

16 May 2007

## **NOTIFICATION TO TRAINING PROVIDERS AND COMPANIES**

WDA conducts audits of Training Providers and Companies who apply for training assistance from the Skills Development Fund (SDF) regularly. From the audits conducted, WDA has come across some Training Providers and Companies which have infringed the objective and spirit of the fund. This notification aims to:

- (a) Reiterate to Training Providers and Companies the objectives and principles of the SDF,
- (b) Highlight some malpractices committed by organisations, and
- (c) Highlight the penalty actions that WDA will take against organisations and individuals who abuse the use of SDF funds.

### **OBJECTIVE AND SPIRIT OF SDF**

The SDF was established with the primary objective of encouraging employers to invest in upgrading the skills of the workforce. In line with the objective and spirit of the SDF, WDA subsidises course fees as an incentive to defray training cost of companies who send their employees for training. It is primarily financed from the levy contributed by employers. The levy collected is used to provide training assistance to companies for the training of their employees to equip them with the necessary skills to meet the workplace needs. Under this employer-based training system, two main conditions have to be met. These are:

- (a) **Employees of the company** - The SDF requires that all trainees applying for training assistance be bona-fide employees of the applicant company.
- (b) **Co-payment of training costs** - The company must undertake to co-pay the unsupported portion of the training fees. Trainees should not be made to pay any part of the training costs supported by SDF.

### **ERRANT PRACTICES BY COMPANIES & TRAINING PROVIDERS**

We have found that some companies and training providers had adopted certain practices in a bid to mislead WDA into accepting that the organisations have abided by the Terms and Conditions of the SDF. One of the malpractices that companies tried to mislead WDA that the trainees were their employees was to pay token salaries and CPF contribution to trainees during the training period when in fact the companies had little or no intention to employ the trainees. Another illustration is that trainees are employed on different terms of employment during and after training. Such practices clearly do not meet the objective and spirit of the SDF and WDA takes a serious view of those who obtain SDF and Absentee Payroll (SRP) funding through such means.

In addition, under our co-payment principle, companies which make their employees pay for the unsupported training costs are infringing our policy. Payment of fees by companies to training providers to mislead the SDF that they have paid the fees but subsequently received rebate or refunds or some other form of kickbacks from the training provider is also not allowed as it infringes our guideline that company must pay the unsupported portion of fees.

Any training provider who conceptualizes any scheme with companies which will undermine our employer-based and co-payment principles is also flouting SDF rules.

Please refer to Annex 1 for details of practices which are considered as contravening the SDF terms and conditions.

### PENALTY ACTIONS FOR THOSE WHO INFRINGED SDF OBJECTIVES

WDA takes a serious view of organisations which infringe the objective and spirit of SDF. WDA will take appropriate action against any party who has committed fraud or abuse of the terms and conditions to benefit from the SDF. Please note that offenders are subject to administrative sanctions and criminal actions which include but are not limited to the following:

- (a) Removal of the nett fee facility for Training Providers
- (b) Suspension from all WDA funding
- (c) Cessation of support and funding for all WDA programmes
- (d) Recovery of grants wrongfully claimed
- (e) Criminal charges in cases of fraud and offenders are subject to penalties under Section 12 of the Skills Development Levy (SDL) Act and any other applicable Act.

We would like to remind grant applicants to observe SDF terms and conditions. WDA will continue to conduct audit checks on companies and training providers to ensure that grant applicants abide by the terms and conditions.

### REVISED TERMS AND CONDITIONS

WDA has revised the SDF Terms and Conditions to include the objective and spirit of SDF, and these will take effect from 1 June 2007. We have also updated the guidelines in the e-Guides for Training Providers and Companies. The revised SDF Terms and Conditions and e-Guides can be found under the Forms and e-Guides section of the SDF EasyNet website at [www.sdf.gov.sg](http://www.sdf.gov.sg).

## ANNEX 1

### **VIOLATIONS OF SDF TERMS AND CONDITIONS BY COMPANIES AND TRAINING PROVIDERS**

#### (1) FOR COMPANIES

##### **S/N Practices which do not meet SDF terms and conditions**

##### **1 Trainees are not employees of the Applicant Company**

Examples of practices regarding employment of trainees are:

- Trainee is not paid salary &/or CPF during the training period
- Trainee is paid salary but no CPF contribution is made
- Trainee is not paid salary, CPF nor benefits during the training period
- Trainee is paid only a token salary/allowance and CPF during the training period, and is not employed by company after training
- Trainee is given different employment contract during and after training. For example, trainee is given contract of service during training and contract for service after training
- Payment of course fees in lieu of salary to trainee
- Trainee does not have an employment contract with the Applicant Company

##### **2 Trainees are not sponsored in full by the Applicant Company**

Examples of unacceptable practices regarding sponsorship of trainees are:

- Trainee is made to pay the unsupported portion of the training fees
- Training related fees (such as course fees) are deducted from the trainee's salary
- Trainee is made to pay a deposit for the training

##### **3 Abetting any individual or training provider to circumvent WDA rules and regulations for support from the SDF**

Examples include:

- Accept rebates after course fees have been paid
- Accept free gifts/ vouchers, lucky draws, free training places, and any other form of offers from training provider given for training supported by SDF

## 2 FOR TRAINING PROVIDERS

### **S/N Practices which do not meet SDF terms and conditions**

1 Information provided by the Training Provider is inaccurate or incomplete.

Examples of unacceptable practices regarding submission of information are:

- Not declaring discounts in course fees or other supported training costs given when applying and claiming for SDF funding
- Submit an enrolment for Company without receiving the hardcopy Form SEN2 from Company
- Not declaring reductions in training hours when applying and claiming for SDF funding
- Submit claims for trainees who did not complete or attend the training

### 2 **Marketing practices which are not allowed**

- Advertise the approved courses as free training
- Give free gifts/ vouchers, lucky draws, free training places, and any other form of offers to attract course registration
- Charge differential course fees such that trainees who are eligible for higher rates of funding are charged higher fees, compared to fees charged for trainees who are eligible for lower rates of funding or are not eligible for funding at all

### 3 **Abet any individual or company to circumvent WDA rules and regulations for support from the WDA.**

- Give rebates to companies after course fees have been paid
- Give kickbacks