is more than 52 weeks after the start date of the first course. The current loan scheme was designed primarily around the traditional enrolment practices of public institutions. With the growth of the PTE sector and the increasing flexibility of course delivery options it would appear that some students have taken advantage of this element of the loan scheme to access more than the fee cap within a 52 weeks period. MSD is reviewing this issue within the context of its increased monitoring of student and provider activity.

20. MSD will provide you with a progress report in relation to these investigations and any other related issues, by 31 January 2002.
21. The Ministry of Social Development will continue to proactively monitor and investigate, in consultation with the Ministry of Education and the New Zealand Qualifications Authority, student activity in respect to possible misuse of the Student Loan scheme relating to other providers.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT

Ministry of Social Development Report: Student Loan Scheme Compliance Report – Practical Education and Training Centre Final Report

Recommended Action

We recommend that you:

- a) Note that the scope of this report includes reference to Out of scope
- b) Note the contents of this report, including the lack of proven evidence to support a prosecution against any of the 35 students investigated in respect of distance education programmes with Practical Education and Training Centre and Out of scope

AGREE / DISAGREE

- c) Agree that no further legal action be taken against any of the 35 students investigated.

AGREE / DISAGREE

- d) Note that this investigation has identified the opportunity for MSD to exercise stricter control around access to the Student Loan scheme. Student Services' systems, processes, and procedures will be reviewed to better manage the gate keeping and compliance aspects of administering the scheme.

AGREE / DISAGREE

- e) Note that the investigation team expressed concern around the use/misuse of the course related cost component of the Student Loan scheme and that this needs to be addressed in the review of Student Services gate keeping and compliance practices.

AGREE / DISAGREE

- f) Agree that MSD continue with the joint initiative between Student Services and Benefit Control as described in Option Two on page six of this report.

AGREE / DISAGREE

- g) Agree that the inter-agency risk management framework currently under development between MSD, MOE and NZQA is the appropriate vehicle to address the wider issues around the links between the education courses and provider approvals, course incentives and the gate keeping issues.

AGREE / DISAGREE

Stuart Macdonald
Acting General Manager
Specialist Services

Minister's Signature

| | |
|---|------|
| | |
| Steve Maharey Minister of Social Services and Employment | Date |

Ministry of Social Development Report: Student Loan Scheme Compliance Report- – Practical Education and Training Centre Final Report

Purpose of Report

1. This paper advises the Minister of the outcome of the Ministry of Social Development's (MSD) investigation in to the misuse of the Student Loan Scheme by students enrolled on distance education programmes offered by two PTE's; Practical Education and Training Centre (PETC) and Out of scope

AND

2. Seeks the Minister's agreement to the recommended actions.

Background

3. MSD last reported on the actions taken in respect of PETC on 29 November 2001.
 4. Since that date further developments have occurred which have influenced the scope and focus of the investigation into the activities of students enrolled in distance education programmes with PETC.
 5. Details emerged concerning possible misuse of the Loan scheme by students enrolled in distance education programmes with another PTE provider, Out of scope. These students were also receiving computers as part of their course fee cost.
 6. Further investigation revealed that many of the students enrolled in the distance education courses at PETC were also enrolled in distance education courses at Out of scope
 7. Originally 105 students enrolled at PETC were to be investigated. Given that a report was due to you on 31 January 2002 MSD decided to focus on a smaller high-risk group of students enrolled both with PETC and Out of scope. As 60% of this target group resided in the Hamilton area the investigation concentrated on these students. The investigation identified students with common names/address links. Of these, 47 were identified of which 35 were located and interviewed.
 8. The objectives of the investigation remained the same, i.e. to identify
 - if individual students and/or groups of students had conspired to defraud/abuse the Student Loan Scheme.
- AND
- If there were any Student Services entitlement, gate keeping or compliance issues that required attention.

Analysis

9. Given the timing of the investigation (December and January) contacting students for interviews was difficult.
10. Interviews were conducted with the 35 students who were located.
11. These 35 students had 61 student loan accounts. On 59 occasions they chose to have a computer debited to their loan account as part of their course fees.
12. Inquiries established that 43 of those computers had been disposed of, 34 for financial gain and 9 gifted to others.
13. Of the 59 enrolments, in only 26 cases did the students interviewed indicate they would complete the course of study. Two students had completed their course of study. In 31 cases the students advised investigators that they had no intention to complete their study.
14. In 45 cases (on the 61 loan accounts) the student did not spend their payment of course related costs on the items for which they originally claimed.

Other Relevant Information

15. The findings of this investigation were the result of face to face interviews with the students enrolled in the distance education programmes with the two PTE providers. Experienced Benefit Control Unit staff conducted these interviews.
16. Due to time constraints no further investigations were undertaken to confirm the information provided by students. There appears to be no reason to question the veracity of the students most of whom were open and candid when questioned.
17. There was no evidence discovered to suggest "organised" criminal activity was involved in the purchase and on selling of the computers.
18. It appears that there was an "opportunistic" approach by students to either access the course related costs payments and/or the personal computers. They discovered the opportunity via advertising by the PTE's and/or discussion with family/friends at social gatherings/events.
19. No evidence exists to confirm any conspiracy between individuals or family groups.
20. The majority of the students involved were receiving a benefit under the Social Security Act 1964 and they advised the investigators that they had not discussed undertaking distance education study with their Case Manager.
21. Many of the students were studying part time at both of these education providers. Course start and finish dates overlapped enabling access to more than one course related cost component of \$1,000 and more than one personal computer (approximate value \$2,600 to \$3,100).
22. Legal opinions from Crown Law Office and Serious Fraud Office were sought to ascertain whether, or not, there was a case for prosecution of individual students.

Findings

23. On the information provided by the students, who were primarily beneficiaries, the course related cost component of the student loan appears the primary incentive for students to enrol in these distance education programmes. The computer being offered was seen as a secondary source of obtaining funds by some students.
24. It is evident from our investigation that on the "balance of probabilities" there would appear to be significant abuse of the Student Loan scheme by way of course related costs misuse and accessing course related incentives by students enrolled on part time distance education programmes.
25. To warrant legal action being taken against a student an "intent to defraud" needs to be established. The burden of proof for legal action is "beyond reasonable doubt". If doubt could be raised concerning any piece of critical evidence then this would jeopardise a successful prosecution.
26. If criminal charges were to be laid and cases proceed to trial it is our opinion that a defended hearing could easily prove sufficient doubt around a student's intent to defraud. Doubt could be raised concerning a student's intent to defraud the Student Loan scheme at the time they applied for their loan.
27. It would be difficult to prove a student's intent not to complete the course at the time of application for a Loan. Even if a full and frank confession were obtained from a student concerning their intent not to study corroborating evidence would still be required.
28. We were not able to obtain a full and frank confession from any student. We were also unable to obtain any corroborating evidence that would meet the criteria to support a charge of fraud to the level of proof required which is "beyond reasonable doubt".
29. Based on the information resulting from this investigation we are not able to establish a case for a successful prosecution against any of the students interviewed.
30. Current MSD (Student Services) operating procedures and gate keeping issues associated with the Student Loan scheme did not facilitate the establishment of whether, or not, an intent to defraud existed.
31. MSD (Student Services) will conduct a review of their systems, procedures and processes to identify opportunities to better manage the gate keeping and compliance aspects of administering the Student Loan scheme.

Options:

32. Options for future action could include:

Option One:

Extend the current investigation to a larger sample group to determine the level of fraud outside of the parameters covered by this investigation. This would require additional funding and would severely impact on current resources and outcomes in other areas of the Department (eg other benefit control initiatives). It is the opinion of the investigating team that a larger sample group would not reveal a significantly different level of fraud.

Option Two:

- a) Continue the joint initiative between Student Services and Benefit Control. The focus of this compliance group would shift to identify gate keeping measures that can be implemented before the next Student Services peak season. It is believed addressing the gate keeping issues could minimise the amount of fraud/abuse which would continue to occur should remedial action not be taken.
It should be noted that any fraud/misuse within the current database is capped (given that a new Student Loan application is required every 52 weeks)
- b) Investigate the opportunity of mitigating the risks of excessive or inappropriate use of course related costs. The investigation will focus on the following likely risk areas:
 - Providers using course related costs as a marketing tool.
 - Enrolment practices that allow students to establish multiple loan accounts over relatively short time frames.

Conclusion:

33. We are satisfied that no further investigation is warranted in respect of the misuse of Student Loan monies by students enrolled on the National Certificate in Travel (level 3 and 4) distance education programme at PETC.
34. The working relationship between Student Services and Benefit Control will identify risks that can be addressed operationally by MSD (Student Services) and those that would be more appropriately addressed by the inter-agency risk management framework currently under development.
35. We believe the inter-agency risk management framework is the appropriate forum for addressing the wider issues around the links between the education courses and provider approvals, course incentives and the gate keeping issues.



MINISTRY OF SOCIAL DEVELOPMENT
Te Manatū Whakahiato Ora

Bowen State Building, Bowen Street, PO Box 12 136, Wellington • Telephone: 0-4-916 3300 • Facsimile: 0-4-918 0099

1 March 2002

Ministry of Social Development: Student Loan Scheme Compliance –
Supplementary Report on PETC Out of scope – Student Follow –Up
Options

Executive Summary

a) s 9(2)(h) OIA Legal professional privilege

b) Resulting from these opinions MSD has now prepared four options for consideration:

Option One – Investigate and establish debts (incl. prosecution where required) for all students

Letters are sent to all relevant students requesting them to confirm their study intentions. Depending on their explanations MSD could initiate actions to retain the loan draw downs as a debt, and commence recovery. We would prosecute where fraud is established, or civil action is required to recover the debt, and any associated costs.

Option Two – Investigate all students, limit future access to loans, prosecute for fraud only

Letters are sent to all relevant students requesting them to confirm their study intentions. Depending on their explanations MSD could initiate actions to limit further access to the Loan Scheme, and would prosecute for fraud (as in option 1).

Option Three – Investigate a sample of students and establish debts (incl. prosecution where required)

The same approach as option 1, but limit any action taken to a sample of 410 students (10%).

Option Four – No Further investigation/tighten gatekeeping using interagency risk framework

Take no further action to investigate the individual students. Rely on the interagency risk framework to limit any further incidents of this kind.

- c) Given resource constraints, our preference is for option 3. This option can be accommodated within existing resources and baseline funding, and can be actioned in a timely manner (within 1 year).
- d) Both options 1 and 2 would involve significant additional resources, could be time consuming, and would divert experienced staff away from other important work.

Ministry of Social Development: Student Loan Scheme

Compliance – Supplementary Report on PETC

Out of scope

Student Follow –Up Options

Recommended Action

We recommend that you:

- a) note the contents of this report;
- b) note the internal legal advice received in relation to actions the Ministry may take to establish and recover illegal or fraudulent student loans;
- c) note the resource implications associated with options 1 and 2;
- d) agree to option 3 being undertaken, commencing immediately;

Agree/Disagree

- e) note that a media strategy in relation to this and the earlier paper will be prepared, and that it will need to link into any media strategy that is developed in relation to the Interagency Risk Management Framework report.

Stuart Macdonald

Stuart Macdonald
Acting General Manager
Specialist Services

Minister's Signature

| | |
|---|------|
| | |
| Steve Maharey Minister of Social Services and Employment | Date |

Ministry of Social Development: Student Loan Scheme Compliance Report – Supplementary Report on PETC Student Follow –Up Options

Out of scope

Purpose of Report

1. This paper advises you of possible options for action relating to investigations of the misuse of the Student Loan Scheme by students enrolled on distance education programmes offered by Practical Education and Training Centre (PETC).

Out of scope

Background

2. Following our report to you dated 4 February 2002 (reference number 02/2/31) outlining the findings of investigations of potential fraudulent activity of the Student Loan Scheme, you requested that the Ministry investigate further the available options for taking action against the students who have either acted illegally and/or fraudulently.
3. Currently 688 of these students, having completed their PETC course prior to 31 December 2001, are now due to have their loans transferred to Inland Revenue (IRD). Loan accounts involving allegations of possible fraud or illegal activity should not be transferred to IRD, and we will therefore delay the transfer of these 688 cases until your decisions on the options in the paper are made. A further 3,415 students will progressively complete their PETC distance learning enrolment at various stages throughout 2002. Depending on what action is decided upon, the Ministry would apply the same process to these students at the end of the month, throughout 2002, in which their course is finalised.

Legal Comment on Possible Actions

s 9(2)(h) QIA Legal professional privilege

4.

5.

6. s 9(2)(h) OIA Legal professional privilege

Debt Establishment and Repayment

7. s 9(2)(h) OIA Legal professional privilege

8.

9.

10.

Prosecution of Fraud

11. Where evidence substantiates student fraud in obtaining a loan, the Ministry would consider prosecution associated with an application to the court for reparation to recover the debt. However, initial work (see earlier report number 02/2/31 dated 4 February 2002) indicates that it could be difficult to substantiate fraudulent intent in these cases. Each case would be assessed on its individual merits.

Restricting access to the loan Scheme

12. A further possibility open to the Ministry is to restrict future access to the loan scheme for borrowers who have breached their contract terms and conditions. Effectively the Ministry would apply additional scrutiny in the form of interviews and additional verification, to future loan applications from these individuals. In assessing these applications the Ministry would need to be satisfied that the applicant has a real intention to undertake study and complete course work, and that the loan funds are being utilised

for appropriate educational purposes. If the Ministry could not be satisfied on these points, a loan contract would not be entered into with the applicant.

13. The Ministry is aware that prior to 2000 when the Ministry of Education (MoE) was responsible for administration of the loan scheme, MoE did refuse loans for students with a history of abuse or misuse of their loans. -

Consultation with Inland Revenue

14. Consultation with Inland Revenue over any investigations and subsequent legal action will be required, as the transfer of valid loan to them is covered by Part 1 of the Student Loan Scheme Act 1992, which they administer. They will no doubt take a close interest in which loans, or parts of loans, are able to be transferred to them for their collection action.
15. They have been alerted to the work currently underway, and whilst they have not yet seen this report, they are likely to hold the view that all cases of possible abuse should be investigated, so that only bona fide loans are transferred.

Options

16. Based on the legal advice received and taking into account the impact on current resources, and the need to send a clear message to students and providers about the seriousness of the issues, the following options have been developed.

Option One – Investigate and establish debts (incl. prosecution where required) for all students

Letters are sent to all relevant students requesting them to confirm their study intentions. Depending on their explanations MSD could initiate actions to retain the loan draw downs as a debt, and commence recovery. MSD would prosecute where fraud is established, or civil action is required to recover the debt, and any associated costs.

Option Two – Investigate all students, limit future access to loans, prosecute for fraud only

Letters are sent to all relevant students requesting them to confirm their study intentions. Depending on their explanations MSD could initiate actions to limit further access to the Loan Scheme, and would prosecute for fraud (as in option 1).

Option Three – Investigate a sample of students and establish debts (incl. prosecution where required)

The same approach as option 1, but limit any action taken to a sample of 410 students (10%). This option would meet resource constraints but does raise the risk that we do not fairly investigate all potential cases. Therefore we recommend another review once these cases have been actioned.

Option Four – No Further investigation/tighten gatekeeping using interagency risk framework

Take no further action to investigate the individual students. Rely on the interagency risk framework to limit any further incidence of this kind.

17. The preferred option is option 3, as it is manageable within current resources, and it ensures that legal action will be taken where the evidence justifies it.

18. Out of scope

Comment on options

19. You have asked the Ministry to carefully consider what actions could be taken in respect of PETC Out of scope students, many of whom have clearly enrolled in courses to access cash, and with little or no intention of studying. The Ministry does have the authority to investigate and take action against students found to have abused the loan scheme. However, the value of being able to take tangible action against the potentially significant numbers of students involved must be weighed against the significant Ministry resources required to do so. This action will involve contacting, and in many cases possibly interviewing students and others, verifying course details and establishing and recovering debts via possibly protracted legal action.
20. The Interagency Risk Management Framework will minimise the reoccurrence of this situation in the future.

Appendix

Option One: Investigate and establish debts (incl. prosecution where required) for all students

| Process | Pro's | Con's |
|--|--|---|
| <p>1. Hold the transfer of loans to IRD for PETC Out of scope students where it is suspected these students have misused the student loan scheme and are in breach of clauses 2 and/or 10 of their loan contract terms and conditions.</p> <p>2. Contact all students in writing to determine: 1. their intentions in relation to undertaking course work, and, and 2. whether course related costs were used for the purpose stated in their claim,</p> <p>3. Give these students the opportunity to provide an explanation of their situation. If they do not respond, or if their explanation is inadequate, the Ministry would :</p> <ul style="list-style-type: none"> • Retain the loan as a debt¹, and • Commence recovery of this debt, and • Apply additional scrutiny to any future applications for student loans. <p>4. Where there is evidence the student has deliberately provided false or misleading information in relation to their loan application, the Ministry will consider prosecution.</p> <p>5. Future access to loans by these students would be limited as per option 2.</p> | <p>1. The Ministry is seen to investigate and take direct action against students shown to have misused the scheme.</p> <p>2. Ministry's actions provide deterrent to loan scheme abuse by other students.</p> | <p>1. Would require significant additional resourcing by the Ministry over the next 8 months in terms of interfacing with the students and establishing and recovering debts.</p> <p>2. It is estimated that additional funding of around \$800,000 would be spent on the investigation of individual cases². The legal costs have not been estimated.</p> |

¹ If debts were established in respect of the 688 students who have completed their enrolment and the 3,415 who will complete this enrolment in 2002, the total crown debt established would be around \$27 million. This amount assumes debts would be established for the full amount of each loan.

² This assumes an average of 8 cases cleared per week per investigator. 4000 cases would take 10 investigators 1 year to complete. This does not take into account the possible delays as civil proceedings are taken.

Option Two: Investigate all students, limit future access to loans, prosecute for fraud only

| <i>Process</i> | <i>Pro's</i> | <i>Con's</i> |
|--|---|---|
| <ol style="list-style-type: none"> 1. Same as option 1, however action against students found to be in breach of their loan contract would <i>not</i> involve the establishment of a debt. Where students were shown to have deliberately provided false or misleading information in relation to their loan application, the Ministry will consider prosecution. 2. The Ministry would take action to apply additional scrutiny to any future applications for student loans from these students. | <ol style="list-style-type: none"> 1. Recourcing implications not as significant for the Ministry as for option 1. 2. Ministry's actions to scrutinise and possibly restrict future access to the scheme are seen to be positive. | <ol style="list-style-type: none"> 1. In not taking direct action against the students e.g. establishing debts, the Ministry is seen to be "soft" on misuse of the loan scheme. 2. The impact of this option as a deterrent to possible future abuse is less than for option 1. 3. Resourcing implications for the Ministry, though less than for option 1, are still significant over the next 8-12 months. |

Option Three: Investigate a sample of students and establish debts (incl. prosecution where required)

| <i>Process</i> | <i>Pro's</i> | <i>Con's</i> |
|---|---|---|
| <ol style="list-style-type: none"> 1. Investigate a sample of 10% (410) from the pool of students. 2. Undertake process as per option 1 including debt establishment and prosecution. 3. Review action following completion of the sample cases and either; <ul style="list-style-type: none"> • Extend the investigation – if high levels of abuse are found, or • Conclude this work and maintain the normal compliance work of the Ministry. | <ol style="list-style-type: none"> 1. This work can be undertaken within current resources and completed in a timely fashion. 2. See also option 1. | <ol style="list-style-type: none"> 1. Not all cases will be investigated, this raises equity of treatment issues. However, if high levels of abuse are found the investigation would be widened. 2. Some cases of abuse or misuse of the loans would still be transferred to IRD. |

Option Four: No Further investigation/tighten gatekeeping using interagency risk framework

| <i>Process</i> | <i>Pro's</i> | <i>Con's</i> |
|---|---|--|
| <ol style="list-style-type: none"> 1. Take no further action in respect of these PETC and Out of scope Allow their loans to transfer to IRD. 2. Utilise the development and implementation of the gatekeeping processes to ensure similar activities are minimised. | <ol style="list-style-type: none"> 1. Minimal additional resources required from the Ministry. | <ol style="list-style-type: none"> 1. Possible public criticism for the failure of the Ministry to take any action in respect of these PETC Out of scope 2. No deterrent to abuse is signalled for other students. |

11 March 2002

**Ministry of Social Development Report: Implementation Plan - Practical
Education Training Centre (PETC)**

Recommended Action

We recommend that you:

- a. Note the contents of this report.
- b. Note that a group of students (688) who completed their enrolment in the distance learning travel programmes prior to 31 December 2001 will initially be investigated, and that depending on the outcome, the investigation may be extended to around 3,500 (approx) students who are due to complete their enrolment during 2002.
- c. Note that we will report to you during the investigation and at the conclusion.
- d. Note that our report at the end of the investigation period (31 October 2002) will include analysis and advice relating to the extent of abuse and whether investigation of around 3,500 students due to complete distance learning programmes in 2002 needs to be undertaken.
- e. Note that if the investigation is broadened to encompass a further 3,500 (approx) students then additional funding may be required to undertake this work.
- f. Agree to the processes outlined and timeframe for action.

AGREE / DISAGREE

Stuart Macdonald
Acting General Manager
Specialist Services

Minister's Signature

Steve Maharey
Minister of Social Services and Employment

Date

Ministry of Social Development Report: Implementation Plan - Practical Education Training Centre (PETC)

Purpose of Report:

1. Your office has requested MSD report to you on processes for managing the investigation of students undertaking distance learning travel programmes at Practical Education Training Centre (PETC).

Background:

2. We recently reported to you (REP 02/3/91), on options for investigating the misuse of the Student Loan Scheme by students enrolled on distance learning travel programmes at PETC. In that report we recommended that further investigations be undertaken in relation to a 10% random sample of students who have completed or are undertaking distance learning travel programmes (410 students). Officials from your office have instead recommended to you that all students who completed their enrolments prior to 31 December 2001 be investigated (688 students). Depending on the results with these initial students, consideration will be given to extending this investigation to the remaining students, who are due to complete their enrolments during 2002 (3,500 approx students).

Implementation Plan

The Process

3. The investigation process is outlined in appendix 1¹. This process will initially be applied to those students who completed their enrolments prior to 31 December 2001. This will include investigating the 105 cases that have previously been identified as problematic². Depending on the results with these initial students, consideration will be given to extending this process to the 3,500 (approx) remaining students who complete their enrolments this year.

Outcomes

4. There are 4 possible outcomes from the process in relation to any particular case.
 - Transfer to IRD – where investigations reveal that a student's intent to study is legitimate the loans will be manually transferred to Inland Revenue with no further action taken.
 - Debt establishment – where investigations determine that misuse of the student loan scheme has taken place, but short of provable intent to defraud, these loans

¹ Note this process will also capture a number of students with multiple enrolments at TAFE.

² These students were discussed in report 02/2/31 and identified as being a high-risk group. Note some of these students will form part of the 688 cases.

(total loan balance) will be established as a MSD debt and will not be transferred to Inland Revenue.

- Improve gatekeeping controls – where debts have been established, future access to the student loan scheme by these students will be subject to additional gatekeeping processes.
- Prosecution – where a prima facie case of provable fraud exists, prosecution action against the student may be undertaken. Recovery of loan monies will be by way of reparation order through the court system.

Resourcing

5. Investigations of the initial group of students will be managed by Student Services within 2001/2002 baseline savings. However, should the investigation be broadened to the other 3,500 (approx) students, additional resourcing and funding would be required in the next fiscal year.
6. This work will also impact on MSD Debt and Benefit Control areas. It is possible that additional funding will also be sought by these areas to manage their part of the process should the volume of cases become significant.

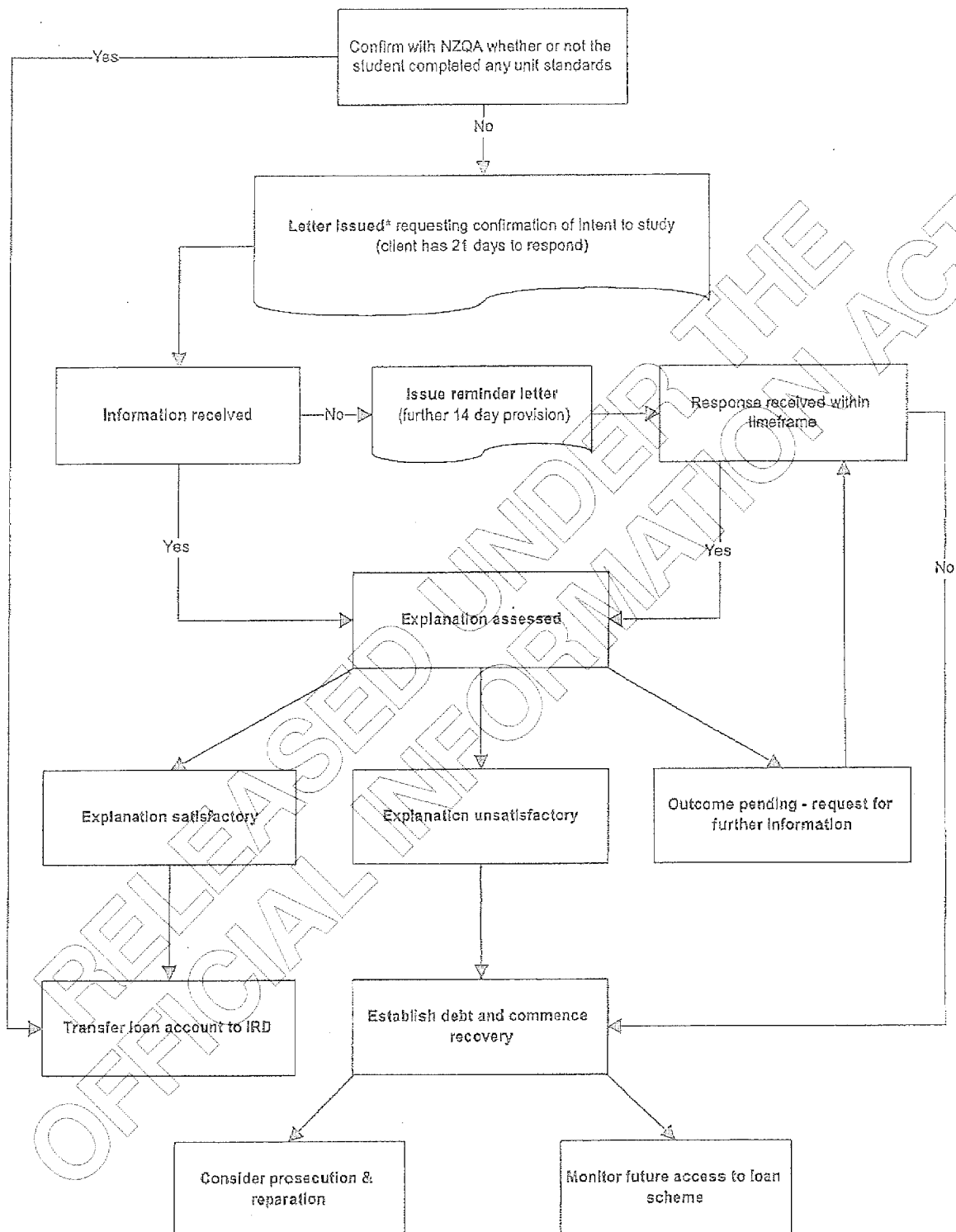
Timeframes

7. This process will commence immediately and we anticipate completing actions in relation to the initial 688 cases by 31 May 2002. If the investigation is extended to the additional 3,500 students we would expect to complete this investigation by 1 October 2002, however this timeframe may be extended dependant on the actual number of students to be investigated.

Inter-Agency Consultation

8. The recommended process has been discussed with the Ministry of Education (MoE), NZ Qualifications Authority (NZQA) and Department of Inland Revenue (IRD). These agencies have advised they are comfortable with our proposed approach.
9. IRD have sought assurance from us that no loans will be transferred to them only to be deemed fraudulent at a later date. We have advised IRD that our investigation processes will ensure that we will never knowingly transfer fraudulent loans.
10. Confirmation of unit completion in respect of the specific students being investigated will be sought from NZQA. Students who have undertaken some work on the course (even if they did not complete the course) will have their loans transferred to IRD on the basis that they have demonstrated a clear intent to participate in the course.

Appendix One



* All correspondence during the process will be sent by Trackpac and will require a signature on receipt.

File No: FP75/43/00/5
Submission No: S

COMMERCIAL; IN CONFIDENCE

2 August 2002

Associate Minister of Education (Tertiary Education)

Minister of Education

Update on Practical Education Training Centre

Proposal

1 This briefing note:

- i. updates you on discussions between officials of the Ministries of Social Development and Education and Practical Education Training Centre [PETC], regarding reconciliation of equivalent fulltime-tuition subsidies for 2001 and 2002, and access to the Student Loan Scheme for students enrolled in the National Certificate in Travel [Level 3 and 4] - by distance; and
- ii. seeks your agreement, without prejudice to your final decision following receipt of PETC's response, to the joint Ministry of Education/New Zealand Qualifications Authority report, to approve new, intramural qualifications at PETC, and to pay EFTs-based tuition subsidies and student loans to between 450 and 600 genuine distance education students; and
- iii. seeks your agreement for the cost of computer ownership to be included in the compulsory fee component of the Student Loan Scheme for those 450 to 600 only

Or

for officials to enter into fresh negotiations with PETC around access to a computer through a leasing or bailment option.

Introduction

- 2 Your letter to the Chief Executive Officer of PETC, Mr Tony Zieltjes, of 30 May 2002 asking him to consider the joint New Zealand Qualifications Authority [NZQA]/Ministry of Education report on PETC. The letter also instructed officials to work with PETC on the:
 - i. Reconciliation of EFTS-based funding and those student loan applications frozen by the Ministry of Social Development [MSD] in August 2001; and
 - ii. Any special conditions to be included in future Notices of Terms and Conditions, should you agree for the Ministry of Education to enter into a new funding agreement with PETC.
- 3 Your letter agreed that a useful starting point for discussions was the original submission by PETC on 31 January 2002 to the Ministry. In that submission PETC identified in general terms, and without prejudice, discussion points which they believed could have a major impact on their future arrangements with the Ministry of Education.
- 4 These discussion points were:
 - equitable review of the equivalent full-time students numbers claimed in 2001, presumably through the December Single Data Return;
 - removal of EFTS claims from the Single Data Return for any student who submitted no work during the first three months of the course in 2002 and beyond;
 - agreed growth and capacity factors;
 - fees refund via reduction of student loans for any student who submits new work during the first three months of the course in 2002 after the deduction of an administration fee; and
 - bailment or hire provisions covering supply of computer equipment.
- 5 Significant progress has been made in two keys areas which will impact on both the Crown's expense and also future protection of Crown's financial and educational interests.

Reconciliation of 2001 funding and 'frozen' student loan applications

- 6 All parties have agreed that more than a brief or minor engagement in study is required from PETC's students to be considered as 'genuine students' by meeting the test of valid domestic student enrolment. For the purposes of what is a 'genuine student', PETC offered, and the Ministry agreed, that the definition should be:

"any student who has successfully completed 10% of the total credit value of the qualification – the credit value of the qualification being 77 credits."

- 7 PETC has accepted that the 10% engagement test will apply to achieved credits only, and the estimated number of students withdrawn from their December Single Data Return [and funding reduced] will be recalculated. Non-performing students will therefore be withdrawn from PETC's records ab initio and not included in any Statement of Service Performance or course completion calculations.

- 8 PETC has asked that *'an exemption will be granted to any students with an established record of learning at any institution at least equal to the Genuine Student Test.'* Although a previous established record of learning gives an indicator of an intention of study, both Ministries have proposed that the 10% successfully completed test should apply across the board.
- 9 There has been considerable discussion between all parties regarding a process for reconciling access to student loans for those students who have been caught up in MSD's freeze on student loan approvals. Of the approximately 1200 enrolments with outstanding applications to the Student Loan Scheme, it is estimated that between 450 and 600 of these students would meet the 'genuine student' test¹.
- 10 One issue outstanding is whether these "genuine" students should still have access to the compulsory component of the Student Loan Scheme for the payment of a computer.
- 11 It was the understanding of both Ministries following a meeting with PETC on 28 June 2002, that PETC had agreed not to include the purchase and ownership of a computer by students in the compulsory tuition fee component of the Student Loan Scheme. This was to apply to all students whose application approvals and/or tuition fee payments have been deferred, and any new enrolments. The Ministries understood that, for these students to access to computer equipment, some of the unit standards in the qualification had to be completed. This had been facilitated through the loaning of computers to students at no extra cost to them.
- 12 PETC now state that, for this particular group of genuine (between 450 and 600) students only, PETC can:
- 'move to bailment contract computers at a cost of \$5397 forming part of the compulsory course fee to be recognised by the Ministry of Social Development (MSD). However, a good number of students have stopped submitting work, waiting for a computer.'*
- 13 Bailment occurs when goods are owned by one person, but are in the possession of another for a specific purpose eg a car in the mechanic's premises for a warrant of fitness. Here, the mechanic has to take reasonable care of the car while it is on the premises and only deal with it for the purpose of a warrant of fitness.
- 14 This bailment approach would result in only a \$200.00 fee reduction for PETC students. In effect, access to a computer for the duration of the course, would cost the student only slightly less than outright ownership. The Ministries do not consider this a fair or publicly defensible option for this group of students. More importantly, the bailment option presents a risk of successful legal challenge to the PTE, as genuine students would have a right to expect that, all other things being equal, the contractual rules will not be unilaterally changed.

¹ Currently, there are quite significant discrepancies in the numbers of students who PETC advise meet the "genuine student" definition, and the numbers with the appropriate levels of credits recorded on NZQA's records of learning. MSD is actively working with both parties to reconcile individual students' achievements.

15

- 16 Were the cost of a computer be included in the approved loan for the 450 to 600 *genuine* PETC students, this could result in further loan fee payments to PETC of up to \$3.4 million².
- 17 To enable a reconciliation of these outstanding matters to be settled quickly for these 450 to 600 "genuine" students, it is the view of both Ministries that ownership of a computer should be considered for inclusion in any approved loans for these students **only**. This is on an assessment of the legal risk regarding existing contractual arrangements and that access to a computer is required.
- 18 This arrangement would be on the basis that no computers would be sent to households or students who have already received a computer through PETC. If you do not consider ownership of a computer appropriate, then the Ministries would enter into new negotiations with PETC regarding alternative leasing arrangements.
- 19 MSD have reminded PETC that, following approval of a student loan, students have a seven day period during which they can cancel the loan. MSD has further advised PETC that any approval of currently held applications would therefore be subject to student agreement, before a loan could proceed. This would be an opportunity for students to reconsider whether they wished to continue with the application, including the option of computer ownership.

Special Conditions for 2002 and 2003

- 20 Should you agree to enter into a new funding agreement with PETC, critical to the discussion around any special conditions that would be attached to a 2002 *Notice of Terms and Conditions* for this provider, would be the future inclusion of the computer in the PTE's compulsory tuition fee.
- 21 PETC has agreed to recognise as genuine students, only those who competently completed [i.e. successful academic completion] 10% of the course credits within three months of starting the programme. Refunded students will be withdrawn from PETC's records ab initio and will not be included in any Statement of Performance statistics or Retention calculations.
- 22 It is the preference of both Ministries that, should you agree to enter into a 2002 *Notice of Terms and Conditions* with PETC, you **do not** agree the cost of ownership of a computer in the compulsory tuition fee component of the Student Loan Scheme for

² This does not include the amount of any course related costs or Training Incentive Allowance these students may be entitled to.

enrolments in the National Certificate in Travel [Level 3 & 4] – distance option. This position would need reviewing during the remainder of the year, to ensure that PETC was not being treated differently to any other provider offering distance learning through electronic means. It is still possible that an appropriate computer leasing arrangement may be agreed between the Ministries and PETC.

- 23 Once you have come to a final view then, should you agree, it is proposed these conditions be built into a new, specialised 2002 and 2003 *Notice of Terms and Conditions*.

New Qualification Approvals

- 24 In July 2001 you agreed that the Ministry of Education withhold recognition for accessing government assistance for eight new, NZQA approved, qualifications] [S01/0087 refers]. This agreement was on the basis that such recognition could not be given until you had an opportunity to review the combined reports of the Department of Work and Income [now MSD], the New Zealand Qualifications Authority and the Ministry of Education.
- 25 These qualifications included national certificates in hospitality, adult education and training, travel and tourism, computing and business administration and computing. All except the travel and tourism certificates were lodged with the Ministry before the PTE moratorium announced on 24 July 2001.
- 26 Last year you agreed that the new pre-requisite qualification, National Certificate in Tourism and Travel (Core Skills) (Level 3), and the revised national certificates in Travel (Level 3) and (Level 4) would be excluded from the PTE moratorium on new qualifications, as the sector has signalled to the Ministry of Education that the revisions were registered the day of the moratorium.
- 27 You agreed to exclude these qualifications because you were concerned that PTEs were able to provide the training that the travel industry had signalled as required. PETC meets all the requirements of existing qualification provision to be approved for accessing government assistance.
- 28 Currently, students enrolled in intra-mural programmes of study are being EFTs-funded at PETC, and are able to access both the Student Loan Scheme and student allowances. Without prejudicing your final decision regarding the joint Ministry of Education/NZQA report, the Ministry of Education supports the approval [for *intramural delivery only*] of those qualifications. This is particularly the case for the intramural travel qualifications where students will be enrolling in September 2002 for the old National Certificate in Travel.

Legal and wider risks

- 29 s 9(2)(h) OIA Legal professional privilege

- 30 In summary, the Ministry believes that significant 'savings' in paying PETC on the basis of the 10% competently achieved credits could be achieved. Further, that the genuine student test is defensible in the present circumstances. The sum of savings are

likely to be in excess of \$8m [including non-paid EFTS-based tuition subsidies and student loans] calculated on the original numbers enrolled. The Ministry believes that the risk of legal challenge to you from either PETC [based on the above agreed test], or a disenfranchised genuine student, against PETC and joining you as second defendant, will be minimised by the following:

- If this recommended solution is acceptable to you, making prompt payment to PETC on the agreed genuine student test; and
- Seeking an indemnity from PETC that any proceedings from students will not involve the Crown.

30. The savings that are likely to be made through this recommended solution will justify the long and exhaustive investigations of the Ministries and NZQA. Prompt payment of the agreed amount [together with negotiated conditions acceptable to you for the 2002 *Notice of Terms and Conditions*], will minimise risk from PETC itself, and an indemnity, if it can be obtained, will reduce all liability as a result of 3rd party challenge [should it occur]. Based on the recommended solution being acceptable to you and consequently implemented, the Ministry has assessed the legal risk of successful challenge and the wider risks to be low.

Other outstanding issues

31 The Ministry is in the process of concluding the payment of EFTS-based tuition subsidies for intra-mural students for 2001 and 2002. PETC and the Ministry of Education have agreed to the release of \$248,587.91 [GST inclusive] for intra-mural student enrolments. PETC has also requested that payment for 2002 intra-mural students contained on the April 30 Single Data Return. It was agreed by the Ministry that the conditions under which payment of intramural eftS for 2001 were being paid would also apply in 2002. This was because access to student loans and allowances were being paid by MSD to these students as genuine domestic student enrolments.

32 Another matter raised was the release of information, under the Official Information Act 1982, held in the joint Ministry of Education/NZQA report, and MSD's report into PETC, to the New Plymouth-based newspaper, *Daily News*. Simon O'Rourke from the *Daily News* had placed an Official Information Request to the Minister for copies of the reports from NZQA, the Ministry and MSD.

33 One of the reasons for the confidential nature of the report at this time was that PETC had not had an opportunity to challenge either statements of fact or opinion, nor consider whether some of the financial aspects of the report would compromise its commercial activities. The government agencies wished to allow PETC to have time to consider the report before releasing any material.

34 Your office has yet to receive a reply to your 30 May 2002 letter to PETC. The Ministry of Education has proposed to you that you not send a copy of the joint NZQA/Ministry of Education report to the *Daily News* until you receive a formal response from PETC.

35 One issue raised by PETC, which remains un-concluded, was the possible implications of the 2002 Budget announcement by the government that, during 2003, funding to private training establishments would be no greater, in terms of EFTS and total

dollars, on these arrangements. It was agreed that there would need to be further discussion between the Ministry of Education and PETC regarding this matter.

- 36 Finally, all parties agree that successful communication to students was critical to the success of any agreement and that, should your final view be that the government would permit PETC access to efts-based tuition subsidies, and its students access to the Student Loan Scheme and student allowances during 2002, both PETC and the government agencies would undertake a joint communications plan to affected students, outlining both the agreement, timeframes and actions.

Consultation

- 37 The Ministry of Social Development has been consulted in the drafting of this report.

Recommendations

It is recommended that you:

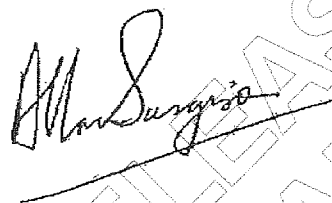
- (i) Note officials from the Ministries of Social Development and Education have met and have been in discussions with the Management of Practical Education Training Centre [PETC] regarding the reconciliation of efts-based funding and the frozen student loan applications for distance students at PETC;
- (ii) Note that PETC has agreed that only students who have completed successfully 10% of the qualification shall be considered as valid domestic student enrolments for the purposes of accessing government assistance. PETC has proposed that for future *Notices*, students would have to successfully complete 10% within the first three months of enrolment;
- (iii) Note that the Ministry of Social Development estimates that between 450 and 600 of the 1200 (approx.) students whose applications for student loans with MSD have been "frozen" since August 2001, will meet the 10% valid domestic student test;
- (iv) Note that it is the view of both the Ministries of Social Development and Education that ownership of a computer should be allowed to be included in any approved loans for these 450 to 600 students;
- (v) Note that, were the cost of a computer to be included in the approved loan for the 450 to 600 genuine students identified, this would result in further loan fee payments to PETC totalling of up to \$3.4 million, not including the amount of any Course Related Costs or Training Incentive Allowance these students may be entitled to.
- (vi) Note that it is the preference of both Ministries that, should you agree to enter into a 2002 *Notice of Terms and Conditions* with PETC, given the risk associated around the National Certificate in Travel [Level 3 & 4] – distance option, you should not agree that the cost of ownership of a computer be included in the compulsory tuition fee component of the Student Loan Scheme;
- (vii) Note that the legal risk of successful challenge and the wider risks are considered to be low if the above genuine students test is acceptable to you; PETC is paid promptly once your final decision is made, and an indemnity from possible 3rd party claims, such as genuine students against PETC [if it can be obtained], is obtained;

- (viii) **Note** that a further report will be forwarded to you in relation to PETC's 2001 and 2002 *Notices of Terms and Conditions* once you have received a reply to your 30 May letter from PETC;
- (ix) Until your final decision is known, **agree** to the approval of all outstanding new qualification approvals for PETC currently pending with the Ministry of Education, but only for intramural study;
- (x) **Agree** to the release of efts-based tuition subsidies by the Ministry of Education for students who meet the test of genuine valid domestic student enrolment, pending your final decision on the PETC report; and
- (xi) **Agree** to either release student loan monies frozen by the Ministry of Social Development, including in the compulsory fee component the cost of computer ownership, for those 450 to 600 students only

Or

Direct officials to enter into fresh negotiations with PETC around access to a computer for these students through a leasing or bailment option;

- (xii) **Approve** further negotiations/discussions with PTEC based on the above recommendations.



Allan Sargison Manager
Tertiary Advisory Monitoring Unit

Cc Transition TEC

18 August 2002

Ministry of Social Development Report: Review on Student Activity -
Practical Education Training Centre (PETC) Out of scope

Recommended Action

We recommend that you:

- a. Note the contents of this report.
- b. Note that 107 students studying distance learning courses at PETC Out of scope were identified as sharing certain characteristics indicating possible abuse or fraud of the student loan Scheme.
- c. Note that the Ministry's Benefit Control Unit attempted to contact and interview all 107 students and also to gather information from other parties to support the investigation.
- d. Note that the current status of the investigation of these 107 cases is as follows:

| | |
|--|-----|
| Cases which will proceed to prosecution | 9 |
| Cases where current evidence does not support prosecution, but subject to further evidence, may result in Loans being converted to Ministry debts. | 56 |
| Cases unlikely to be finalised as students not locatable | 20 |
| Cases where investigation is still ongoing | 22 |
| <i>Total</i> | 107 |

- e. Note that a final report on the outcome of these investigations will be forwarded to you in early October.

Patricia Reade
General Manager
Specialist Services

Minister's Signature

Steve Maharey
Minister of Social Services and Employment

Date

Ministry of Social Development Report: Student Investigation -
Practical Education Training Centre (PETC) Out of scope

Purpose

1. In our report to you dated 14 June (REP/02/6/287) we advised that we would report back to you by mid August on the outcome of the investigations being conducted by the Ministry's Benefit Control Unit in relation to 107 Practical Education Training Centre (PETC) Out of scope students suspected of abusing or defrauding the Student Loan Scheme.
2. This paper advises of progress to date with this investigation.

Background

3. In our 14 June report we referred to 105 students involved in distance learning courses at PETC Out of scope who were initially identified in November 2001 as sharing certain characteristics indicating possible abuse or fraud of the student loan Scheme. Thirty five interviews were conducted from this group of 105 and a level of abuse was identified. It was agreed that the Ministry would go on to interview the balance of the 105 students (and in addition 2 students from a more recent investigation who admitted to misuse of course related costs) with a view to converting these student loans to Ministry debts in as many of the 107 cases as warranted such action.
4. In the 14 June report we also advised that whilst "intent to defraud" may be difficult to prove, the Ministry would not rule out prosecution action should an individual case meet the "burden of proof" test.

The Process

5. The Ministry's Benefit Control Unit dedicated three staff to these investigations. The investigators sought to establish the material facts relating to the courses and the students' participation in them. They also sought to establish the status of the computers issued to the students.
6. The investigators attempted to contact and interview all 107 students. They also sought information from PETC Out of scope in relation to computer serial numbers, student enrolment and course participation. Where appropriate other parties e.g. second hand dealers, were contacted.

Progress to date

7. The current status of the 107 cases is as follows:

| | |
|--|-----|
| Cases which will proceed to prosecution | 9 |
| Cases unlikely to be prosecuted, but subject to further evidence, may result in Loans being converted to Ministry debts. | 56 |
| Cases unlikely to be finalised as students not locatable | 20 |
| Cases where investigation is still ongoing | 22 |
| <i>Total</i> | 107 |

8. Benefit Control have sought legal advice from Crown Law and as a result will be preparing 9 cases for prosecution.
9. Out of scope have been forthcoming in supplying the information requested by Benefit Control and PETC are now cooperating by supplying the requested information. This information is required to support prosecution action and the conversion of Loans to Ministry debts.
10. A final report on the outcome of these investigations will be forwarded to you in early October.