



Australian Government
Department of Education

Child Care Financial Integrity Strategy

March 2019

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Purpose

This strategy outlines the Department of Education, Skills and Employment (the department's) approach to maintaining the financial integrity of all child care funding under the Child Care Package. It contains important information that the child care sector, as the providers of Government subsidised child care, needs to know about the department's position on financial integrity matters.

The Child Care Financial Integrity Strategy (Integrity Strategy) guides the action that the department may take should errors, non-compliance and/or fraud be identified, as well as the principles we follow to ensure our actions are appropriate, consistent and defensible.

This level of transparency will support sound decision-making and give providers an understanding of our likely response when non-compliance is identified.

Provider's requirements and responsibilities for protecting the integrity of child care funding are also covered, along with the support available from the department to assist providers comply with their obligations under Family Assistance Law.

The Integrity Strategy is an important part of the department's overarching Child Care Financial Integrity Framework (Integrity Framework). The Integrity Framework guides the monitoring, education, compliance and enforcement program the department has in place to ensure child care funding is administered properly.

Policy context

Research shows that quality early education and care leads to better health, education and employment outcomes later in life. The early years are critically important for children for establishing self-esteem, resilience, healthy growth and capacity to learn. Helping young Australians realise their potential is an investment in Australia's future.

The Australian Government provides a significant investment through child care subsidies to improve families' access to quality early education and care, to support parents as they balance work and family responsibilities, and to increase engagement with the workforce. It has a responsibility to assure the public that their tax dollars are being used appropriately.

The State and Territory government regulatory authorities are responsible for matters relating to the quality of early childhood providers and services. This includes licensing and approving providers and services, monitoring and assessing the quality of the child care and early learning services being delivered in their jurisdiction.

Governments work together closely to maintain the financial integrity of the child care and early learning system by sharing intelligence and undertaking joint compliance activities and fraud investigations.

Impact of non-compliance

Child care subsidies are intended to assist with the genuine costs of actual care provided. Most providers and families do the right thing, but some individuals choose to engage in non-compliant, fraudulent or criminal behaviours. As part of the department's child care policy and regulatory responsibility, we undertake ongoing checks to ensure funding is properly administered by providers and is directed to assist eligible families to meet the real costs of genuine child care sessions.

Misappropriation of tax payer funds is an extremely serious issue. Non-compliant behaviour and defrauding the government of child care funding damages the public's perception of the child care sector and the department and increases costs to the Australian Government and taxpayers.

The department will actively seek to recovery funds that should not have paid in the first place. This may result in providers and/or families receiving a debt.

The department is committed to continually improving the integrity of child care funding, taking action where required to respond to error, non-compliance and fraud and addressing any identified gaps or weaknesses to protect the integrity of Australian Government child care payments.

What is the Integrity Framework?

The Integrity Framework outlines the strategies and operational processes used by the department to make sure that child care funding is:

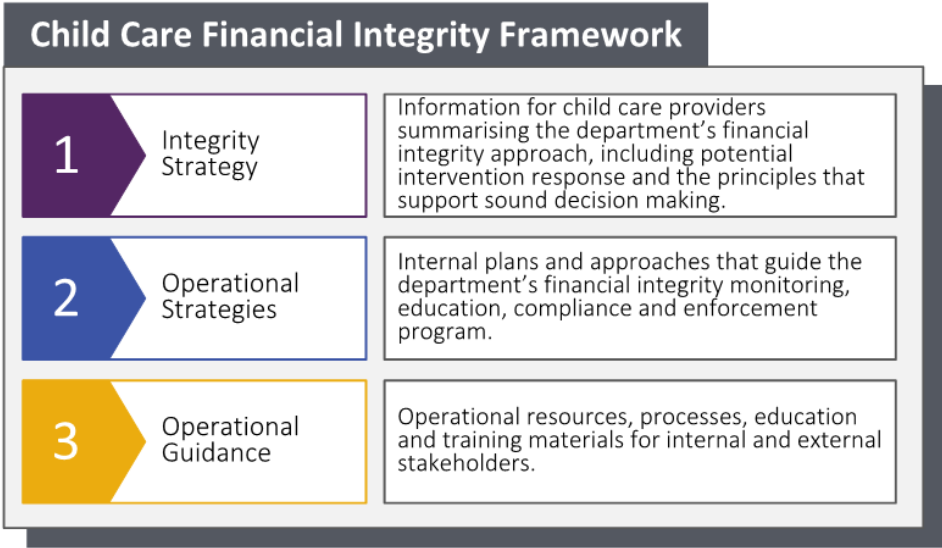
- being properly administered by providers; and
- directed to assist eligible families meet the real costs of genuine child care.

The Integrity Framework encompasses all child care payments and grants, and all the care types – Centre Based Day Care, Outside School Hours Care, In Home Care and Family Day Care.

It builds on the department's previous compliance approach but has been strengthened to capitalise on the stronger legislative and IT controls, increasingly sophisticated technologies, and our growing analytics capability and inter-agency collaboration. For example: Services Australia, Australian Taxation Office and law enforcement agencies such as the Australian Federal Police.

The Integrity Framework is a suite of resources, across three "tiers", as described in Figure 1, below. These materials have different audiences and have been developed to guide, support and inform implementation of the Integrity Framework. This document is "tier 1" of the Integrity Framework.

Figure 1: Child Care Financial Integrity Framework tiers



The effectiveness of the Integrity Framework will be reviewed annually to ensure the department’s financial integrity goals are being achieved and to inform future strategies for maintaining the financial integrity of child care funding.

Goals

The goals of the Integrity Framework are to:

- support voluntary compliance and encourage an ongoing pattern of compliant behaviours
- increase providers’ awareness about their obligations to comply with requirements as they will be held accountable for the governance and financial administration practices they engage in, and for any breaches
- embed modern approaches to continually detect and adapt to financial integrity risks across the child care sector
- take strong action to deal with serious non-compliance and fraud that is defensible, including imposing conditions on approval, debt recovery, referrals to other agencies, criminal prosecutions and removal from the market
- inform the public, families, child care providers and their employees about the department’s responses to proven non-compliance and fraud.

Principles

The department's approach to maintaining financial integrity, including determining responses to breaches, error, non-compliance or fraud, is consistent with Australian Government and departmental policy. In addition, the approach is governed by the following principles:

- **We seek to prevent the occurrence of error, non-compliance and fraud**

Our preference is to stop inappropriate payments happening rather than taking action after a breach has occurred. We undertake rigorous assessment processes to ensure services and key personnel satisfy eligibility requirements before being approved to administer child care payments. We have introduced more sophisticated IT controls. We engage with the child care sector to ensure families and providers are aware of their responsibilities by providing information, resources and support.

- **We use a risk-based approach to planning and decision-making**

We actively identify, monitor and evaluate risks to the child care system and apply compliance resources to the treatment of risks based on the severity of the consequence of the risk. We routinely monitor the child care sector to evaluate risks to the system, including detailed analysis of the data shared with us by other government agencies to identify emerging patterns of non-compliant behaviour.

- **We apply an appropriate response to identified instances of non-compliance**

The legislation allows a variety of actions with a range of severity with which to respond to error and non-compliance. We use a proportional approach in responding to non-compliance based on the severity of the contravention, the history of the non-compliant entity, overall trends in non-compliant behaviour and the entities' response to corrective action we take.

We operate in line with the Australian Public Service (APS) values with a focus on the following principled behaviour in the context of child care financial integrity to ensure our actions are appropriate and defensible:

- **We are responsive**

The department will undertake ongoing monitoring of the child care sector and share data with other agencies. We will act quickly when high consequence breach behaviours are detected. The department will perform reviews and compliance activities in as timely a manner as is practicable, noting that the time taken for reviews of decisions varies from case to case.

- **We act consistently**

A consistent approach does not mean that all cases are decided in the same way, but it does mean that the department applies consistent procedures when handling and responding to suspected or known non-compliance, fraud, debt recovery or criminal activity.

- **We are fair**

The department acts fairly and objectively, ensuring that if any non-compliance is identified, the affected individuals will be given an opportunity to respond. The department takes seriously its requirement to maintain procedural fairness in conducting investigations, enforcement, decision-making and review activities.

- **We are impartial**

The department is impartial and makes decisions based on the available evidence. The circumstances of a matter will determine the department's response and decisions will deal with the facts of a case.

- **We are transparent**

The department provides natural justice in dealing with individuals and entities suspected of breaching requirements. Individuals are advised of the apparent non-compliance and have an opportunity to respond. Their response will be considered prior to a decision to sanction being made, except where an immediate suspension is warranted. The department is transparent to the public with its record of sanction action. The enforcement register is published so that the department's treatment of known non-compliance and fraud is visible to the public, families, child care providers and their employees.

- **We are accountable**

The department is accountable to the Parliament, the Executive and the public for ensuring the financial integrity of child care funding. The department is held to account through internal reviews of sanction decisions by Authorised Review Officers (ARO); independent reviews by the Administrative Appeals Tribunal (AAT); and independent audit and assurance of financial reporting and administration, by the Australian National Audit Office (ANAO).

Strategies

The department uses the following strategies to promote financial integrity:

- **Control entry**
 - Undertake rigorous assessments of new entrants against eligibility requirements.
- **Pay accurately**
 - Embed financial integrity controls within the payment system.
- **Monitor behaviour**
 - Analyse data to identify patterns that indicate non-compliant behaviour.
 - Monitor transactions known to be high-risk for non-compliance.
 - Use flags to alert department to non-compliant behaviour, graded by risk level.
 - Routinely evaluate data shared by other government departments and provided by tip-offs to assess behaviour in the sector generally.
- **Promote compliance**
 - Promote compliant behaviour through comprehensive system awareness and supporting and informing families and providers about their responsibilities.
- **Correct wrong-doing**
 - Respond swiftly to wilful non-compliant behaviour, prioritising systematic fraudulent behaviour and criminal behaviour.
- **Enforce proportionally**
 - Respond to non-compliance by applying administrative, civil and criminal law remedies in a timely, efficient and risk-based manner.
- **Continuously improve**
 - Learn and improve through observation of both emergent behaviour and the effectiveness of compliance action and the control environment.

Risk-based approach

The department takes a risk-based approach to maintain financial integrity. This approach monitors patterns of behaviour, considers high-risk indicators of potential error, non-compliance or fraud, investigates suspected breaches, and intervenes accordingly.

Table 1 outlines the broad approach the department uses in its response to error, non-compliance and fraud. The approach, including the application of the department's intervention responses is a continuum, allowing both graduated and reduced compliance action dependent on the increased or decreased level of compliance behaviour from the entity in question. The term 'entity' refers to the child care service, provider, personnel, company, or any other individual that is the subject of monitoring and compliance activity.

The assessment of the entities behaviour takes into account the risk dimensions outlined in determining the appropriate response to error and non-compliance. The different risk dimensions may be afforded different weighting in assessing the seriousness of the non-compliant activity. Ultimately, compliance officers will use their own judgment to determine how to respond to an incident, taking into account the particulars of, and context for, the non-compliance.

Cases will be prioritised for response, taking into account level of risk and level of effort required. Low priority cases will, however, continue to be monitored.










Increased seriousness and frequency of errors and non-compliant behaviour will result in graduated responses being applied and an increase in the priority of the case for action. Similarly, evidence of improved behaviour and a genuine commitment to doing the right thing will result in reduced compliance action.

Table 1: Proportional Response Framework for Non-Compliant Behaviour

Entity's pattern of compliance behaviour			
<i>"We have made a conscious decision to be compliant"</i>	<i>"We are trying to do the right thing but we don't always succeed"</i>	<i>"We are resistant to compliance"</i>	<i>"We have made a conscious decision to be non-compliant or are reckless about our obligations"</i>
Voluntary compliance The entity meets obligations, has effective compliance systems and management is compliance oriented	Unintentional non-compliance The entity has ineffective/developing compliance systems and management is compliance oriented but may lack capability	Opportunistic non-compliance The entity generally disregards compliance, has limited/poor compliance systems, governance and management is not compliance oriented or takes opportunities to exploit for personal gain	Wilful non-compliance The provider is deliberately non-compliant, or has no compliance systems and there may be criminal/fraudulent intent
Low risk of non-compliance and/or fraud		Entity's risk profile continuum	High risk of non-compliance and/or fraud
Department's likely intervention response*			
Support <i>Ongoing compliance is easy and achievable</i> <ul style="list-style-type: none"> ✓ Approval processing ✓ Automated compliance controls ✓ Clear expectations ✓ Clear consequences ✓ Training ✓ Earned autonomy 	Inform <i>Provide information and resources, and assist providers to become and remain compliant</i> <ul style="list-style-type: none"> ✓ Information on how to be compliant ✓ Self-education resources ✓ Help desk ✓ Payment advices ✓ Automated notifications 	Correct <i>Correct non-compliance and address exploitative and opportunistic behaviours</i> <ul style="list-style-type: none"> ✓ Conditions on approval ✓ Payment suspension ✓ Information requests ✓ Infringement notices ✓ Debt recovery ✓ Publication 	Enforce <i>Use the full force of the law</i> <ul style="list-style-type: none"> ✓ Suspension, variation or cancellation of approval ✓ Criminal charges ✓ Civil penalty orders ✓ Publication

* The department's response is determined by the circumstances and facts of the individual matter

Table 2: Dimensions of risk for non-compliance instances

	Severity	What level of non-compliance is being exhibited (Range: voluntary compliance ◀▶ wilful or reckless non-compliance)
	Frequency	How frequently is non-compliant activity taking place (Range: rare ◀▶ constant)
	Cost	What (cumulative) cost to the program does the non-compliant activity represent (subsidy dollars)
	Non-cost effect	What other effect is the non-compliant activity having (Range: none ◀▶ child-safety threat)
	Quality of evidence	How reliable is the source of information identifying the non-compliant activity (Range: uncertain ◀▶ irrefutable)
	Sufficiency of evidence	How much evidence is available of non-compliant behaviour (Range: none ◀▶ overwhelming)
	Historical activity	What track record is there for this non-compliant behaviour (Range: novel ◀▶ routine)
	Historical response	What level of compliance has the entity displayed in response to previous interventions (Range: compliant ◀▶ recalcitrant)
	Community dependence	How important is the service's presence in its community (Range: sole provider ◀▶ commodity)

Child care financial integrity in context

Provider requirements and responsibilities

Approved providers are responsible for making sure that they and their employees meet all obligations and requirements, and that the child care funding they receive is administered appropriately and directed where it should be.

The [Child Care Provider Handbook](#) is available on the department's website to assist providers to understand the requirements for continued approval to administer Child Care Subsidy.

It is a condition of continued approval that approved providers comply with their obligations under both:

- [Family Assistance Law](#) (administered by the Australian Government) and
- [National Law and National Regulations](#) (administered by State and Territory Governments)

Free and publicly accessible versions of relevant Commonwealth legislation, including Minister's Rules and Secretary's Rules, are available from www.legislation.gov.au.

Information about requirements and obligations for each of the child care grants programs are detailed in program guidelines:

- [Community Child Care Fund](#)
- [Inclusion Support Program](#)

Information sharing

The department works closely with other agencies to deal with suspected non-compliance, collusion, fraud or criminal activities. In line with legislative obligations, collaboration with other agencies includes:

- exchange of data
- sharing of intelligence and information
- engagement in joint activities
- referrals and sharing of tip-offs
- sharing of compliance outcomes.

Tip-offs

The Child Care tip-off line and other departmental channels are monitored for information about potential breaches. Anyone who is aware of practices that could be incorrect or illegal is encouraged to contact the tip-off line on 1800 664 231. Information can be given anonymously. Alternatively, information can be given in writing to the department through tipoffline@education.gov.au. Tip-offs may be passed on to other government agencies.

Further information

Further information is available [on our website](#).

Families can find information on the [Child Care Subsidy](#) on the Services Australia website.