TEC investigation overview: Quantum Education Group Limited

Quantum Education Group Limited

Quantum Education Group Limited (Quantum) was one of 12 Private Training Establishments (PTEs) that formed part of the Intueri Education Group (Intueri). Intueri acquired Quantum in 2014 and shortly afterwards listed on the New Zealand and Australian Stock Exchanges.

Both Quantum and parent company Intueri have now ceased operations, and Intueri was placed into voluntary liquidation on 1 September 2017.

Summary

Quantum embedded a business model that took advantage of differences they found in government agency reporting mechanisms. This meant Quantum took steps to retain newly enrolled students on their ‘books’ for a period that was too long for them to be entitled to a fees refund, but before Quantum had to officially record their enrolment and claim government funding. This enabled Quantum to keep the fees but not have to report considerably higher withdrawal numbers, which would have raised concerns with government agencies.

Quantum was able to retain a significant amount of student fees without having to deliver training to these students.

Separate to the investigation, analysis by the TEC has shown the practice was not widespread in the sector and new reporting procedures will ensure it is not repeated.

Why we initiated the investigation

In 2015, the TEC became aware of questions about the accuracy of Intueri’s Initial Public Offering (IPO) prospectus.

The TEC investigated the issues raised and was concerned to find that the IPO stated that 4,628 students were enrolled at Quantum, when only 1,800 student enrolments had been reported to the TEC.
The TEC’s analysis also suggested Quantum generated significant revenue from StudyLink loans by recording enrolled students as having withdrawn after the end of the fee refund period but before the point at which enrolments became eligible for TEC funding (the “in-between” period). Because TEOs were not required to report withdrawn student enrolments to the TEC, the TEC had no visibility of them.

The TEC sets Education Performance Indicators (EPIs) for measuring the performance of Tertiary Education Organisations (TEOs). A TEO’s course completion EPI in one year will inform the TEC’s decision as to the funding provided in future years. The course completion EPI shows the proportion of courses offered by a TEO that were successfully completed by its enrolled students in a given year. However, students who withdraw from a course before they become eligible for TEC funding are not taken into account when determining a TEO’s achievement of the course completion EPI.

Accordingly, it appeared that Quantum’s enrolment practice effectively allowed it to retain the full fees paid by students (often paid through StudyLink loans), without impacting on its course completion EPI.

As a result, in November 2015 the TEC engaged Deloitte to investigate Quantum’s compliance with the conditions on which its funding is provided by the TEC.

The Deloitte investigation covered the periods both before and after Quantum’s acquisition by Intueri and included interviews with former directors and staff. The main issue of student withdrawals during the “in-between” period concerns Quantum’s business practices prior to its acquisition by Intueri.

What we found....

The investigation confirmed that, prior to its purchase by Intueri, Quantum’s business model involved withdrawing enrolled learners in the “in-between” period, a practice that generated significant additional revenue for Quantum but avoided negatively impacting Quantum’s course completion EPIs.

For learners who genuinely withdrew from a Quantum course in the "in-between period", this practice did not breach the conditions of Quantum’s funding.

However, the investigation also found that some students were recorded as having withdrawn during the "in-between period" when in fact they withdrew from the course after that period, when they were eligible for TEC funding. That means that the student withdrawals should have been reported to the TEC, and would have affected Quantum’s achievement of its course completion EPI.

...... and what we have done to ensure it can’t happen again

The issues identified by the report mainly affected fees paid by students through StudyLink loans, rather than TEC funding, because the TEC did not provide funding to Quantum for withdrawn students. This means the TEC has not sought to recover any money.

However, the report highlights a “system” difference in the funding process that enabled the practice. The TEC, together with the Ministry of Education and MSD/StudyLink, has since addressed this through a tighter monitoring regime and changes of processes. A key change is that all TEOs are now required to report enrolments of students who withdraw in the “in-between” period, which are now known as ‘confirmed student enrolments’.

___________

1 Section 234C of the Education Act 1989 provides that a PTE can retain student fees on the later of 7 days where students’ attendance is required or any other day the PTE permits a student to begin attendance.
2 After a student has completed 10% or one month of a course (whichever comes first) a Tertiary Education organisation (TEO) receives TEC funding and must report the data in the Single Data Return (SDR) system administered by the Ministry of Education (MoE). The SDR enables the TEC to measure and calculate Educational Performance Indicators (EPIs) which in turn are used to determine indicative Student Achievement Component (SAC) funding allocations.
Requiring the reporting of confirmed student enrolments means these learners will contribute to achievement of TEOs’ course completion EPIs, which should act as a disincentive for TEOs to undertake this practice on a large scale. The TEC and other government agencies have also improved data sharing. Together, this means similar practices that focus on maximising income without leading to qualifications are no longer possible.

The TEC also undertook an extensive data search of all TEOs and is satisfied that the practice of withdrawing large numbers of student enrolments in the “in-between” period is not widespread in the sector.

**Our next steps**

As both Quantum and Intueri have ceased operations and Intueri is in liquidation, the TEC does not intend to take further action.

However, publishing this investigation report, including the details of the steps Quantum took to maximise revenue, is an important part of drawing attention to this issue, signalling to the wider sector that such behaviour is not tolerated and that appropriate measures will be put in place to stop it.

**About our monitoring function**

The Tertiary Education Commission invests approximately $2.9 billion every year into tertiary education and regularly monitors approximately 700 TEOs to ensure they are performing and meeting their funding agreements.

As the Government’s key investment provider for tertiary education, our monitoring helps ensure TEOs are equipped to deliver services so New Zealanders can get the knowledge and skills they need for lifelong success. Tertiary education is a substantial commitment of time and resources for learners, taxpayers, and government, and they deserve full value for their investment.

We take a flexible and graduated approach to monitoring, working with TEOs to assist where necessary and making sure that when intervention is required, both the TEC and the TEO only need to invest as much time and effort as is necessary in the circumstances.

By using the extensive information and data we have available from across the education sector, we take a smarter approach to monitoring. This means we can identify issues early, provide relevant and timely support, and respond appropriately.

Our monitoring work goes beyond traditional compliance to working collaboratively with TEOs, informing and educating TEOs on their obligations and helping them perform to their best.

You can read more about our monitoring framework [here](#).
Report to the Tertiary Education Commission
Quantum Education Group
6 December 2017
Important message to any person not authorised to have access to this report by Deloitte

Other than Tertiary Education Commission, any person who has not signed and returned to Deloitte a Release Letter is not an authorised person with regards to this report.

An unauthorised person who obtains access to and reads this report, accepts and agrees, by reading this report the following terms:

1. The reader of this report understands that the work performed by Deloitte was performed in accordance with instructions provided by our addressee client, Tertiary Education Commission, and was performed exclusively for our addressee client’s sole benefit and use.

2. The reader of this report acknowledges that this report was prepared at the direction of Tertiary Education Commission and may not include all procedures deemed necessary for the purposes of the reader.

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4. This report should also be read in conjunction with the limitations set out in the report.
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1. Executive Summary

Background

1.1 Quantum Education Group ("Quantum") is comprised of three separate private training establishments ("PTEs"); Quantum Education Group (QT) Limited, Quantum Education Group (ES) Limited and Quantum Education Group Limited. In May 2014, Arowana International Limited acquired the Quantum Education Group via its subsidiary Intueri Education Group Limited ("Intueri"). After the acquisition of Quantum, Intueri was listed on both the New Zealand and Australian Stock Exchanges.

1.2 On 24 November 2015, the Tertiary Education Commission ("TEC") engaged Deloitte to undertake an investigation of Quantum. We were instructed to focus our investigation on the delivery of the following five qualifications in the 2014 and 2015 years:

- PC9685 Certificate in Travel, Tourism and IATA Fares and Ticketing
- PC9694 Certificate in Travel, Tourism and IATA Fares and Ticketing
- PC3219 Advanced Certificate in Information Technology
- PC9658 Diploma of Professional Counselling
- PC9735 Certificate in Business Financial Literacy

1.3 The focus of the investigation was to determine if:

- Programmes were taught in accordance with the learning hours and teaching weeks that had been approved by NZQA and entered into STEO;
- Students actually enrolled and attended the programmes;
- The SDR data accurately reflects students’ engagement with Quantum; and
- Any students have been omitted from the SDR data when they should have been included.

1.4 We provided a verbal update to TEC of our interim findings in February 2016. We were then instructed to undertake an expanded investigation to cover a wider period (now 2010 to 2015). We provided a draft report to TEC in September 2016. In 2017, the draft report was circulated to a number of parties. Submissions from these parties were received and considered in the preparation of this report.
Findings

Prior to May 2014

1.5 We found that the operations at Quantum have changed significantly since the purchase by Intueri. There are several issues that we identified that occurred before the transfer in ownership to Intueri. In summary these issues include:

   i. **Quantum had a very high early withdrawal rate.** “Early withdrawal” was used to describe students who were withdrawn prior to the “10% of the course” date when students are required to be recorded in the SDR submitted to TEC. However these students had normally paid their fees by StudyLink loan. Because the EFTS for this student are not consumed, they can effectively be “re-sold”. That is, the EFTS is still available and another student can be enrolled.

   A high early withdrawal rate seems to have been a factor that drove a profitable business model for Quantum. For example in an email we located to a Quantum Board member in 2008 it stated “Hi John re your phone message the situation now is that for every 100 paid sales 57-60 are Early Withdrawn ... If we continue with the current paid EW rate we project new revenue of c$28m, if we reduce the paid EW rate to 40 EW per 100 paid sales – the level that Lindsay feels comfortable with – then the revenue drops to c$20m.”

   ii. **Some students were withdrawn after the 10% date but were still omitted from the SDR.** This meant that the EFTS for the students were not consumed and it was also beneficial for maintaining favourable EPIs.

   iii. **Students who withdrew during the qualification would normally have only the completed courses included in the SDR.** The remaining courses (i.e. the unsuccessful completions) were not included in the SDR but the students were not refunded for these courses either.

   iv. **The course dates were used to manipulate the EFTS consumption and/or to improve the EPIs.** For example, if all of the EFTS had not been consumed then course end dates would be brought forward or if too many EFTS were being consumed, course end dates would be pushed back. Or, if a student was an unsuccessful completion and more EFTS needed to be consumed, that student could be included in the SDR but with a course end date in January of the following year. This would mean most of the EFTS would be consumed but the impact on the EPI would not be until the following year. The course dates in the SDR would often not be a reflection of reality.

   v. **Quantum delivered local qualifications, often concurrently with a national qualification.** The national qualification was effectively a subset of the local qualification and consumed less EFTS. For the local qualifications, it was determined that only 50% of the unit standards needed to be passed for the student to successfully complete a course. This would result in some students passing the local qualification by completing 50% of the units, but not completing the embedded national qualification. Only the local qualification was submitted in the SDR.

   vi. **Students were switched between part-time and fulltime for reporting purposes to manage EFTS consumption.** Only a full-time student can apply
for a student loan to cover course fees, living costs and course-related costs, but a part-time student consumes EFTS more slowly (i.e. over a longer period of time).

After May 2014

1.6 Due diligence of Quantum was conducted by Intueri Education Group Ltd (“Intueri”) at the beginning of 2014. The shareholder of Intueri at this time was Intueri Education Holdings Pty Ltd. This entity is now called Arowana Education Holdings Pty Limited (“Arowana”).

1.7 The minutes of the Due Diligence Committee, dated 17 March 2014, record that there were three “key risks to the PFI numbers not being achieved”. One of these was “QEG EFTS management not being as successful as expected”. This point was discussed by the committee and it was noted by the Chief Executive of Arowana (Kevin Chin) that “TEC are aware of the matter and there is no known intention to change funding policy”.

1.8 The view that TEC were “aware of the matter” could be construed from a telephone meeting in 2010 between Quantum and two TEC staff members. This meeting is referred to further in the body of the report. The transcript of this meeting does record that when the “non-reporting” of students is raised, one of the TEC employees stated “Well I think it’s very much about what has been consumed. I think absolutely if what is being reported is in fact all of the consumption that occurred for that particular student, that to me is better”. We note that the TEC staff member who we have spoken to and who was in attendance does not accept that it was represented to Quantum that this was an acceptable policy.

1.9 In response to this investigation, Kevin Chin advised in April 2017 that he attended a meeting with TEC on 22 January 2014. He set out the matters discussed at that meeting, including completion rates and the regulatory regime and culture in NZ. He notes that the TEC representatives at the meeting had an opportunity to raise any concerns they had regarding Quantum. Mr Chin added that Arowana/Intueri had reviewed and relied upon (among other things) the TEC audit report that was released in August 2013.

1.10 Intueri issued an Initial Public Offering (“IPO”) dated 6 May 2014. The IPO stated that “Quantum will be acquired by Intueri on completion of the Offer.” The IPO recorded that in 2013, Quantum had 4,628 students. This compares to data from StudyLink that shows in 2013, 3,628 Quantum students received loans for their study. TEC’s SDR data shows that 949.4644 EFTS were delivered in 2013 from enrolments of 1,741 students.

1.11 The figure used in the IPO was the “gross enrolments”, while only those students who reach a threshold of 10% of the course are reported to TEC in the SDR. Intueri notes that there is no evidence in the due diligence materials that SDR data was reviewed and therefore gross enrolments was the correct measure to use in the Prospectus.

1.12 The data that was published in the IPO and the discussion of the due diligence committee suggests to us that Intueri understood, or should have understood, that the Quantum business was reliant on fees from students who had withdrawn from their course of study and were not being reported to TEC.

1.13 The IPO also included the Quantum financial statements for the year ended 31 December 2013. This showed that the “government funding” for the year was $2,837,096. If the 495 EFTS approved for SAC funding (set out in table 2) were delivered, this translates to TEC funding of approximately $5,731 per EFTS. However, the “operating revenue” comprised

\(^2\) A part-time student is only eligible to apply for a loan for compulsory course fees

\(^3\) Initial Public Offering of Ordinary Shares in Intueri Education Group Limited, 6 May 2014, page 30
a further $24,542,064. That is, for every dollar funded by TEC, an additional $8.65 was generated from student fees charged to the TEC funded students, the TEC unfunded (but approved) students, international students and the students who withdrew from the programme before the 10% withdrawal date.

1.14 The IPO also refers several times to "more efficient usage of EFTS". Page 74 of the IPO states "Quantum Education domestic enrolments are forecast to increase by 2.8%, driven by greater enrolments per EFTS utilised and continued investment in marketing spend and refinement of current marketing initiatives."

1.15 When we discussed with Rod Marvin (CFO) and Rob Facer (CEO) Intueri’s knowledge of the Quantum practices of early withdrawal and reselling EFTS, they verbally accepted that it was known to Intueri at the time of the IPO. However, it was presented to them, from the due diligence conducted by their Investigating Accountant at the time, that TEC also had knowledge of the practice and it was acceptable. This is consistent with the due diligence committee minutes referred to above.

1.16 Mr Marvin and Mr Facer added that they were not aware of the extent of the practice until after the Quantum acquisition, specifically until brought to their attention by two Quantum staff and an internal review was initiated. Intueri management presented a paper to the Board in August 2014 that set out findings from the review of SDR practices and proposed changes.

1.17 The report identified several issues, including the movement of course dates, the completion of courses when only half the units had been done and the deletion of courses. These issues are outlined at paragraph 1.5.

1.18 Intueri set about addressing these issues as well as the enrolment practices that contributed to the high level of early withdrawals.

1.19 We did note that some of the programmes were less than one year in duration. This means that the 10% date is less than one month. The practice followed by Quantum was to withdraw any disengaged students by the fourth Friday after their course started. This has meant that some withdrawn students appear to have been incorrectly omitted from the SDR. We estimate this would be approximately 478 EFTS in 2014.

1.20 In December 2015, after consultation with TEC, Intueri made the decision that any students who did not receive a refund of their fees would be included in the SDR. Accordingly, there is no longer a "gap" between the statutory 8 day withdrawal period and 10% where students can be omitted from the SDR and their EFTS "resold". Instead, disengaged students may be eligible for a refund past the statutory 8 day requirement.

1.21 The programmes delivered by Quantum are distance delivered and generally have a low level of teaching hours approved and submitted to TEC. Our review of learning hours did not raise any significant issues.
2. Introduction

Background

2.1 Quantum Education Group ("Quantum") is comprised of three separate private training establishments ("PTEs"); Quantum Education Group (QT) Limited, Quantum Education Group (ES) Limited and Quantum Education Group Limited. Quantum was first registered as a Tertiary Education Organisation ("TEO") in 1997.

2.2 In May 2014, Arowana International Limited acquired the Quantum Education Group via its subsidiary Intueri Education Group Limited ("Intueri"). After the acquisition of Quantum, Intueri was listed on both the New Zealand and Australian Stock Exchanges. Arowana retains the largest shareholding of 24.88%.

2.3 Quantum’s Head Office is located in central Auckland and has learning centres spread between Wanganui and Kaitaia in the North Island and in Christchurch in the South Island. Most of the programmes are delivered through distance learning, but students are encouraged to attend a local learning centre to work on their assessments. There are requirements for students to contact their tutor and ensure that they do not fall behind in their studies.

Scope

2.4 In November 2015, TEC met with the Chief Executive of Intueri following the publication of two National Business Review articles. These articles referred to a discrepancy between Quantum’s student enrolments reported in Intueri’s IPO prospectus (4,628 students) and enrolments reported by Quantum to TEC (1,741 students).

2.5 TEC conducted a data matching exercise with StudyLink to compare the number of students receiving student loans compared to the number of students reported in the TEC SDR. TEC found that in 2013 approximately 49% of the StudyLink students were not reported to TEC and in 2014 approximately 36% of StudyLink students were not reported to TEC.

2.6 TEC engaged Deloitte to undertake an investigation of Quantum Education Group on 24 November 2015. Where applicable, we were instructed to focus our investigation on the delivery of the following five qualifications in the 2014 and 2015 years:

- PC9685 Certificate in Travel, Tourism and IATA Fares and Ticketing
- PC9694 Certificate in Travel, Tourism and IATA Fares and Ticketing
- PC3219 Advanced Certificate in Information Technology
- PC9658 Diploma of Professional Counselling
- PC9735 Certificate in Business Financial Literacy

2.7 The investigation focus was set out as determining if:

- Programmes were taught in accordance with the learning hours and teaching weeks approved by NZQA and entered into STEO;

- Students actually enrolled and attended the programmes;
• The SDR data accurately reflects students’ engagement with Quantum; and
• Any students have been omitted from SDR data when they should have been included.

2.8 In March 2016 the engagement scope was expanded to incorporate the period 2010 to 2015. This was following a preliminary verbal briefing to TEC. We provided a draft report to TEC in September 2016. In 2017, the draft report was circulated to a number of parties. Submissions from these parties were received and considered in the preparation of this report.

Limitation of this Report

2.9 The terms of this engagement and the scope of the work you have asked us to undertake do not comprise an audit or a review engagement, and the assurances associated with those reviews are not given. Our work did not constitute an assurance engagement in accordance with the requirements of the Chartered Accountants Australia and New Zealand, and was not designed to provide assurance accordingly under International or New Zealand Standards on Auditing or Assurance such as ISAE 3000. Accordingly, no assurance opinion or conclusion has been provided.

2.10 The financial and other information contained in this report have been provided by Quantum, former Quantum directors and staff, TEC, NZQA and various Quantum students. Our investigation was based on enquiries, analytical review, interviews and the exercise of judgement.

2.11 Our assessments are based on observations from our investigation undertaken in the time allocated. Assessments made by our team are matched against our expectations and good practice guidelines.

2.12 The matters raised in this report are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management’s responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, our report should not be relied on to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.

2.13 This report has been prepared for distribution to TEC. We disclaim any assumption of responsibility for any reliance on this report to any other persons or users, or for any purpose other than that for which it was prepared.
3. Quantum’s enrolment practices

In this section we set out our findings on the Quantum enrolment practices, both before and after the Intueri purchase.

PTE Enrolment Practices

3.1 Each PTE is allocated their Equivalent Full-Time Students ("EFTS") funding on an annual basis. In April and August of each calendar year, the PTE is required to submit an interim Single Data Return ("SDR") to TEC that includes details of every student and their programme of study. A final December return is submitted in January, for the prior calendar year.

3.2 Among other things, the SDR submission is used to calculate the Educational Performance Indicators ("EPIs") for each TEO. These include both course and qualification completion rates.

3.3 The SDR rules are commonly amended on an annual basis, but it seems that PTEs have the general understanding that students who are not engaged after one month or 10% of their course (whichever is less) should not be included in the SDR return. Any students not included in the return are not funded by TEC and their completion rates are not included in the performance indicators for the PTE.

3.4 Each PTE will have a withdrawal policy that sets out a student’s refund entitlement. There is a statutory requirement that a TEO will have a student refund period of at least eight days. We understand that up to the end of November 2015, Quantum applied the eight day period for providing refunds to students withdrawing with some exceptions for compassionate grounds.

3.5 Effectively, this creates three different scenarios for any enrolled students, as set out in the following table:
Table 1 Potential revenue scenarios for Quantum

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Revenue</th>
<th>EFTS Consumed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Withdrawal within 8 days</td>
<td>Fees received from student/Studylink but no funds retained other than an administration fee</td>
<td>No EFTS consumed</td>
</tr>
<tr>
<td>2. Withdrawal after 8 days and before 10% of course / one month</td>
<td>Fees received and retained by Quantum from student/StudyLink</td>
<td>No EFTS consumed</td>
</tr>
<tr>
<td>3. Still enrolled at 10% of course / one month</td>
<td>Fees received and retained by Quantum from student/StudyLink and funding received from TEC</td>
<td>EFTS consumed</td>
</tr>
</tbody>
</table>

Quantum Prior to May 2014

Background

3.6 **Appendix A.2** sets out the shareholders and directors of Quantum prior to the Intueri purchase in May 2014. Prior to the purchase, Janet Dalby was the Quantum Chief Executive Officer, after being appointed to this role in 2013. Ms Dalby started with Quantum in 2004. Prior to being CEO, Ms Dalby was the General Manager, although prior to that she had an Academic role and was also the National Business Development Manager. Ms Dalby took on the role of General Manager in 2011. She took on this role from Peter Stone, who held the position until 2010.

3.7 Mr Stone reported to Lindsay Hamon as CEO. We understand Mr Hamon left Quantum and took up a role in Australia. However, Mr Hamon continued with an advisory role at Quantum until around the time that Ms Dalby became CEO. Mr Hamon is currently the Director/CEO at the College of Creative Design and Arts in Australia. Prior to moving to Quantum, Mr Hamon was the South Island General Manager of Carich Training Centre Limited.

3.8 During our investigation we met with former Quantum directors John McLeod, Laurence Day and Robert Gordon on 18 May 2016. They described to us the many changes that they had seen in the tertiary education sector, including the EFTS cap that was introduced around 2002.

3.9 They explained that due to their rapid growth, Quantum was granted permission by TEC to be an “over provider”. This meant that it could enrol more EFTS than the number who had been approved for funding. A summary of the approved SAC funded and unfunded EFTS for Quantum from 2009 to 2015 is set out in the following table:

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4 We understand that the role was not filled for a period between Mr Stone's departure in 2010 and Ms Dalby's appointment in 2011
5 The Australian, "Six of 10 top private college groups under a cloud", November 5 2015 and Australia Skills Quality Authority, RTO Registration History
6 John McLeod, 18 May 2016
### Table 2 TEC Approved EFTS

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of EFTS approved for SAC funding</td>
<td>405</td>
<td>456</td>
<td>495</td>
<td>496</td>
<td>495</td>
<td>496</td>
<td>496</td>
</tr>
<tr>
<td>Number of unfunded EFTS approved for delivery</td>
<td>962</td>
<td>616</td>
<td>461</td>
<td>460</td>
<td>461</td>
<td>452</td>
<td>452</td>
</tr>
<tr>
<td>Total approved EFTS</td>
<td>1,367</td>
<td>1,072</td>
<td>956</td>
<td>956</td>
<td>956</td>
<td>948</td>
<td>948</td>
</tr>
</tbody>
</table>

Source: TEC

### EFTS Allocation and consumption

3.10 Quantum appears to have been very conscious of ensuring that it maximised the benefit of each EFTS. This is evidenced in an email dated 3 September 2008, sent by (Business Support Analyst) to Peter Stone, Janet Dalby & . This email was provided to us by current Intueri management. Intueri provided this email and several others to assist us with our investigation. We understand that emails were archived by Intueri from Janet Dalby’s email account when she ceased employment at Quantum. We have referred to a number of Ms Dalby’s emails throughout this report. This particular email from September 2008 includes the following statements:

"Here is the master list of all enrolments committed to the SDR in the May-Aug ’08 period (just under 800) ... I guess the message is something like:

"Every enrolment we commit to the SDR in this return consumes efts quotas for 2008 and 2009. As we have strict limits on these quotas each eft consumed is very precious, we therefore need to be absolutely convinced that every enrolment committed to the SDR will result in a Completion2 outcome. Please review all the enrolments in the worksheet for your centre in the attached spreadsheet (these are all the enrolments you have committed to the SDR in the period May-Aug ’08). Any enrolment on the worksheet for which you now have concerns regarding a positive completion outcome should be identified for urgent reversal and Early Withdrawal by highlighting the row in Yellow ... you must then immediately action an EW application for each enrolment so identified and submit to Student Services ... We appreciate that you have all done this type of review to some extent already and that this repeat exercise involves a lot of work, however it is now becoming critical to the future of the business that you make an extra effort to do this further review – in a thorough and comprehensive manner – to identify enrolments that will not be successful completions and so need to be EW’d...”

7 Intueri conducted an internal investigation of practices at Quantum in 2014. Intueri provided us with this investigation report and the relevant emails that it had identified during this investigation.

8 This appears to be referring to a draft of a message to be sent to other staff
The email was titled “The great efts cull of 2008...” It suggests that from at least this date, Quantum business practice focussed on ensuring that students included in the SDR and “consuming” the EFTS quota were students with a successful completion outcome. The reference to a “Completion2 outcome” is likely to refer to the completion code 2, which is the code for the course completion indicator “Completed course successfully” in the SDR. Other completion indicators include “Completed course unsuccessfully” and “still to complete – extension”.

Submissions have been received jointly from Robert Gordon, Laurence Day, John McLeod, Lindsay Hamon, Janet Dalby and (the Submitters). The Submitters do not accept that Quantum was conscious of ensuring that it maximised the benefit of each EFTS. Their conclusion from the email above is that Quantum was conscious of the way in which it managed its EFTS consistently with the TEC’s requirement that it maintained a tolerance range of 3%.

**Early Withdrawals**

From a revenue perspective, the greater the number of early withdrawals that are funded by StudyLink/the student, the greater the revenue that Quantum can generate. This is on the assumption that the cap for funded EFTS is also reached.

In correspondence that we have reviewed, Quantum referred to their students as either “Paid EW” (i.e. paid early withdrawal), “Unpaid EW” and “SDR”. The emails that we have seen suggest that the “Paid EW” number was closely monitored. The reasons demonstrated being both that the “Paid EW”s contributed significantly to revenue and also because it was recognised that a high “Paid EW” rate would create negative perceptions of Quantum. This is demonstrated in a number of emails, including the following excerpts:

i. "... In 2007 the ratio of SDR: Paid EW: Unpaid EW = 36:37:27 i.e. Paid EW and SDR enrolments were roughly equal. In the first part of 2008 this ratio had changed to = 36:48:16 ie Paid EW are now about half of all enrolments. As these are the potentially visible EWs (if TEC and StudyLink compare data), we have created a problem for ourselves by being a lot more efficient in collecting fees and reducing churn. The question now is how do we improve these stats so we don’t appear to be making so much money out of EWs – review our sales model, review our EW policy, review our refund policy or all of the above or do we just take the risk we won’t be found out (and have some good arguments up our sleeve if are)? The difficulty with the latter is that it makes it a lot harder to advocate for our selves with politicians, etc, should we choose to." [9]

ii. "...The critical figure is how many paid sales end up not being reported. Right now this is between 57% and 64%. I would return to my comments early in the year to the SMT that the biggest risk in NZ is our outcome stats. I think that eventually some government boffin will look at these stats across all tertiary institutions. I have in the past been comfortable with defending, if there ever was a need, an EWD of 35% of the paid sales. I do start to worry at 57% plus ..."[10]

iii. "Hi John re your phone message the situation now is that for every 100 paid sales 57-60 are Early Withdrawn ... If we continue with the current paid EW

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[9] Email from to Lindsay Hamon, Janet Dalby and Peter Stone, 19 November 2008  
[10] Email from Lindsay Hamon to Janet Dalby, and Peter Stone, 19 November 2008
rate we project new revenue of $28m, if we reduce the paid EW rate to 40 EW per 100 paid sales – the level that Lindsay feels comfortable with – then the revenue drops to $20m. It’s a risk vs revenue assessment. A worst case risk assessment we pursue current paid EW rates and are discovered (Janet believes this is a matter of when rather than if) is loss of good faith and potentially $10-$20m pa long term.”

iv. “...Initially we thought the EW rate was 65% but by our calculations we revised that down to 58%, so that made Robert and I feel a little better. Again it comes down to degree and what one feels is acceptable and as you rightly point out our demographic is mainly Maori, which we know is a tough market, with many casualties. I feel it is one of those issues where we are caught between a rock and a hard place, and I’m sure the government would like to be reporting that our PTE’s are achieving a 50%+ pass rate (their desired outcome) rather than having to say we are achieving a 21% outcome, because this is the reality, if we were not EWing along with the prospect of severe funding cuts until we achieved a 50% outcome. Unless the rules change, I believe it is business as usual.”

3.15 These emails set out conversations between operational staff and Board members discussing the level of “Early Withdrawals” that they are comfortable with and the impact of changes to “early withdrawal” numbers on revenue. In the fourth email, Board member John McLeod endorses the 2008 practices in which approximately 36% of the students enrolled are recorded in the SDR. A further 48% of students are withdrawn but fees are paid (usually through StudyLink) and the remaining 16% are withdrawn within the 8 day refund period.

3.16 The second email is from Lindsay Hamon who refers to being “comfortable with defending” an early withdrawal rate of 35% as opposed to the rate at the time of greater than 57%. The Submitters have drawn attention to another email from Mr Hamon dated 19 November 2008. This email refers to early withdrawals stating: “To reduce this figure is a challenge as it is driven by multiple factors. CMgrs, Tutors, CAs, Resources, the Students personal circumstances etc, etc. However, it essential that we are seen to be driving this rate down not encouraging the use of it. Perhaps one of the first initiatives we can implement is a pre-test, so that at the least we can be seen to vet students. I know, I know you can’t deny a student access, but at the least this may help them recognise the seriousness of their commitment.”

3.17 This “pre-test” referred to by Mr Hamon was introduced in the form of a “student entry profile” completed by students on enrolment. The form states that it “will be used to assist your course advisor in ensuring that you are enrolled on a course that matches your needs and future goals.” The Submitters advise that these forms were assessed by the academic team and some students were declined or put on a wait list depending on the rating. Any
evidence to demonstrate the number of students who were declined is no longer available to the Submitters.\(^{14}\)

3.18 The estimate set out in email three in paragraph 3.14, is that the practice of early withdrawing a high proportion of enrolled students results in revenue of $28m. If this ratio changed so that 50% of students were included in the SDR, 16% were withdrawn in the 8 day period and 34% were "early withdrawals", estimates that this would cause revenue to decrease by $8m, to $20m.

3.19 We discussed EPI's and early withdrawals with John McLeod, Robert Gordon and Laurence Day when we interviewed them. Mr Day stated to us "...But it is a very difficult situation because you are dealing with sometimes a very transient group of people and people that aren't motivated and you know as Robert said we do everything possible in our power to engage the student and to get the student through, everything. Even visits to their home, home tutoring and people in cars going out to houses and all sorts of stuff, so we feel we did everything we possibly could with every student to get them through and at the end of the day you are dealing with human beings and sometimes they, you know you can lead a horse to water and you know sometimes it will want to drink and sometimes they don't, but these people signed up for the courses and there is an expectation from us that we are going to get them through and the only people that they let down are themselves unfortunately when they decide they don't want to continue on and do it. You have got to roll all that in to managing the business and making sure you are meeting the TEC's targets and pass rates and course completions and qualification completion rates and the whole lot in the mix of that."

3.20 Mr Gordon went on to say that "... it is a failure to early withdrawal anyone..." but Mr McLeod accepted that they were comfortable with a 50% withdrawal rate because of the demographic that they were dealing with.

3.21 We then specifically asked, "...were you concerned that there could have been motivation for students to have been early withdrawn when they should not have, given that the more early withdrawals you had the more revenue you would generate?" Mr Gordon responded, "We would rather have early withdrawals reduced and everything we did was to have the least early withdrawals we could." He added that there was never any motivation to early withdraw students.

3.22 Mr Gordon’s response is reflected in an email sent in 2009 regarding issues to be discussed at a Board meeting. Mr Gordon’s first point is "Progress on reducing EWs (Peter has dealt with this thoroughly over the last two meetings so really just progress report and to make sure we are doing all we can for every student so that Ews is not a strategy for profit but a last resort for as [sic] non performing student)"\(^{15}\).

3.23 Since our interview, the Submitters have stated that they do not accept that paragraph 3.13 above is a fair and balanced portrayal. They submit that in interviews, Janet Dalby and the former directors referred to "Quantum’s policies, procedures and general ethos, which were not revenue focussed and ranged from pastoral care for students to formal

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\(^{14}\) As Quantum’s business records were passed over to Intueri in May 2014

\(^{15}\) Email from Robert Gordon to Janet Dalby, 9 April 2009
policies to allow students to re-enrol free of charge where they demonstrated a commitment to study.”

3.24 They further submit that re-enrolments free of charge would have made up approximately 25% of all enrolments, however they have no evidence available to support this estimate. Regardless, the number of “free” re-enrolments does not seem relevant on the basis that these students have already drawn down a student loan and are simply a subset of the students who were reported to and funded by TEC.

3.25 In May 2017, the Submitters provided a statement from [2(a)], the Centre Manager for the Quantum [2(a)] branch. They draw attention to her comments regarding early withdrawals:

“.... if early withdrawal rates at a centre were too high, then Senior Management will discuss this with the Centre Manager concerned via a phone call or centre visit, and look at solutions on how to drive this down. If this was a concern for more centres, then the matter will also be discussed at Centre Manager Conferences and everyone will work together to find a solution on how to improve performance in this regard.

During the time that I was employed at Quantum Education, none of the staff received any monetary awards or were encouraged to early withdraw any students enrolled to receive any benefits or profit. Tutors and centre staff were always encouraged to support and motivate all students enrolled to achieve their study goals and graduate to receive their qualifications.

Senior Management (2(a) and Janet Dalby) kept Centre Managers and centre staff informed at all times about academic performance outcomes and expectations. They were also very supportive where there were performance concerns to assist with finding solutions to improve these performance areas, including arranging extra staff training when and where necessary."

3.26 We met with [2(a)] in December 2015. [2(a)] advised us that she had been with Quantum for twelve years at that time. When we asked [2(a)] about the proportion of students who withdraw before completing their programme of study she made reference to a management report that contains this data. She added that she had only started getting access to these statistics in 2015 and that they were not previously provided to her. She added that there is "definitely a decline” and "definitely a different effort that we have to put in to get through to graduation". [2(a)] also explained that there was now a longer process for the initial engagement of a student. She described how students had previously been sent four letters over a four week period and she felt that this “didn’t give enough time to re-engage”.

3.27 Mr McLeod went on to explain to us that “It was James Turner who told us how to do this. I think there was some email or something in regards to we are the only ones who weren’t doing it. Every other PTE was doing this.” When asked to clarify what they were doing precisely, Mr McLeod responded, “...early withdrawing the student within 10% of the course, so that they never came up into the SDR if they weren’t engaged.”

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16 As Quantum’s business records were passed over to Intueri in May 2014
3.28 When we raised with Mr Turner if TEC had envisaged that there would be a “window” between the 8 days and 10% where students could withdraw, Mr Turner was quite adamant that it had “never entered my mind”. When we told Mr Turner of what Mr McLeod had said he was very surprised and advised that he would “hate to think I gave the impression of something that was misusing taxpayer money”. He added that the “gap was something that never came up as a concept at all.”

3.29 Janet Dalby advised us that her reporting to the Board was more focussed on the EPIs, rather than the underlying drivers of the EPIs (such as withdrawal numbers). Ms Dalby recalled to us an average withdrawal rate of between 45% and 50% (up to the 10% early withdrawal date). Ms Dalby was of the view that this was consistent with other tertiary education providers. Ms Dalby reiterated that the directors would always want to drive the early withdrawal rate “as low as we possibly could”. This appears to be somewhat at odds with the comments in the emails above (e.g. paragraph 3.14).

3.30 Ms Dalby went on to describe the engagement strategy that she introduced called “Priority One”. This included trying to get the student in and engaged before the course start date, celebrating success (for example certificates for each unit passed), going around to students houses and running evening classes.

3.31 The Submitters have since added that the Priority One initiative also included introducing recovery plans for students who fell behind in their studies, the introduction of a series of positive and encouraging student communications and introducing a leader board to celebrate the top ten students of the week.

3.32 Despite Ms Dalby moving into the CEO role, she maintained that she “didn’t get to see the financials”. She described them as being “very confidential to the Board”. She added that she may have seen things at a high level but “I didn’t pay attention to it because it wasn’t really my area...” In our experience this is quite unusual for a CEO. It may indicate that the Board took operational responsibility for financial matters. The Submitters maintain that it is not unusual and that they consider it appropriate to separate or minimise the drive for profit from the drive to achieve educational outcomes.

3.33 We discussed the early withdrawal process further with the three directors to clarify if the intensive process to engage the student described by Mr Gordon and Mr Day (paragraph 3.19) could be completed within the 10% period. Mr Gordon clarified that the student management system “Doubletake” was very helpful for managing the students. The tutors would follow up with the students, but it was the academic manager who would determine who would be withdrawn. Mr McLeod confirmed that, to his knowledge, there were no students early withdrawn after the 10% date, even if their record showed that they had not been engaged at the 10% date.

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17 E.g. “The question now is how do we improve these stats so we don’t appear to be making so much money out of EWs – review our sales model, review our EW policy, review our refund policy or all of the above or do we just take the risk we won’t be found out (and have some good arguments up our sleeve if are)?”, “A worst case risk assessment we pursue current paid EW rates and are discovered (Janet believes this is a matter of when rather than if) is loss of good faith and potentially $10-$20m pa long term,” “...Initially we thought the EW rate was 65% but by our calculations we revised that down to 58%, so that made Robert and I feel a little better.”
3.34 However, when we met with Ms Dalby she confirmed that the timeframes were tight and there were times when Quantum would go past the 10% date if there was a reason to reverse an earlier decision. She said that this was identified in a TEC audit. She couldn’t recall the date of the audit but it was likely to be the one that took place in 2013. Ms Dalby says that following this audit Quantum understood that the 10% date was a strict cut-off and this was applied. We note that there is no mention of this issue in the TEC Audit Report from 2013.

3.35 The Submitters later added that "some students may have gone beyond the 10% window if, for some reason, they had not gone through the withdrawal process in time. The reasons could be that they had not demonstrated "full activity" within this period, such as by engaging and disengaging at times".  

3.36 Mr Day also explained that he believed that the StudyLink loan was not applied for until after the 8 day period, so Quantum did not apply for the loan for those students who did not turn up in the first 8 days. Mr Day also pointed out that if a student was withdrawn that they could come back at no further cost.

3.37 Ms Dalby clarified that Mr Day’s understanding of the refunds was not in fact the case, however the loan funds would be held by Public Trust until after the 8 day period, so if a student withdrew in this timeframe then Quantum would advise Public Trust.

3.38 We interviewed the current Manager, who had been employed by Quantum since August 2012. Explained to us that at the Academic Centre they monitor students through the student management system, including reminder alerts and sending letters to students. We note that was not involved in submitting the Quantum SDR.

3.39 also explained that when she first started at Quantum they used three different codes for the students. When a student was first enrolled they would be “ZZ”. If the relevant centre manager was happy with the student’s progress, the code would be changed to “SDR”. This meant that they were happy for the student to be committed to the SDR. However, the student would continue to be monitored.

3.40 If it was later determined that the student was not really performing they would be changed back to ZZ and early withdrawn.

3.41 If the student remained with the SDR code and the SDR was submitted, the student code would change to “01”.

3.42 explained that this practice ceased around October 2014 when it was identified by the new management. We were told that Quantum no longer use the ZZ or SDR codes and all students are “01” from enrolment. explained that it was not until Intueri took over that the 10% date was introduced. Prior to that an early withdrawal could be processed up until the final SDR was submitted.

18 Letter from Minter Ellison Rudd Watts on behalf of the submitters to Deloitte, 12 May 2017
19 The Submitters state that the process for an SDR reversal was a request by the Centre Manager in an application that needed to be approved by the Academic Manager and that special circumstances needed to exist.
3.43 \[\text{\textsuperscript{2}(a)}\] described these same practices in an email we were provided. He states:

“...So technically as soon as that EW date is reached an enrolment should be included in the SDR. We have artificially extended this period by using the ZZ funding status. However if a student is EW'd the date the EW is processed is recorded in Take 2 and status change timeline data is also recorded in DT. It would therefore be very clear to any Auditor validating our EW processes that many of our enrolments that become EW are processed as EW well beyond their EW Date! Originally the use of the ZZ process was to be for the exceptions where decisions were difficult – not the norm. Also originally the ZZ reports were intended to be run on a regular weekly or at least monthly basis so that EW decisions on ZZ enrolments were made as close as possible to the EW date. By the end of 2007 however the ZZ reporting system had become a 4-monthly SDR event with many ZZ enrolments well over 20% duration (some had even completed their course with ZZ status!). \[\text{\textsuperscript{2}(a)}\] and I became increasingly concerned at this in light of the above SDR requirements and potential for audit issues, we then reached an understanding with \[\text{\textsuperscript{2}(a)}\] that we shouldn’t really allow any ZZ enrolment go beyond 20% duration before a decision was made – we believed we could make the argument that it took a month to complete EW administrative processes if we were ever challenged in an audit (a month being the average additional 10%). When arriving at the 20% duration mark we were mindful of the need to maximise the time to collect fee payments before EW – ie to maximise the revenue generated while still meeting SDR audit requirements and optimising academic outcomes...”

3.44 We discussed the content of this email with Ms Dalby. She was of the view that this practice was historical and did not continue past 2008. Ms Dalby was adamant that all the tutors followed the withdrawal process strictly, she stated "...when it got to that 10% a decision had to be made and so whether they were going to be SDR'd or not, and we couldn’t withdraw students if they hadn’t been through that withdrawal process because that was our process that we had to follow. So we were very strict on making sure. If a tutor, for whatever reason, just had let this person slip by or maybe only sent them out one contact attempt and the student got back saying look I’m coming back tomorrow, promise I’m going to do this, that and the other, and they come in, we carry them through the SDR.” She clarified that at the 10% date they stopped being a “ZZ” and became an "SDR”.

3.45 This obviously conflicts with what we were told by \[\text{\textsuperscript{2}(a)}\] who had only been employed in the Academic Centre since 2012, yet gave a description of the process that was consistent with the email from 2008.

3.46 The Submitters later stated that "The practices referred to in the email were subsequently improved over the years. ZZ reports were available to the Centre Managers to manage on a weekly basis to ensure that a SDR decision was made within the 10% window".

SDR Submissions and EPIs

3.47 As referred to above, each year every TEO will submit an SDR in April and August and then a final December return in January. The SDR records details of every course that every student is enrolled in. Each qualification is comprised of courses and the EFTS value of the qualification will be broken down across the courses. The SDR submission is also used for the EPI calculations of course completion, qualification completions and retention.

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20 Email from \[\text{\textsuperscript{2}(a)}\] to Peter Stone and cc \[\text{\textsuperscript{2}(a)}\], 10 January 2008

21 Letter from Minter Ellison Rudd Watts on behalf of the submitters to Deloitte, 12 May 2017
These EPIs are used by TEC for various purposes, including the determination of future funding allocations. The EPIs were first published in 2010. We interviewed James Turner in July 2016. He recalled that before the first EPIs were published, Quantum was identified as being “one of the lower performers”. He and Bob Carson of TEC visited the TEOs that were in this category and put them “on notice” to “say your performance needs to be [sic] improve or you’re going to risk losing your funding.”

Mr Turner went on to say that when they met with Quantum, Janet Dalby explained that with their demographic and the distance learning model it was difficult to keep students engaged. Mr Turner says that their response was that Quantum is receiving public funding and “you need to put in place systems to make sure that people stay on your programmes and that they achieve qualifications. That’s what we’re paying you to do.”

Bob Carson of TEC also recalls this visit to Quantum and his recollection is consistent with Mr Turner’s. He said that he recalls being alarmed by the number of students who were not successfully completing, particularly Maori and Pasifika women.

Mr Turner confirmed that prior to the EPIs being published they were not “such a big deal” and that up until the mid-2000’s there was a limited performance framework in place. Initially, the main metric that was used for determining if PTEs were performing well was if they used all of their EF TS and if they didn’t then the funding would be removed. In his view, TEOs would have become aware of the impending performance framework around 2008-2009 when it was being driven by the Minister, Steven Joyce.

The following table sets out the course completion EPI achieved by the three Quantum entities from 2009:

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>7425 – Quantum QT</td>
<td>67.64%</td>
<td>77.48%</td>
<td>91.83%</td>
<td>92.79%</td>
<td>94.60%</td>
<td>84.44%</td>
<td>68.36%</td>
</tr>
<tr>
<td>8441 – Quantum Group</td>
<td>63.06%</td>
<td>73.76%</td>
<td>82.07%</td>
<td>88.91%</td>
<td>94.68%</td>
<td>84.64%</td>
<td>62.52%</td>
</tr>
<tr>
<td>8740 – Quantum ES</td>
<td>63.77%</td>
<td>75.40%</td>
<td>88.57%</td>
<td>95.07%</td>
<td>93.90%</td>
<td>82.39%</td>
<td>70.85%</td>
</tr>
</tbody>
</table>

Every TEO is required by TEC to report the student completions at a course level but it is up to each TEO to determine the content of their courses. Some TEO’s choose to make each unit standard a separate course while others group multiple units together as one course.

We understand that there is also some inconsistency in the course start and end dates that are submitted across the sector. Some TEOs use the same start and end dates for all the courses that make up a qualification. For example a qualification that commences on 1 February and ends on 20 November may be made up of four courses and they may all show a start and end date of 1 February and 20 November. Another TEO with the same qualification dates may record one course with a start date of 1 February and an end date
when the course ends during the year – say 31 March. The second course may then show a start date of 1 April and so on.

3.55 A perceived benefit of the second approach for the TEO is that if a student withdraws part way through the qualification they may not have commenced some of the courses. This means that the full EFTS value of the qualification will not be consumed and not all of the courses will have an unsuccessful outcome. This can be demonstrated in the following table:

Table 4 – Qualification starts 1 February and ends 20 November. Student passes some units but withdraws in June.

<table>
<thead>
<tr>
<th></th>
<th>“Approach 1” – All course dates the same as qualification</th>
<th>“Approach 2” – Different course dates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Course date</td>
<td>Outcome</td>
</tr>
<tr>
<td>Course 1</td>
<td>1 February to 20 November</td>
<td>Successful completion&lt;sup&gt;22&lt;/sup&gt;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Course 2</td>
<td>1 February to 20 November</td>
<td>Unsuccessful completion</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Course 3</td>
<td>1 February to 20 November</td>
<td>Unsuccessful completion</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Course 4</td>
<td>1 February to 20 November</td>
<td>Unsuccessful completion</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3.56 The practice set out in “Approach Two” is the approach that was adopted by Quantum. While it could be argued as being an appropriate approach on the basis that the student has not commenced some of the courses, it could similarly be argued that if the students are withdrawn from the courses that are not included in the SDR then the PTE should be providing a refund to the student as they have withdrawn within the statutory refund period.

3.57 In this scenario a student is considered to have not started a course for the purpose of the SDR submission but not for the purpose of providing a fee refund. That is, Quantum did not provide fee refunds to these students.

3.58 The other difficulty that would result from PTEs adopting “Approach Two” is that there is inconsistency that would make it impossible for TEC to compare completion EPIs across the sector.

3.59 It appears that Quantum gave a lot of thought to how they would report courses to their best advantage. An email of 24 March 2010<sup>23</sup> suggests that Quantum was prepared to

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<sup>22</sup> Assuming that Course One was successfully completed 31 March

<sup>23</sup> Email from [redacted] to Janet Dalby, [redacted], [redacted] cc Lindsay Hamon, 24 March 2010
submit course dates in the SDR that did not reflect their actual delivery but gave the best possible outcome for Quantum. The email sets out that “The defining Principles here are:
1. All Courses (clusters) in a Qualification have the same Finish Date = Qual Finish Date
2. The first Course (cluster) in a Qualification to be completed has the Start Date of the Qualification
3. All remaining Courses (clusters have the same start date: the day after the last SDR Extract Date within the Qualification period …

…These principles allow us to report Course Enrolments at the last possible time to enable us to maximise Retention EPIs, and where a student is withdrawn, minimise the reporting of poor outcomes and EFTS consumed.”

3.60 The email concludes with an acknowledgement that this is “manipulation”, stating “The one positive from all of this is that we can now manipulate EFTS consumption in a particular year a lot more (at the end of the year) by moving constituent Course Enrolment Start dates across year ends: eg if we undersell in a particular year we can bring forward CE start dates until the EFTS consumed reaches the cap – thus freeing up EFTS for the following year, etc. We just have to make sure we can rent the NASA mainframe between Xmas and New Year.”

3.61 The Submitters consider that this email needs to be considered in its proper context as “within Quantum, the word “manipulation” was typically used to describe managing”.

3.62 Quantum used this “staggering” approach for the first time in 2010.

3.63 Quantum soon considered altering the reporting again. Using the example in the Table above, Quantum termed the first course a “code 2”, the second a “code 3” and the third and fourth “code 4”.

3.64 Initially, Quantum was including the code 3’s as an unsuccessful completion in the SDR.

3.65 In August 2010, set out in an email “…what you are suggesting is to treat all code 3 attempts as fails and not report them. We did make a decision earlier in the year that “ethically/technically” we couldn’t justify this: the student had attempted the cluster, had expended the cluster eft in doing so and should be reported. However a case may be able to be made for not reporting them that would stand up if we were ever audited, or we just take the view lets [sic] get away with it until they find out (an approach which has worked for us in the past – and continues to do so?)...” The Submitters state that this email is an example of “ongoing discussion and debate around working within the complex rules of the SDR”.

3.66 Another outcome of altering reporting is that the student in Approach 1 is fully visible to TEC and is fully recorded in the SDR. However the same student reported using Approach 2 has only half the EFTS reported in the SDR. The other half of the EFTS is effectively a paid withdrawal, using Quantum’s description.

3.67 This was also recognised by Quantum as demonstrated in an email, “…If we add to Paid Early Withdrawals, now because of staggered clusters paid (later on and unreported) withdrawals our number of unreported but paid students may very well be at an

24 Letter from Minter Ellison Rudd Watts on behalf of the submitters to Deloitte, 12 May 2017
25 Email from to Janet Dalby, , cc Lindsay Hamon, 27 August 2010
26 Letter from Minter Ellison Rudd Watts on behalf of the submitters to Deloitte, 12 May 2017
27 Email from Lindsay Hamon to Janet Dalby, 3 June 2010
unacceptable (politically, ethically?) level. Would really appreciate your comments on my apprehension. In saying that you know that I have always been a proponent of the cunning plan, but is this taking it too far?” (emphasis added)

3.68 Reporting in the SDR was still being debated at Quantum in August 2010, as set out in an email28 “...Another option is that when a Cluster becomes Code 2: we currently bring the Start date back to report the Course Enrolment – we could also bring the Finish date back, even if reported already, so long as the new Course Enrolment Finish Date overwrites the previously reported one. This will move the successful Code 2 cluster outcome back in to the current year...”

3.69 It seems to us that Quantum was aware that their enrolment practice and manipulation of SDR data was risky. On 22 October 2010, Lindsay Hamon sent an email to Janet Dalby asking "If we were audited by TEC right now would we look fraudulent? Have we bent the rules too far?” The Submitters do not accept that Quantum was aware that practices were risky. Instead, it is submitted that internal emails such as this were robust discussions focussing on how Quantum could improve.

3.70 The practices of withdrawing a large proportion of students without including them in the SDR appeared to continue at Quantum after 2010. A March 201229 email to Janet Dalby stated "Just a heads up: the current SDR commit rate is 37% ie Pd EW Rate is 63% and looking at what we have to make decisions on before April 30, I would say this rate is more likely to go up than down...”

3.71 Then in January 2014, an internal email30 sets out details about the following “treatments” to be applied to a “clone system”:

- SDR-ing additional enrolments
- Stretching finish dates where starts are pre 2013 and Finishes are in 2013
- Unstaggering Start dates for ALL enrolments with CE Starts after 2013
- Clawing back finish dates that are after 2013 while leaving one finish date in 2015 or 2016 where applicable
- SDR-ing some EW enrolments
- Re-staggering some high risk QE Enrolments

3.72 These “treatments” were applied in January 2014 when preparing to submit the December 2013 SDR. The treatments were designed to address the failure to consume the 2013 EFTS allocation.

3.73 The email also refers to moving the finish dates to January 2014, thereby capturing the EFTS consumption in 2013 but pushing the EPI measurement into 2014 and thereby giving “more time to get these clusters to a code 2”. It adds “We should do this before we take our snapshot for NZQA because it will improve the EPIs” (in reference to the NZQA External Evaluation and Review “EER” visit). The email concludes “Let’s hope we don’t have to do anything like these “treatments” at the end of 2014.”

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28 Email from Lindsay Hamon to Janet Dalby, 26 August 2010
29 Email from Lindsay Hamon to Janet Dalby, 28 March 2012
30 Email from to and forwarded to Janet Dalby, 3 January 2014

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3.74 Intueri has since calculated that all of these “treatments” resulted in an increase in consumption of 182.4 EFTS in 2013.

3.75 When we met with Janet Dalby, she explained to us the approach that Quantum had taken. She said that EFTS consumption was monitored closely and she confirmed the “staggering” approach that was taken with submitting courses in the SDR. Ms Dalby referred to the courses as clusters and provided the following example, “So every qualification would have a start and end date and within there say there are four clusters so the very first cluster would spread over the entire length of the course and then the others would sit kind of at the end but just be sat there right at the end of the student’s course and then as they finish the first cluster we reported that, then you bring the other one forward and that is the start date of the next one. The end date would obviously stay the same.”

3.76 Ms Dalby clarified that courses or clusters were not reported on in an SDR until the student had commenced that course. However, she was of the view that this approach was discussed with TEC and others in the industry. She referred to a newsletter distributed by Richard Hamilton-Williams (of the student management system Take Two) and conversations with her TEC investment manager, Naomi Patterson. Ms Dalby advised that Quantum referred the Take Two newsletter to TEC and asked if this approach could be used to better manage EFTS.

3.77 According to Ms Dalby, Quantum were told by TEC that this looked like a good way of doing it, as long as there was always one active cluster (course).

3.78 Ms Dalby also referred to other changes stating, “so we would do that and sometimes there would be some other form of what I would call manipulation where we are just moving things around where we may change full-time to part-time, or part-time to full-time or we’d contact StudyLink to make all those changes there. So again, if we were trying to consume the EFTs you know, we’d maybe a change to a full-time instead of a part-time EFT”.

3.79 We questioned the impact of doing this. Ms Dalby explained “Because if it’s full-time you’re consuming your EFT much quicker, if it’s part-time it’s stretching it out, it takes longer to go through.”

3.80 Ms Dalby also described contacting StudyLink to move enrolled students between providers who were offering the same course to manage EFTS consumption. She knew that TEC wouldn’t allow EFTS to move between providers but she was of the view that TEC “said they were fine” with requesting StudyLink to transfer students. When questioned on the communication with TEC on this issue Ms Dalby said it was “probably just phone calls”.

3.81 Ms Dalby described this “staggering approach” as “definitely a turning point in terms of … enrolment numbers.” She explained that they had retained disengaged students “because we thought that we had to”. Her recollection is that after the advice in the newsletter from Richard Hamilton-Williams the advice from TEC was that you shouldn’t be consuming an EFT and receiving funding for a student that is not active so Quantum changed their policy. Ms Dalby referred to this advice coming in a meeting in 2010 that we have the transcript of. Apparently Ms Dalby provided the newsletter to the two TEC staff members who attended the meeting – James Turner and Leon Bakker. She added that the advice was reiterated by the two TEC auditors in 2013.

3.82 Ms Dalby added that the TEC auditors also clarified that if a student finishes early, then the course end date should be brought forward in the SDR. The effect of this being that the EFTS would be consumed more quickly and the funding would be received sooner. This would mean that the course end date reflected when the student actually finished, rather than when they were scheduled to. Ms Dalby stated that up until this time Quantum
thought that they could not change a course or qualification end date. It is not clear what audit Ms Dalby was referring to but the last TEC audit was conducted in June 2013.

3.83 We asked Ms Dalby if there were any written communications with Quantum or the wider industry from TEC that set out how some of these issues should be dealt with. Ms Dalby could not recall anything other than discussions at conferences.

3.84 The TEC meeting that Ms Dalby refers to apparently took place in March 2010 by teleconference. We spoke to James Turner in July 2016 about the meeting and he does have some recollection of it. There is a transcript of the meeting, however Mr Turner advised that he did not see that transcript until 2016 when it was brought to his attention by Quantum (in his current role as a Quantum director).

3.85 The transcript of the meeting shows that most of the discussion was around the newly introduced (at that time) EPIS. One of the scenarios discussed was completing the unit standards for a course before commencing the course (presumably due to a programme that included more than one qualification). The transcript records the following exchange:

\[\text{Leon} \rightarrow \text{Yes it would mean that they would be completed this year but wouldn’t be recorded as far as you are concerned in the SDR until the following year.}\]

Leon – Yes which I suppose from our perspective isn’t a major issue. As long as it is quite clear that somewhere in that process you are getting the completion you have made assigned to you and it is actually recorded and you get merit for it. As long as that is happening the only issue is then really whether there is a valid enrolment and a completion associated with that valid enrolment. But as long as all of the effort that has gone in to achieving that completion is recorded in terms of the consumed eft, that is all the information that we need, if you know what I mean. It doesn’t actually require us to be saying that all of that effort has gone in at the time of the enrolment.

Further on in the transcript the newsletter from Richard Hamilton-Williams is raised:

\[\text{Janet} \rightarrow \text{James and Leon, I don’t know if you actually had a look at that T2 newsletter that I flicked through. I just wondered what your thoughts were around that.}\]

\[\text{Leon} \rightarrow \text{Actually it seems to me to be a very sensible approach actually. I didn’t have any qualms at all about that. I thought that looks like a good way to proceed.}\]

\[\text{Lindsay} \rightarrow \text{Are you comfortable about the efts? Note the way he talks about the efts count on that particular student}\]

\[\text{Leon} \rightarrow \text{Yes}\]

\[\text{Lindsay} \rightarrow \text{Are you comfortable with that, basically the non-reporting of that? Because I mean, if the student is stuck with all of their courses, if they basically completed all of their qualification they could be left at one eft and if they did half the course then you are reporting half an eft. Are you comfortable with that?}\]

\[\text{Leon} \rightarrow \text{Well I think it’s very much about what has been consumed. I think absolutely if what is being reported is in fact all of the consumption that occurred for that particular student, that to me is better.}\]

\[\text{Janet} \rightarrow \text{It seems logical}\]

\[\text{Leon} \rightarrow \text{Yes I think so}\]

\[\text{Lindsay} \rightarrow \text{Even though the efts cap at the end of the day relates back to funding?}\]
Leon – Well I mean what is the alternative? You see, otherwise you end up having the potential for the persons eft count as being recorded as being the full eft across all of these.

Lindsay/Janet – That’s right

Leon – From our perspective, what you are doing is actually telling us that in fact not all of that has occurred, it is actually less. So, as I say, from my perspective that is more accurate.

Peter – So, you are saying we can consume the remainder eft with another student?

Leon – That sounds like a James question to me.

James – Yes, I can’t see why not, why wouldn’t you? You won’t have a problem reaching your cap.

When we discussed this meeting with James Turner, his recollection was that it was a follow-up to an issue raised by Janet Dalby regarding the EPIs and the potential disadvantage to distance learning providers. In relation to the specific comment that Quantum “can consume the remainder eft with another student”, Mr Turner did not have any recollection of this. He suggests that the point he was making was that TEOs “were funded on a dollar basis and it was their job to make sure they hit that dollar consumption level and how they did that was essentially up to them, within the remit of the investment plan.”

Mr Turner added that he wouldn’t have “assumed anything to do with one student dropping out and another coming in,” Although he added that he would have assumed that this would have disadvantaged organisations in terms of qualification completion rates. Mr Turner stated that it had never occurred to him that an organisation would utilise the “window” between 8 days and 10% that is described above.

In relation to the “staggering” approach conducted by Quantum, Mr Turner says that he knew that some organisations did it and others didn’t but he wasn’t aware of it being something that TEC ever quantified. He added that the EPIs were not ideal; “it wasn’t a perfect system but it was a proxy to say we’re measuring performance.” He added that it was built on the SDR rather than “a bespoke way of measuring performance”.

Mr Turner also made the point that “I was quite upset that a transcript of a conversation that I never saw seems to have been used as a rationale for changing processes that I would not be comfortable with, had I seen that transcript”

Due diligence of Quantum was conducted by Intueri Education Group Ltd (“Intueri”) at the beginning of 2014. The shareholder of Intueri at this time was Intueri Education Holdings Pty Ltd. This entity is now called Arowana Education Holdings Pty Limited.

The minutes of the Due Diligence Committee dated 17 March 2014 record that were three “key risks to the PFI numbers not being achieved”. One of these was “QEG EFTS management not being as successful as expected”.

It is also recorded in the minutes that the Investigating Accountant (“IA”) told the Committee, “...with the TEC’s knowledge, QEG breaks up its courses in a way that has the
effect of minimising the TEC EFTS allocation consumed in the event of a student withdrawal. Also, in the event of a withdrawal after a minimum period (8 days for domestic students, 10 days for international), QEG can retain the fees but (in part due to its distance learning model, in contrast to a classroom based model) potentially re-sell the place on the course.

3.93 The minutes record that “there was a lengthy discussion in relation to whether the TEC funding rules could change in such a way that would preclude QEG from managing EFTS in this manner...”.

3.94 There are various important points recorded in relation to this discussion, including:

- The IA noted that the withdrawal rates of 65% exceeded their expectations, but also noted that NZQA’s focus is on outcomes for those who do complete;
- Kevin Chin, Chief Executive of Arowana was of the view that QEG’s course completion rates were better than the industry average for distance learning;
- Mr Chin also noted that TEC were aware of the matter and there is no known intention to change the policy;
- Mr Chin felt the risk was not so much related to changes to EFTS consumption rules, but to student loan rules;
- Mr Chin added that a key focus for Arowana in the due diligence process was student retention and encouraging withdrawals was not part of QEG’s business model.

3.95 In response to this investigation, Kevin Chin advised in April 2017 that he attended a meeting with TEC on 22 January 2014. He set out the matters discussed at that meeting, including completion rates and the regulatory regime and culture in NZ. He notes that the TEC representatives at the meeting had an opportunity to raise any concerns they had regarding Quantum. Mr Chin added that Arowana/Intueri had reviewed and relied upon (among other things) the TEC audit report that was released in August 2013.

3.96 Janet Dalby described the due diligence process as being very thorough. She says that she provided Arowana with reports from the Double Take system and every communication with TEC that she had kept. She and the CFO (Vanessa Lloyd) worked on the due diligence process.

3.97 Glen Dobbie explained to us that it was his impression that Quantum was doing a good job supporting students from a difficult demographic and that the systems used to track student’s progress could potentially be used in other businesses in the group. His positive impressions appeared to be based on discussions at Board level rather than any written documentation or operational knowledge of the business. He also referred to the monitoring conducted by NZQA and TEC that gave him further comfort.

3.98 Mr Dobbie advised us that he did not have any involvement in the sale and purchase process and he doesn’t have any detailed recollection of discussions around early withdrawals or the financial impact of enrolment numbers and completions. However he did describe regular Board packs that included details of the EPIS measured by TEC. We do note that Mr Dobbie was at the March 2014 meeting of the Due Diligence meeting referred to above.

3.99 Just prior to the Quantum purchase, Intueri issued an Initial Public Offering (“IPO”) dated 6 May 2014. The IPO stated that “Quantum will be acquired by Intueri on completion of the Offer.”
3.100 The IPO recorded that in 2013, Quantum had 4,628 students. This compares to data from StudyLink that shows in 2013, 3,628 Quantum students received loans for their study. TEC SDR data shows that the 949,4644 EFTS that were delivered in 2013 were from enrolments of 1,741 students.

3.101 The data that was published in the IPO and the discussion of the due diligence committee suggests that Intueri understood that the Quantum business was reliant on fees from students who had withdrawn from their course of study and were not being reported to TEC. It would be reasonable to expect Intueri to have sought and received data from Quantum and/or TEC that showed the number of students being reported in the SDR. That is, it should have known that only 1,741 of the 4,628 students (38%) were reported to TEC as being students eligible for TEC funding.

3.102 However, Intueri has noted that there is no evidence in the due diligence materials that the SDR data was reviewed. Therefore, Intueri contends that gross enrolments was the correct measure to use in the Prospectus.

3.103 The IPO also included the Quantum financial statements for the year ended 31 December 2013. This showed that the "government funding" for the year was $2,837,096. If the 495 EFTS approved for SAC funding (set out in table 2 above) were delivered, this translates to TEC funding of approximately $5,731 per EFT. However, the "operating revenue" comprised a further $24,542,064. That is, for every dollar funded by TEC, an additional $8.65 was generated.

3.104 The extra revenue was presumably from student fees charged to the TEC funded students, the TEC unfunded (but approved) students, international students and the students who withdrew from the programme before the 10% withdrawal date.

3.105 Despite this, the IPO refers several times to "more efficient usage of EFTS" Page 74 of the IPO states "Quantum Education domestic enrolments are forecast to increase by 2.8%, driven by greater enrolments per EFTS utilised and continued investment in marketing spend and refinement of current marketing initiatives."

3.106 We discussed with Mr Turner what his role in the IPO was. He advised that he was involved in presentations to prospective investors about the New Zealand strategic environment, the regulatory environment and the role of the TEC. Mr Turner also said that he "had no involvement at all in the purchase but as a director obviously I was sort of, you know, filling in various documents at the time around my role as a director, legal documents and such like." He added that Arowana people had the most involvement in the purchase. He described the Intueri directors as a "shadow board" for a few weeks prior to the listing taking place.

3.107 Mr Turner said that he didn't recall identifying from the IPO the high level of students referred to compared to the number funded by TEC. He also did not recall at all discussion about the "more efficient usage of EFTS" referred to in the IPO. He thought that it may have referred to opportunities to seek more funding in due course as a result of the good work that was being done with Maori and Pacific people. However he was not aware of any specific direction from Arowana.

3.108 When we discussed with Rod Marvin (CFO) and Rob Facer (CEO) Intueri's knowledge of the Quantum practices of early withdrawal and reselling EFTS, they accepted that it was known. However, it was presented to them from the due diligence conducted by the IA that TEC had knowledge of the practice and it was acceptable. This is consistent with the due diligence committee minutes referred to above.

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31 Initial Public Offering of Ordinary Shares in Intueri Education Group Limited, 6 May 2014, page 30
3.109 TEC met with Rob Facer in November 2015 and discussed the discrepancy between the student numbers reported in the IPO and in the SDR\textsuperscript{32}. Mr Facer advised TEC that of the 4,628 enrolled students recorded in the IPO prospectus, it was subsequently calculated that 2,600 were early withdrawals after the minimum 8-day refund period but prior to the 10%/one month period when funding is received from TEC. He also advised that this equated to fees received of approximately $14 million.

3.110 Mr Facer apparently clarified that whilst the IPO due diligence did not identify any material issues of non-compliance, the review by Intueri management immediately after acquisition highlighted practices that did not align with Intueri group values and did not “tick the moral and ethical box”\textsuperscript{33}.

3.111 Mr Marvin and Mr Facer reported to us (and TEC) that they were not aware of the extent of poor practice until they began working at Quantum. This became clear to them in August 2014 when the Intueri Quantum management presented a paper to the Board that set out findings from a review of SDR practices and proposed changes. It states that the review was conducted following concerns raised by staff members.

3.112 The report presented to the Board noted that some definitions are difficult to apply for distance learning programmes and that some interpretations by Quantum had been “generous” but not necessarily in clear breach. The report also noted that there had been a number of TEC audits (most recently in 2013) and no significant concerns were raised.

3.113 The report set out the following “main areas of concern”:

\begin{enumerate}
\item \textbf{Course completion rate} – Courses are comprised of multiple unit standards and successful course completions are counted as soon as 50% or more of the course is completed. Leads to courses being “completed” without meeting the requirements for achieving the qualification.
\item \textbf{Qualification completion rate} – Successful qualification counted as soon as the underlying courses are “successfully completed” (see issue i.). Students recorded in the SDR as successfully completing when they haven’t passed all the unit standards. This appears to have applied to a considerable portion of the students. For example, Intueri believes that for 2013, over half of the qualification completions reported to TEC (over 1,100 reported) were for students who had not completed all the unit standards required for NZQA to award the qualification\textsuperscript{34}.
\item \textbf{Moving course enrolment dates} – Enrolment dates shifted retrospectively to align EFTS consumption with the investment plan.
\item \textbf{Deletion of courses} – If a student withdraws, the courses that are not completed successfully are withdrawn.
\end{enumerate}

3.114 The proposed actions to address the issues were as follows:

\textsuperscript{32}TEC Aide-Memoire: Update on Intueri Education Group Issues, 20 November 2015
\textsuperscript{33}Letter from Rob Facer to TEC, 27 November 2015
\textsuperscript{34}Review of Quantum SDR Practices, 19 August 2014
i. Disaggregation of the courses down to unit standard level and appropriate reporting of course completions. Secondly, appropriate KPIs established with centre managers to drive correct behaviours.

ii. Addressing course completions through disaggregation will also address the qualifications completions.

iii. The practice will cease and all dates stretched out in 2014 will be reversed back to the position reported in the December 2013 SDR.

iv. The report notes that the practice of deleting courses was “agreed” by TEC in 2010 and that the providers of the Take 2 student management system also “support this position”. It notes that the TEC rule in this area is not clear and suggests that there “will be a large number of PTE’s [sic] who follow this practice.” Given this, and also that the number of students and courses impacted is “relatively small” the proposal was to leave the practice “as is”.

3.115 The report also identified three other areas where Intueri “expects a higher standard”, as follows:

i. **Early withdrawals** – The report noted that “there is a very high percentage of early withdrawals (around 60%), but a low percentage of refunds of fees provided to students...” The report also notes that “in order to consume sufficient EFTS for 2013, some were reinstated before the final SDR was submitted.” Intueri’s proposed solution was to realign commissions, KPIs and incentives in several areas, including course advisors and centre managers. For example, centre managers to have KPIs based on reducing early withdrawal rates. It was noted that the reduction in income for commission based staff would require careful management.

ii. **Re-enrolment** – The report refers to a large number of students who are enrolled in successive qualifications without successfully completing the previous qualification. It notes that “continual re-enrolment when a student shows little signs of success is unlikely to lead to a quality result and simply results in students racking up student loans that they are unlikely to be able to pay back.” Intueri calculated that in the five years prior to the report, 2,000 students were enrolled more than once. The report notes that the measures to address this had already been put in place. One measure referred to is requiring approval before enrolling a previously unsuccessful student.

iii. **Recognition of current competency and prior learning (“RCC” & “RPL”)** – Students in some programmes were apparently achieving a unit standard and then achieving units at a lower level by RCC. It was optional for the student to actually complete the unit standard. No fee discount was given. Further, if RPL (or a cross credit) was applied to a unit the discount was only 30% (with 70% retained as an administration fee). The solution proposed in the report was for Intueri management to address the matter for consistency across the group.

3.116 The report concluded that management would change a number of the existing processes to align with other Intueri PTEs and to “adhere to the intent of the SDR in terms of

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35 We note that in 2013 949 EFTS were delivered compared to the approved number of 956.1
measuring performance”. The report recognised that an adverse impact on EPIs was likely.

3.117 We discussed with Janet Dalby the first issue regarding course completion when 50% of the course is completed. She advised that this only occurred in relation to local qualifications (as opposed to national qualifications). Her explanation was that TEC had advised them that the TEO is responsible for setting the pass rate of local qualifications so for each cluster (course) Quantum set the pass rate as 50%. When 50% was completed this was reported as a successful pass (or completion) in the SDR. Ms Dalby went on to clarify that a number of programmes had embedded qualifications, so there would be a combination of local and national qualifications. She stated that the students had to pass all of the units (as opposed to 50%) to successfully complete the national qualifications. According to Ms Dalby, Quantum was told by TEC that they could only report on one of the qualifications (in the SDR). She said that they queried this as they thought other TEOs were reporting multiple qualifications. However, she states that they only reported one based on TEC advice and if there was more than one qualification in a programme then Quantum would report on the local qualification only.

3.118 We also discussed the issue of moving course enrolment dates with Ms Dalby. Ms Dalby agreed that this would occur due to the “staggering approach” of course dates referred to in paragraphs 3.54 to 3.68.

3.119 Evidence from staff members is that changes were implemented as set out in the report. In addition, tutors are expected to contact students at least twice a week. Contact attempts continue to be recorded in the SMS and reports are run and distributed to Centre Managers to ensure that follow up is taking place. Since Quantum established the centralised Academic Centre in 2009, these staff have also monitored the student contact recorded on the SMS. Reminder and warning letters are sent by the Academic Centre after consultation with tutors.

3.120 The Academic staff member we spoke to described that prior to the Intueri purchase, courses would be reported in the SDR as successful completions when only half the units were passed. She said that she questioned this and thought that it wasn’t “quite right”. The Academic Manager at the time explained to her that it was “in the way you interpret the rules”. She went on to explain that everyone did their own job and didn’t share information. For example, was given only very limited access to the Student Management System (Take2); her role was carried out on Double Take. Since the Intueri purchase changes were made “quite quickly”. The former Academic Manager left in early 2015.

3.121 We were also told by the Academic staff member that the CRC is no longer talked about at enrolment. In her view if that was the student’s motivation they would not be enrolled. She described the recruitment staff as “very, very managed now” while in her view they were previously “a law unto themselves”. She added that now reporting lines are very clear and you are accountable for what you do.

3.122 We understand that currently students who have previously been unsuccessful are assessed on a case by case basis by the Recruitment Manager. If the Recruitment Manager considers that the student had reasonable grounds for unsuccessful completion of the previous programme of study, and that the circumstances that led to that unsuccessful completion had improved, they could be enrolled. If not, the enrolment is declined. The Submitters state that prior to May 2014 a robust re-enrolment policy was already in place. A student wishing to re-enrol who had previously not met their commitment to study was assessed and provided with an opportunity to explain how they would meet the study commitments if they were re-enrolled. Approval to re-enrol was then given by the enrolment team.
3.123 We also spoke to a Quantum course advisor (responsible for enrolment and the first point of contact) who had been in the role since prior to the Intueri purchase. He said that “the enrolment processes have got a lot more tighter [sic]”.

3.124 He explained that prior to the purchase there were leads from the call centre but “no real process”. They had enrolment targets and were expected to enrol at least ten students a week. He recalled one student who he didn’t want to enrol due to numeracy and literacy issues but they were just handed over to another course advisor. He also stated that course advisors would “push that you got $1,000”. He said that he had emails from his previous manager telling him to “push the $1,000” along with the $200 referral scheme.

3.125 The course advisor contrasted the past to the present and stated that it is “awesome now”. He says that the focus is on engaging with quality students not quantity. He explained that students have to attend the enrolment meeting either in person or by Skype. The course advisor can see that the student is able to complete forms and will ask a lot of questions including why the student is interested in the programme. A second interview is also held to show that the student is committed and to go over the programme requirements and process their loan.

3.126 He also described that course advisors would previously use people who they knew to refer students and get the referral fee. He called them “serial referrers”. However, after Intueri took over the targets for course advisors were decreased. A “values workshop” was held and the additional incentives provided to course advisors (e.g. $1,500 prezzy card, weekend away) were removed. Now the base salary is unchanged and there is a commission component but the other incentives are no longer offered. He also explained that the course advisors used to be paid for students if they were early withdrawals but now they are not. He had been in his role since the beginning of 2013 and said that this change came into effect in 2015. The Submitters state that commissions for early withdrawals ceased in 2011. They also note that “in any event, the existence of a commission does not amount to misconduct” and note that course advisors did not have control of the final enrolment decision.

3.127 Ms Dalby confirmed that Quantum had previously worked to EFTS targets for enrolments, although she described it as being “behind the scenes”. She also explained that if one of the three Quantum entities was getting close to consuming all the approved EFTS she would ask the course advisors to enrol under a different entity (for the same course) instead. Ms Dalby also confirmed that the course advisor’s commission was based on each enrolment that had passed the eight days point (statutory withdrawal).

3.128 James Turner advised that at a Board level they had been made aware of changes to the enrolment process. He said that very soon after the IPO management had identified practices that they were not comfortable with and reported to the Board that there would be a financial impact to the changes they were making. This also included the changes to course completions and other issues set out in the report referred to above. He added that as a Board they were of the view that “you’re absolutely right, we’ve got to stop that”.

3.129 Mr Turner didn’t have an opinion as to whether or not these issues should have been identified as part of the due diligence process. He did refer to the audit that had been conducted by TEC and the EER that NZQA had completed.

3.130 He also emphasised that Quantum was now driving a higher quality of student rather than quantity of students.

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36 Letter from Minter Ellison Rudd Watts on behalf of the submitters to Deloitte, 12 May 2017
4. Students

In this section we set out findings from our interviews with twenty students and further analysis of the data relating to a larger student sample around the validity of enrolments

Student interviews

4.1 In January and February 2016 we interviewed twenty Quantum students. We spoke to them about the reasons that they enrolled in the programme, the learning that they completed and, if applicable, their circumstances of withdrawing.

4.2 We also analysed the student contact information with these students and a further 30 students. The students included in our analysis commenced their programmes between January 2013 and December 2015.

4.3 We found that many students referred to enrolling so that they could get a good job or start their own business. For those who had withdrawn there were a variety of reasons, often family related.

4.4 Quantum actively monitors the contact log in the student management system and clearly this continues to be used to identify those students who are not engaged in order that they can be withdrawn from their programme of study before the 10% date is reached.

4.5 It is Intueri’s view that this is an appropriate approach as it does not want to claim funding from TEC for students who are not engaged, therefore it is important to be able to identify these students by the 10% date.

4.6 Two of the withdrawn students who we spoke to conveyed that they were under the impression they were studying part-time and that they would have more time to complete assessments and wouldn’t need to come in to classes.

4.7 When we looked at the students who were withdrawn in the first 30 days of their programme, we found that typically they were sent their first warning letter between four and eleven days after the course start date. This was commonly followed by a second warning letter between eleven and fourteen days after the course start date. Finally, an “early withdrawal” was normally processed between 18 and 25 days after the course start date.

4.8 The withdrawal is normally initiated by Quantum rather than the student. It usually comes about after some contact with the student, although often the student has not submitted units. It is more common that the student will be promising to submit units or attend at the centre, but often this does not eventuate.

4.9 We note that some withdrawn students were enrolled in a programme of study that was less than one year in duration and the 10% date was therefore less than one month. This
led to some students being withdrawn after the 10% date and not being included in the SDR as they should have been.

4.10 Intueri responded that the operational process that they follow is that a student who is an early withdrawal is taken off the course by the fourth Friday. This explains why students who are enrolled in a programme that does not last for a full year may be withdrawn after the 10% date but not included in the SDR. The impact of this is that Quantum would receive less funding from TEC (but only if it had not reached its EFTS cap) but the EPI for completions would be overstated.

4.11 In the 2014 year, the records provided to us by Quantum show that there were 3,230 students who commenced study. Of these, approximately 1,178 had a student loan but were not in the SDR. Approximately 64% of these 1,178 students were studying on programmes with a course duration of less than 40 weeks. This represented approximately 478 EFTS.

4.12 This means that Quantum’s processes should have captured students earlier who were disengaged at the 10% date. Currently, all of these students withdrew after the 10% date, although some were likely to have been disengaged prior to this. It could be argued that these 478 EFTS should have been included in the SDR as unsuccessful completions or should have been refunded their loan if they had never been engaged. We note that in 2014, Quantum delivered 797 SAC funded EFTS and a further 74 EFTS from an unknown funding source, compared to planned delivery of 948.1 EFTS.37

4.13 Since the purchase by Intueri the number of students who were omitted from the SDR but who had drawn down a loan has decreased. It is difficult to specifically identify these students as TEC uses the student NSN while StudyLink does not use this identifier. However, with TEC assistance using matching by name, qualification and student I.D. number, we have identified the students who appear to fall into this category. The following graph shows the number of students each year who appear to have applied for loans but have not been included in the SDR, along with the dollar value of loans they applied for:

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37 TEC data provided 30 August 2016
38 We note that some students who apply for loans do not meet Studylink criteria or withdraw in the 8 day statutory period. Accordingly Quantum will not have received the fees for all of these students.
In December 2015, after consultation with TEC, Intueri made the decision that any students who did not receive a refund would be included in the SDR. Accordingly, there is no longer a “gap” between 8 days and 10% where students can be omitted from the SDR and their EFTS sold. Instead disengaged students may be eligible for a refund past the statutory 8 day requirement.

**Student Data**

We selected a random sample of 100 students who enrolled during 2013 to 2015 (20 students per programme) from the TEC SDR. The review included:

i. Sighting the signed enrolment application form for each student;

ii. Checking that appropriate supporting documentation (e.g. birth certificate, passport) had been provided by the student to support their application;

iii. Recording the programme start and end dates on the enrolment form and then checking whether this was consistent with the period that the EFTS were claimed for funding by Quantum in the SDR; and

iv. Recording the number of credits achieved from the students’ Academic Record extracted from the Quantum SMS, and comparing this to the completion status of the student that was submitted to the TEC in the SDR.

Our objective was to ascertain whether or not the students were valid, enrolled in the programmes and also that the data submitted in the SDR was consistent with the records in Quantum’s SMS.

We note that the random selection of students was from the TEC SDR data. However, a significant number of the students enrolled with Quantum withdraw from the course before 10% of the course is complete and are not recorded in the SDR returns (as set out in section 3). Therefore, a limitation of this analysis is that the pool from which we randomly selected students does not include the students who were omitted from the SDR (and therefore not funded by TEC).
We have summarised our findings in the following table:

<table>
<thead>
<tr>
<th>Programme</th>
<th>Enrolment form on file signed by the student</th>
<th>Birth certificate or passport on the student file</th>
<th>Enrolment form start date consistent with first year EFTS recorded in the SDR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificate in Travel, Tourism and IATA Fares and Ticketing (PC9685)</td>
<td>✓</td>
<td>✗</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>20 / 20</td>
<td>4 / 20</td>
<td>19 / 20</td>
</tr>
<tr>
<td>Certificate in Travel, Tourism and IATA Fares and Ticketing (PC9694)</td>
<td>✓</td>
<td>✗</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>20 / 20</td>
<td>5 / 20</td>
<td>18 / 20</td>
</tr>
<tr>
<td>Advanced Certificate in Information Technology (PC3219)</td>
<td>✓</td>
<td>✗</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>19 / 20</td>
<td>5 / 20</td>
<td>19 / 20</td>
</tr>
<tr>
<td>Diploma of Professional Counselling (PC9658)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>20 / 20</td>
<td>17 / 20</td>
<td>17 / 20</td>
</tr>
<tr>
<td>Certificate in Business Financial Literacy (PC9735)</td>
<td>✓</td>
<td>✗</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>20 / 20</td>
<td>6 / 20</td>
<td>19 / 20</td>
</tr>
</tbody>
</table>

4.19 We were able to obtain and sight an enrolment form signed by the student in almost every case (99/100).

4.20 The majority of the enrolment forms were signed by the student on a timely basis. We found that 88/100 (88%) of enrolment forms were signed within 90 days of the programme start date, as written on the enrolment form. There were 7/100 (7%) exceptions where the enrolment form was signed more than 90 days before the programme start date. We also found 5/100 (5%) exceptions where the student had signed the enrolment form after they started the programme. In 4/5 of these exceptions, the time period was over 300 days.

4.21 We were unable to sight any supporting documentation such as birth certificates or passports to prove the students validity in the majority of cases (73%). Quantum advised that all archived birth certificates were destroyed when Quantum recently moved
premises and they are under no obligation to retain them. We note that we did not find any issues from the 20 student interviews in relation to student validity. All the students we called stated that they enrolled in the relevant programmes.

4.22 In the majority of cases, the programme start date that was specified on the enrolment form was consistent with the first year that the EFTS were claimed for funding in the TEC data (92/100).

**Reporting of Qualification Completions to TEC**

4.23 We sighted the Academic Record extracted from the Quantum SMS for each student. This showed all the NZQA credits that they had achieved within the programme. If the student had achieved all the credits on their Academic Record, we would normally expect to see that the student had been reported to TEC as having completed all the associated courses within the programme successfully. If they had not achieved all the NZQA credits, then they would normally be reported as either having completed the courses unsuccessfully, not completed the courses at all, or still to complete the courses.

4.24 As there is a significant amount of data at the course completion level we focused our review of this area on one qualification, which was the Certificate in Travel, Tourism and IATA Fares and Ticketing (PC9685).

4.25 We reviewed the students with EFTS recorded in 2014 due to the timing of the completion data we received from TEC. There were eleven students in our sample with 2014 enrolments in relation to this programme.

4.26 We initially compared the number of courses the students had been enrolled in during 2014, to the number of courses submitted to TEC in the SDR with the latest information about the student (submitted either 27/01/2015 or 20/08/2015). There were no differences in the number of courses, therefore all courses that the students were enrolled in were included in the SDR.

4.27 We then compared the value of EFTS enrolled to the value of EFTS consumed in the SDR. We found a difference in 2/11 students who had consumed a total of 0.6 EFTS more than the EFTS value recorded in the SMS. It is not clear why this would be the case but we are comfortable that there was consistency with the majority of our sample.

4.28 Lastly, we compared the Quantum Academic Record NZQA credits of the eleven students to the successfully completed courses (as at the end of December 2014) in the TEC SDR (submitted on either 27/01/2015 or 20/08/2015). If the student had not completed all their NZQA credits as at the end of December 2014, we would generally not expect to see that they had successfully completed all their courses in the SDR submitted in 2015. We found 2/11 instances where the student had not completed all the NZQA credits in the Academic Record, but the SDR submission showed that they had successfully completed all the courses.

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39 We note that this was after the sale to Intueri.
4.29 This finding is consistent with the issue set out above at paragraph 3.117 that for local qualifications Quantum may record a course as being complete if at least 50% of the units had been completed. The two students who we identified were both enrolled in courses commencing in 2014.
5. Compliance with NZQA Approval and TEC Funding Requirements

In this section we set out our findings on the Quantum programme delivery in relation to the NZQA approval and TEC funding. We set out what was approved and compare this to how the programmes are delivered.

Programme Alignment with Approval and Funding Requirements

5.1 The Quantum programmes are delivered by distance delivery. We understand that this means that TEC accept that there will be limited teaching hours and that the learning will be primarily self-directed.

5.2 The following table sets out the detail of what was approved by NZQA and then submitted to TEC by Quantum for each programme within our scope:

<table>
<thead>
<tr>
<th>Programme</th>
<th>NZQA Approval</th>
<th>STEO (TEC)</th>
<th>Reconcile?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificate in Travel, Tourism and IATA Fares and Ticketing (PC9685)</td>
<td>Teaching: 72 Self-directed: 1,080</td>
<td>Teaching: 72 Self-directed: 1,080</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Total hours: 1,152</td>
<td>Total hours: 1,152</td>
<td></td>
</tr>
<tr>
<td>Certificate in Travel, Tourism and IATA Fares and Ticketing (PC9694)</td>
<td>Teaching: 72 Self-directed: 1,080</td>
<td>Teaching: 72 Self-directed: 1,080</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Total hours: 1,152</td>
<td>Total hours: 1,152</td>
<td></td>
</tr>
<tr>
<td>Advanced Certificate in Information Technology (PC3219)</td>
<td>Not specified</td>
<td>Teaching: 600 Self-directed: 400</td>
<td>Hours not specified by NZQA</td>
</tr>
<tr>
<td></td>
<td>Total hours: 1,000</td>
<td>Total hours: 1,000</td>
<td></td>
</tr>
<tr>
<td>Diploma of Professional Counselling (PC9658)</td>
<td>Teaching &amp; practical: 1,464 Self-directed: 936</td>
<td>Teaching: 216 Self-directed: 2,184</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Total hours: 2,400</td>
<td>Total hours: 2,400</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total hours: 660</td>
<td>Total hours: 660</td>
<td></td>
</tr>
</tbody>
</table>
5.3 Three of the five programmes in our scope had the same details entered into the TEC database (STEO) as the hours that were approved by NZQA. A fourth, PC3219, is a local qualification that was approved in 2006 by NZQA. The learning hours for the qualification are not specified in the approval document.

5.4 The two year Diploma of Professional Counselling had the same learning hours recorded in STEO as the approval document, but the self-directed hours in STEO are significantly higher. The NZQA approval document refers to the delivery being a combination of classroom, practicals, seminars and online. It does not breakdown the remaining learning hours between teaching hours and practical work experience.

5.5 The STEO database is referred to by TEC when making funding decisions, so if the teaching hours that are recorded are understated, this is less significant than being overstated. What is more important is that the teaching hours that are delivered are in line with the approval document. However, we do recommend that Quantum update STEO so that it is consistent with both delivery and NZQA approval.

**Comparison of approval to delivery**

5.6 Despite the distance delivery, there are multiple learning centres throughout the North Island where the tutors are based and students are encouraged to attend. We visited the Manurewa Centre and were told by the Centre Manager that most of their students were local or from the wider Southern Auckland and Franklin areas. All of the qualifications in our scope are delivered from Manurewa except the Diploma of Professional Counselling. The Counselling tutor who we spoke to is based at the Albany campus.

5.7 Each student is assigned a tutor by the Centre Manager from the time that they enrol and the tutor will contact them within 24 hours. If they cannot be reached by phone they will be sent an introduction letter.

5.8 Prior to the course start date the tutor will make contact with the student. The objective is to make sure that the student is engaged prior to the course start date.

5.9 At the Manurewa centre attendance is quite high as there are a large number of students who do not have their own computer. Even those who study from home are encouraged to attend at least once a week. Students who do not attend at the centre are followed up by phone or email by the tutor. Tutors are required to make at least two contact attempts a week. The evidence we have seen shows that this is well known and followed by the tutors. There is contact with some students every day. Every contact is recorded in the Double Take system so it is evident if this is not occurring. Occasionally there may be a home visit to the student.

5.10 Students get sent learning material for three or four units at a time. The pack will also include the assessments that need to be completed. In addition to the phone and email contact from tutors, students are sent fortnightly progress reports. There is an expectation on tutors to understand if students are ahead or behind and be there to support the students.
5.11 The centre managers have access to various reports that assist them to track progress and withdrawals and other performance management aspects. The centre manager who we spoke to advised that these reports were not available to centre managers prior to Intueri taking over and that access started in mid-2015. The Submitters have provided a further statement from the centre manager we spoke to. It is stated that “at Quantum Education, Centre Managers and centre staff had access to Double-Take (in-house student management system) to record transactions, generate and view reports, monitor performance and view information recorded and updated in Take 2. This allowed transparency for all users to monitor performance at any time as and when needed.”

5.12 The tutors may run specific workshops at the centres for a group of students. However, it is more likely that they will be available at the centre for students who need assistance in working through their units and assessments. There may also be students set up in the centre where the tutor can see the screen of a student working remotely (using “team viewer”) and interact with them. The tutors will also set aside time to conduct telephone and email follow ups with students.

5.13 The three qualifications set out above that have learning hours set out in STEO consistent with the NZQA approval all have a low level of teaching hours. Even students who do not attend the centres will have the required teaching hours available to them through other forms of contact and feedback with their tutors.

5.14 The Advanced Certificate in Information Technology is recorded in STEO as being a 66 credit qualification that is delivered over twenty weeks. What is unusual is the high level of learning hours, being fifty hours per week (30 hours teaching and 20 hours self-directed). It is unlikely that this level of learning hours is being delivered based on the delivery descriptions from tutors and students. However, we note that STEO also records that this programme has an EFTS value of .55EFTS based on the 66 credits completed. We also note that this qualification is approved for distance delivery by TEC. We understand that this will be considered by TEC when making funding decisions. We do recommend that Quantum consider updating the information that is recorded in STEO.

5.15 The Diploma of Professional Counselling is also distance delivered however the model differs from the other qualifications in our scope. The students are based throughout New Zealand and the tutors operate from Albany and Christchurch. The tutors will meet with the students when they attend the ten seminars, three workshops, integrative practices, one-to-one tuition sessions, pastoral care sessions and pre-placement assessments scheduled during the two year qualification. There is also a practical requirement that contributes to the membership requirements of the professional body. Local students are able to attend the Albany campus. The Counselling tutors contact their students at least once a week if the student has not been in touch.

5.16 The Counselling tutor who we spoke to advised that the Academic Manager based in Christchurch used to make all the academic and enrolment decisions in relation to the students. They added that at times there seemed no evidence of any kind of understanding (by the Academic Manager) or interest in understanding the counselling programme, with some students being enrolled who were clearly unsuitable and/or incapable of successfully
completing the programme. This included over-riding decisions by the operational manager who may have concerns about whether it was appropriate and safe for a particular student to be practicing in the community. The tutor went so far as to say that prior to the Intueri purchase they were considering leaving as they “felt my ethics were compromised”. However they feel that it is now a “completely different culture”.

5.17 The last NZQA approval for the Counselling programme was given in October 2015, following a type 2 change that included a change to a unit standard and a change to the entry requirements. This approval sets out the total learning hours of 2,400, including 936 hours of self-directed learning. Unfortunately the approval document does not specify if the remaining 1,464 hours are teaching or practical work experience.

5.18 It has proved difficult for us to determine what the teaching hours are given that this is a distance delivered programme, but some students still attend at the campus. Taking into account the attendance at workshops and the noho marae and the contact that occurs with the tutor on at least a weekly basis, it is our view that the teaching hours delivered are more than the 216 hours recorded in STEO but less than the 1,464 that make up the difference between the learning hours and the self-directed hours that are recorded in the NZQA approval document.
Appendix A.1 Information relied upon

<table>
<thead>
<tr>
<th>Type</th>
<th>Details</th>
</tr>
</thead>
</table>
| Documents           | • NZQA Programme Approval documents  
                      • Quantum Student Handbook 2016  
                      • Quantum Education Group Prospectus 08.10.2014  
                      • Quantum Student Progress Report  
                      • Programme Course and Unit Standard detail spreadsheet  
                      • Quantum Quality Management System 2015 document  
                      • Enrolment documents, assessment and Academic record of 100 randomly selected students  
                      • Quantum data of all enrolments from 2013 to 2015  
                      • Quantum appeals data for 2014 and 2015  
                      • Quantum document prepared in request for information on withdrawal policy, appeals process and literacy and numeracy policy  
                      • Withdrawal process document and template letters  
                      • Various emails from 2007 to 2014 provided by Quantum  
                      • Transcript of meeting between TEC and Quantum, 17 March 2010  
                      • Copy of 50 students contact log and assessments  
                      • Quantum Investment Plan 2012 to 2015  
                      • Various data requests provided by TEC  
                      • “Project Hapuku” minutes of Due Diligence Committee meeting, 17 March 2014  
                      • Intueri Education Group prospectus for Initial Public Offering  
                      • Review of Quantum SDR Practices, 19 August 2014                                                                                   |

Intueri Staff and Directors

- Rob Facer, CEO
- Chris Kelly, Chairman
- Michele La Riviere, General Manager, Business Performance and Systems
- Kim Crosland, Academic and Quality Assurance Support Director
- [9(2)(a)] [9(2)(a)] Manager
- [9(2)(a)] Tutor
- [9(2)(a)] Tutor
- [9(2)(a)] Senior Tutor
- [9(2)(a)] Tutor
- [9(2)(a)] Centre Manager
- [9(2)(a)] Course Advisor
- James Turner, director
- Nico Marx, director
Others

- Janet Dalby, previous CEO and previous director
- (Alan) John McLeod, previous director
- Laurence Day, previous director
- Robert Gordon, previous director
- Glen Dobbie, previous director
- (2)(a), previous Academic Board member
- Kevin Chin, CEO of Arowana
- Graeme Cahalane, Birgit Jaegle, Charles Vickers and Joanna Baber, TEC
- Matthew Rolton, StudyLink
Appendix A.2 Quantum directors & shareholders, 2010 to 2015

Table 6 Quantum Education Group Ltd\textsuperscript{40} (incorporated 7 February 1994)

<table>
<thead>
<tr>
<th>Director</th>
<th>Period of directorship</th>
<th>Cessation of shareholding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheryl Price</td>
<td>07.02.1994 to 19.12.2002</td>
<td>23.05.2014 (5%)</td>
</tr>
<tr>
<td>Laurence Day</td>
<td>01.09.2000 to 22.05.2014</td>
<td>23.05.2014 (26%)</td>
</tr>
<tr>
<td>Robert Gordon</td>
<td>21.05.2002 to 22.05.2014</td>
<td>23.05.2014 (26%)</td>
</tr>
<tr>
<td>Alan John McLeod</td>
<td>19.12.2002 to 22.05.2014</td>
<td>23.05.2014 (26%)</td>
</tr>
<tr>
<td>Janet Dalby</td>
<td>22.05.2014 to 17.10.2014</td>
<td></td>
</tr>
<tr>
<td>Rodney Marvin</td>
<td>22.05.2014 to 28.11.2014</td>
<td></td>
</tr>
<tr>
<td>Robert Facer</td>
<td>22.05.2014 to 05.08.2016</td>
<td></td>
</tr>
<tr>
<td>Glen Dobbie</td>
<td>28.11.2014 to 21.05.2015</td>
<td></td>
</tr>
<tr>
<td>James Turner</td>
<td>22.05.2014 ongoing</td>
<td></td>
</tr>
<tr>
<td>Christopher Kelly</td>
<td>22.05.2014 ongoing</td>
<td></td>
</tr>
<tr>
<td>Nico Marx</td>
<td>21.05.2015 to 28.04.2017</td>
<td></td>
</tr>
<tr>
<td>John Clemons</td>
<td>Not applicable</td>
<td>23.05.2014 (17%)</td>
</tr>
<tr>
<td>Intueri Education Group Ltd</td>
<td>Not applicable</td>
<td>Current shareholder (100%)</td>
</tr>
</tbody>
</table>

Table 7 Quantum Education Group ES Ltd\textsuperscript{41} (incorporated 6 June 2001)

<table>
<thead>
<tr>
<th>Director</th>
<th>Period of directorship</th>
<th>Cessation of shareholding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laurence Day</td>
<td>17.02.2003 to 22.05.2014</td>
<td></td>
</tr>
<tr>
<td>Robert Gordon</td>
<td>17.02.2003 to 22.05.2014</td>
<td></td>
</tr>
<tr>
<td>Alan John McLeod</td>
<td>17.02.2003 to 22.05.2014</td>
<td></td>
</tr>
<tr>
<td>Janet Dalby</td>
<td>22.05.2014 to 17.10.2014</td>
<td></td>
</tr>
<tr>
<td>Rodney Marvin</td>
<td>22.05.2014 to 28.11.2014</td>
<td></td>
</tr>
<tr>
<td>Robert Facer</td>
<td>22.05.2014 to 05.08.2016</td>
<td></td>
</tr>
<tr>
<td>Glen Dobbie</td>
<td>28.11.2014 to 21.05.2015</td>
<td></td>
</tr>
<tr>
<td>James Turner</td>
<td>22.05.2014 ongoing</td>
<td></td>
</tr>
<tr>
<td>Christopher Kelly</td>
<td>22.05.2014 ongoing</td>
<td></td>
</tr>
<tr>
<td>Nico Marx</td>
<td>21.05.2015 to 28.04.2017</td>
<td></td>
</tr>
<tr>
<td>Quantum Education Group Ltd</td>
<td>Not applicable</td>
<td>Current shareholder (100%)</td>
</tr>
</tbody>
</table>

\textsuperscript{40} In liquidation from 1 September 2017

\textsuperscript{41} In liquidation from 1 September 2017

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Table 8 Quantum Education Group QT Limited\textsuperscript{42} (incorporated 31 July 1990)

<table>
<thead>
<tr>
<th>Name</th>
<th>Period of directorship</th>
<th>Cessation of shareholding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laurence Day</td>
<td>17.09.2003 to 22.05.2014</td>
<td></td>
</tr>
<tr>
<td>Robert Gordon</td>
<td>17.09.2003 to 22.05.2014</td>
<td></td>
</tr>
<tr>
<td>Alan John McLeod</td>
<td>17.09.2003 to 22.05.2014</td>
<td></td>
</tr>
<tr>
<td>Janet Dalby</td>
<td>22.05.2014 to 17.10.2014</td>
<td></td>
</tr>
<tr>
<td>Rodney Marvin</td>
<td>22.05.2014 to 28.11.2014</td>
<td></td>
</tr>
<tr>
<td>Robert Facer</td>
<td>22.05.2014 to 05.08.2016</td>
<td></td>
</tr>
<tr>
<td>Glen Dobbie</td>
<td>28.11.2014 to 21.05.2015</td>
<td></td>
</tr>
<tr>
<td>James Turner</td>
<td>22.05.2014 ongoing</td>
<td></td>
</tr>
<tr>
<td>Christopher Kelly</td>
<td>22.05.2014 ongoing</td>
<td></td>
</tr>
<tr>
<td>Nico Marx</td>
<td>21.05.2015 to 28.04.2017</td>
<td></td>
</tr>
<tr>
<td>Quantum Education Group Ltd</td>
<td>Not applicable</td>
<td>Current shareholder (100%)</td>
</tr>
</tbody>
</table>

\textsuperscript{42} In liquidation from 1 September 2017