



FRAUD AND DETECTION POLICY AND PROCEDURES –

Mandatory – Quality Area 7

PURPOSE

The Northern Schools Early Years Cluster (NSEYC) is entrusted by the community, its staff and government (both federal and state) to protect our facilities, assets, revenues and expenditure.

As staff of the NSYEC we value Trust, Respect, Relationships and Learning, and the NSEYC Code of Conduct (**Code of Conduct**) establishes the way we conduct ourselves based on these values.

NSEYC employees act ethically and with integrity in accordance with the Code of Conduct, however there is the potential for fraud in any organisation.

NSEYC does not tolerate nor condone fraudulent or corrupt conduct. Fraud and corruption prevention, detection and response is the responsibility of all staff at the NSEYC.

The NSEYC will take disciplinary action if any fraudulent or corrupt activity occurs. Where appropriate, matters will be reported to the police and/or the Independent Broad-based Anti-corruption Commission (IBAC).

The purpose of the NSYEC Fraud, Detection and Prevention Policy and Procedure is to raise awareness of fraud within our work environment and to provide direction in how to respond. This assists staff to prevent, detect and report suspicious conduct, thereby ensuring our high standards of integrity are promoted and we have an embedded ethical workplace culture.

This policy:

- describes the structure, roles and responsibilities of NSYEC staff
- establishes the process of assessing and monitoring risks
- outlines the mechanisms and processes for detection and reporting
- establishes the investigation processes

1. VALUES

Northern Schools Early Years Cluster Inc. is committed to ensuring that there are appropriate systems and processes in place to enable:

- describes the structure, roles and responsibilities of NSYEC staff
- establishes the process of assessing and monitoring risks
- outlines the mechanisms and processes for detection and reporting
- establishes the investigation processes
- compliance with all regulatory and legislative requirements placed on the organisation

2. SCOPE

This policy applies to the Approved Provider, Persons with Management and Control, Nominated Supervisor, early childhood teachers, Persons in Day to Day Charge, educators, staff and parents/guardians who wish to enrol or have already enrolled their child at Northern Schools Early Years Cluster Inc.

3. BACKGROUND AND LEGISLATION

Background

Child care services providing approved childcare (refer to *Definitions*) must abide by the *Family Assistance Legislation Amendment (Jobs for families childcare package) Act 2017* (refer to *Legislation and standards*) and the Commonwealth Government's *Priority* in relation to fraud detection and prevention (refer to *Sources*).

Legislation and standards

Relevant legislation and standards include but are not limited to:

- A New Tax System (Family Assistance) (Administration) Act 1999
- The Australian Standard for Fraud Corruption Control AS8001-2008
- Charter of Human Rights and Responsibilities Act 2006 (Vic)
- Education and Care Services National Law Act 2010
- Education and Care Services National Regulations
- Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Act 2017
- National Quality Standard, Quality Area 6: Collaborative Partnerships with Families and Communities
- Public Health and Wellbeing Act 2008 (Vic)
- Public Health and Wellbeing Regulations 2019 (Vic)
- Sex Discrimination Act 1984 (Cth)

4. DEFINITIONS

The terms defined in this section relate specifically to this policy. For commonly used terms e.g. Approved Provider, Nominated Supervisor, Regulatory Authority etc. refer to the *General Definitions* section of this manual.

The Australian Standard for Fraud Corruption Control AS8001-2008, defines fraud, corruption and other loss (extracted with some paraphrasing);

Fraud: is dishonest activity causing actual or potential financial loss including theft of monies or other property by NSEYC staff or persons external to the entity and where deception is used at the time, immediately before or immediately following from the activity. This includes:

- the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a non-business purpose; or
- the improper use of information or position for personal financial benefit

Theft by an NSEYC staff member, contractor or volunteer, whether or not it involves deception, is considered fraud.

Corruption: is a dishonest activity in which an NSEYC staff member, contractor or volunteer acts contrary to the NSEYC interests and abuses their position of trust in order to achieve some personal gain or advantage for themselves.

Other Loss: in this document means, a loss caused by any intentional or negligent act or omission, including theft, vandalism and arson and excluding acts of God.

Examples of Fraud and Corruption

Examples of potential fraudulent and corrupt behaviour include, but are not limited to:

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|-------------------------------|---|
| Accounting Fraud | <ul style="list-style-type: none">• Fictitious accounting entries• Knowingly concealing accounting transactions |
| Allowances and reimbursements | <ul style="list-style-type: none">• Claiming reimbursements or allowances above the actual incurred expenditure• Claiming reimbursements or allowances for personal expenses |
| Bid, quote and tender | <ul style="list-style-type: none">• Not declaring actual or potential conflict of interest in relation to a quote or tender activity |

	<ul style="list-style-type: none"> • Inappropriate disclosure of information in relation to quote or tender activity (e.g. insider information - release of information to advantage or disadvantage another party) • Billing for services not rendered
Billing and funding (including cash receipts)	<ul style="list-style-type: none"> • Knowingly approving or submitting inaccurate data for funding purposes (e.g. CCS, ACCS, DET) • Using bank accounts other than official NSEYC bank accounts for collection of funds for NSEYC services • Offering or accepting contracts or agreements in return for direct or indirect private financial gain for yourself, relative or friend
Bribes and inducements	<ul style="list-style-type: none"> • Seeking or accepting gifts or benefits to influence purchase or sale decisions • Offering or accepting gifts or benefits which are illegal (e.g. illegal drugs)
Computer and information systems	<ul style="list-style-type: none"> • Hacking into or deliberate interference with NSEYC systems • Deliberate unauthorised access to NSYEC systems • Concealing or subverting processes to conceal actual or potential conflicts of interest • Sitting on a tender or quotation panel where the applicant is a relative, friend or associate
Conflict of interest	<ul style="list-style-type: none"> • Knowingly approving purchases from a vendor where you, a relative or a friend have an undeclared direct or indirect private interest • Accepting gifts or other private benefits from drug, medical equipment or other entities in return for preferential access or other benefit • Deliberate breach of financial delegation (e.g. purchases exceeding delegation)
Financial delegation	<ul style="list-style-type: none"> • Splitting of costs to circumvent delegation limits (e.g. \$190,000 service agreement over four years approved and paid as four separate instalments of \$47,500)
Forgery	<ul style="list-style-type: none"> • Forging signatures, stamps or seals (e.g. on enrolment records and documents, invoices, payment request forms, contracts, cheques, timesheets) • Deliberate unauthorised changes to, destruction of or unauthorised disclosure/sharing of information
Information	<ul style="list-style-type: none"> • Use of information (including child/family data) for private commercial purposes • Issuing false enrolment records
Intellectual property	<ul style="list-style-type: none"> • Using NSEYC intellectual property for private commercial purposes
Leave	<ul style="list-style-type: none"> • Taking leave without timely submission of leave request • Knowingly approving leave without recording in the leave management system
Nepotism and cronyism	<ul style="list-style-type: none"> • Appointment or promotion of relatives, friends or associates without due process and/or without proper regard to their skills and qualifications • Approval of supplier invoices where no work has been done (payment of fictitious invoices)
Procurement	<ul style="list-style-type: none"> • Amending supplier invoices or quotes • Payment of supplier invoices without appropriate approvals • Unauthorised changes to vendor details

Sale or inappropriate use	<ul style="list-style-type: none"> • Unauthorised sale or use of NSEYC assets (including intellectual property) for direct or indirect private gain • Private use of NSEYC equipment
Theft	<ul style="list-style-type: none"> • Theft of NSYEC equipment, supplies and information • Theft of NSEYC cash
Timesheet	<ul style="list-style-type: none"> • Knowingly submitting or approving false or inaccurate timesheets

Approved child care providers: providers that operate services that have Australian Government approval to receive Child Care Subsidy (refer to Definitions) on behalf of eligible parents. Approved child care providers include centre-based day care, including long day care and occasional care, family day care, outside school hours care and in-home care.

Authorised nominee: (In relation to this policy) is a person who has been given written authority by the parents/guardians of a child to collect that child from the education and care service. These details will be on the child's enrolment form.

Child Care Subsidy (CCS): A Commonwealth Government means tested subsidy to assist eligible families with the cost of childcare. Payments are paid directly to approved childcare providers (refer to Definitions). Further information can be found at: <https://www.education.gov.au/child-care-subsidy-0>

5. SOURCES AND RELATED POLICIES

Sources

- *Guide to the Education and Care Services National Law and the Education and Care Services National Regulations 2011:* www.acecqa.gov.au/
- *Guide to the National Quality Standard:* www.acecqa.gov.au/
- *The Family Assistance Law as the basis for Commonwealth child care fee assistance including the Child Care Subsidy (CCS) and Additional Child Care Subsidy (ACCS):* <https://www.education.gov.au/child-care-legislation>
- *The Kindergarten Funding Guide (Department of Education and Training):* www.education.vic.gov.au/childhood/providers/funding/Pages/kinderfundingcriteria.aspx
- *Victorian Department of Health:* www.health.vic.gov.au/immunisation
- *Standing Directions of the Assistant Treasurer 2018*
- *Instructions supporting the Standing Directions of the Assistant Treasurer 2018*
- *Guidance supporting the Standing Directions of the Assistant Treasurer 2018*
- *Australian Standard on Fraud and Corruption Control AS 8001-2008*
- *Victorian Auditor-General's Report, Fraud Prevention Strategies in Local Government, June 2012, 2011-12:32*
- *Department of Health and Human Services Fraud and corruption control framework: Prevention, reporting and investigation plan, November 2016*

Service policies

- *Accounts Procedures Manual*
- *Child Safe Policy and Procedure*
- *Code of Conduct Policy and Procedure*
- *Complaints and Grievances Policy and Procedure*
- *Delivery and Collection of Children Policy and Procedure*

- *Determining the Responsible Person Policy and Procedure*
- *Enrolment Policy and Procedure*
- *Fees Policy and Procedure*
- *Governance and Management Policy and Procedure*
- *Information and Communication Technology Policy and Procedure*
- *Performance Management and Disciplinary Procedure*
- *Privacy and Confidentiality Policy and Procedure*
- *Tobacco Alcohol and Drugs Policy and Procedure*
- *Staffing Policy and Procedure*
- *Governance Policy*
- *Fee Policy*

PROCEDURES

The Approved Provider or Persons with Management and Control is responsible for:

- managing fraud and corruption control
- convening and chairing the Fraud and Corruption Control Committee (F&CCC) and monitoring and reporting on its performance
- the on-going review of this procedure
- ensuring the appropriate oversight, reporting, investigating and management of suspected incidents of fraud and corruption, including referral the NSEYC Legal team for legal advice
- monitoring training recommendations
- reporting as required on fraud and corruption to relevant NSEYC Board and Executive, including the Quality and Risk Manager
- responding to other relevant matters in relation to fraud, corruption and other losses prevention
- initiating investigations into possible fraud or corruption if necessary for the purpose of providing to the NSEYC legal advice with respect to the matter or in preparation of anticipated legal proceedings against the NSEYC
- overseeing investigations of possible fraud or corruption to ensure that investigations are conducted independently of the early years service or individuals potentially involved in the fraud or corruption
- consulting with the Nominated Supervisor responsible for Fraud and Corruption Control, and referring any outcomes and recommendations arising from an investigation as appropriate for review and action.
- ensuring there is a training program in place (reviewed every 2 years) whereby:
 - management staff with a delegation receive appropriate training for their level of risk

The Nominated Supervisor, Persons in Day to Day Charge is responsible for:

- guiding staff who need to report an incident of fraud, corruption or other loss, or who have suspicions about fraudulent or corrupt conduct, about the NSEYC processes, including providing them with access to incident report templates and this procedure
- recording and collating in a central register (Fraud Control Register), fraud and corruption incident reports including follow-up and remedial action taken and associated documentation
- providing the Fraud Control Register to, and prepare reports for, the NSYEC Approved Provider and the Quality and Risk Manager, the [Victorian Auditor General's Office](#) (VAGO) as required. See reporting procedures in section 5 below
- ensuring training records are maintained
- monitoring incident reporting and management of the Fraud Control Register
- identifying trends in fraudulent or corrupt behaviour and responding in order to mitigate risk in these areas

- developing the fraud risk and treatment plan annually under the direction of the Approved Provider
- assessing the value threshold for 'significant' fraud or corruption on an annual basis to ascertain whether the value remains appropriate (see section 5.4 of this procedure)
- reviewing (every two years) the training delivered to staff for the purpose of fraud control and prevention to ensure it is current and effective in the changing risk environment
- undertaking such other activities as directed by the Approved Provider.

Prevention

As fraud and corruption can occur at various levels, NSYC will have appropriate prevention strategies in place such as:

- policies and procedures
- staff training, communication and awareness raising
- operational controls
- governance and monitoring mechanisms
- risk assessment processes.

A key component of the NSEYC fraud and corruption prevention program is the NSEYC risk assessment that is undertaken annually under the direction of the Approved Provider and with the assistance of the NSEYC Management team.

The purpose of this risk assessment is to:

- review the previous year's fraud and corruption risks
- define NSEYC fraud risk profile for the following year
- determine the effectiveness of existing control measures
- implement additional risk mitigation strategies if required
- develop the fraud risk and treatment plan

This assessment, including whether any trends have been identified and will be reported to the NSEYC Board, which may consider escalating risks to NSEYC organisational risk register if required.

Detection and Reporting

Detection

Incidents or suspicions of fraud and corruption may be detected by any staff member at any time. An incident or suspicion can come to light when conducting a broad range of activities such as through staff observation, monitoring of high-risk areas, internal reviews, conducting an audit or when undertaking data/information analysis.

Reporting - Internal

As soon as a staff member becomes aware of an incident or suspicion of fraudulent or corrupt behaviour, or of any loss of property owned or controlled by the NSEYC, they must report the incident to their Nominated Supervisor, or if they believe this is not appropriate, they can report it to the Operations Manager, CEO or Board of Director. This notification can be verbal or in writing.

As soon as a Nominated Supervisor is notified of an incident or suspicion of fraudulent or corrupt behaviour, they are responsible for notifying (either verbal or in writing) the Operations Manager or CEO.

Confidentiality is vitally important. You must only report your suspicions to those people who absolutely need to know about your concerns. This protects people from allegations that may not be proven, which can compromise them personally and professionally, and helps to prevent the possible destruction of evidence.

Once an incident or suspicion has been notified to the Nominated Supervisor they will:

- triage the incident or suspicion to determine the type of investigation required, including who will take the investigation lead where appropriate, inform the Chief Executive Officer, and Operations Manager
- determine whether the incident or suspicion meets any external reporting requirements and ensures that this has occurred

Public Interest Disclosures

The *Public Interest Disclosures Act 2012 (PID Act)* (formerly the Protected Disclosures Act 2012) provides certain protections to whistle-blowers.

You may wish to be covered by the protections in the PID Act (such as confidentiality, protection from defamation and detrimental action and immunity from certain liabilities). The NSEYC does not have any powers under the PID Act to provide you with these protections. However, the NSYEC will treat reports sensitively and consistently with the NSEYC Code of Conduct if you wish to report your concerns to the NSEYC.

If you wish to make a 'public interest disclosure' under the PID Act, and gain the protections provided under that Act, you need to report the fraudulent or corrupt behaviour directly to IBAC.

For more information:

- contact the Independent Broad-based Anti-corruption Commission (**IBAC**) – details below.

IBAC's contact details –

Phone: 1300 735 135

Website: <http://www.ibac.vic.gov.au>.

Reporting – External

The NSEYC is required to make a number of external reports for **significant** or **systemic fraud, corruption or other losses (Key External Reports)**, namely to -

Relevant Ministers and government departments in accordance with the DET and DESE

The Victorian Auditor-General

'**Significant**' has been defined by the NSYEC (as required by the Standing Directions) to mean:

- for cases relating to fraud, corruption or other losses any incident involving money of \$5,000 or more
- for cases relating to fraud, corruption or other losses, any incident involving property of \$50,000 or more.

Systemic fraud, corruption or other loss incidents do not have a value threshold for Key External Reports, but are reportable by their nature.

The Board and the CEO may advise the particular circumstances of the incident warrant reporting to the Key External Reports in spite of not reaching the value thresholds, particularly having regard to the systemic nature of an incident.

The NSEYC Board and CEO will coordinate notification to the Key External Reports, and may also inform any of the following as appropriate:

- the IBAC, where corrupt conduct is suspected on reasonable grounds
- Victoria Police or the Australian Federal Police
- The Office of the Victorian Information Commissioner
- DET and DESE
- such other external monitoring body with oversight of circumstances associated with any incident.

Documentation

All incidents or suspicions of fraud, corruption or other losses will be documented in the Fraud Control Register, with the following basic information being recorded:

- Time and date the incident or suspicion was notified
- Details of people and systems involved
- Any observable internal control gaps
- Management response including loss recovery actions
- External reporting obligations
- Any other information as deemed necessary

Investigation

Determining the level and type of investigation

Without limiting the below, investigations will comply with applicable NSEYC policies and procedures and applicable industrial instruments (such as enterprise agreement provisions).

The level and type of investigation undertaken will be determined on a case by case basis based on the seriousness and complexity of the incident or suspicion, and can involve any of the following options:

Preliminary investigation – the NSEYC needs to be responsive and vigilant in undertaking preliminary investigations to determine whether incidents or suspicions have sufficient ground to be taken further. In some situations, the incident or suspicion may be straightforward and clearly identifiable (for example, in the instance of a theft of money), or may not be as clear to identify (for example, determining whether a conflict of interest exists or whether bill splitting has occurred for the purposes of deliberately circumventing financial delegations) and some preliminary work will need to be undertaken to form an opinion or evidence base. The preliminary investigation may be conducted internally (for example, by the Nominated Supervisor under the direction of the CEO) or by an independent external investigator. An outcome of the preliminary investigation may be to proceed with a formal investigation.

Local investigation – A local, informal investigation may be undertaken, for example by the nominated supervisor, Operations manager with reporting of outcomes to the CEO and Board.

Formal investigation – Where an incident or suspicion is serious and/or complex, a formal and detailed investigation may be appropriate. This may be conducted internally (CEO/Operations Manager +/- governance by a specially convened working group) or by an independent external investigator. The specific investigation process will be in line with applicable NSEYC policies and procedures and industrial instruments (such as enterprise agreement provisions) but otherwise may involve the following steps:

- Agreement on the scope and nature of the investigation
- Confirmation of the investigator and their responsibilities and powers
- Conducting the investigation
- Gathering evidence

Concluding the investigation

In some instances, an investigation will be required to enable the CEO to provide legal advice to the NSEYC Board and/or in preparation for anticipated legal proceedings against the NSYEC. If this is the case, the investigation will be managed by Board and/or CEO and all engagement with the investigator must be through Board (or delegate).

If the incident or suspicion has been reported externally, it is noted that the NSEYC will need to comply with the external investigation requirements and an NSYEC investigation may need to halt under these circumstances.

External investigators may be engaged to conduct or support an investigation. This will be determined by Board and/or CEO where the engagement is for the purpose of providing legal advice for management and mitigation purposes.

Notification to the NSEYC Board may need to be considered.

Staff Considerations

Any Investigation into alleged fraud or corruption will be conducted consistently with staff members' rights under the Charter of Human Rights and Responsibilities, according to natural justice and with due process. Consistently with these principles:

- all allegations will be assessed on their merits to determine whether or not the suspected fraud or corruption is established by the evidence
- the privacy of all parties will be protected
- the staff member who is the subject of the allegations will have the right to respond to allegations, to be represented by a lawyer, and to be accompanied by an appropriate support person, during any formal disciplinary proceedings.

Fraud and corruption or suspected fraud and corruption can cause stress and disruption in the workplace. Information about any fraud or corruption investigations should be provided on a strictly "need to know" basis. Who needs to know will vary from case to case.

Strict confidentiality must be observed for the benefit of all parties involved in any suspected corrupt or fraudulent activity.

Staff affected will be referred to the Employee Assistance Program for support.

Investigation Outcomes, including any disciplinary action

Management actions to address gaps or opportunities identified from an investigation are expected to be implemented in a timely manner.

Staff members involved in fraudulent or corrupt behaviour will face disciplinary action in accordance with the NSEYC Performance Management and Disciplinary Procedure.

NSYEC will take action to recover funds or assets lost in all appropriate circumstances and will refer criminal behaviour to the police.

Monitoring

The NSEYC will have mechanisms in place to ensure the appropriate monitoring for fraud and corruption prevention. This includes, but is not limited to:

- monitoring and reporting of breaches of delegations
- monitoring and reporting of thefts and losses
- monitoring and reporting of a gifts and declarations register
- annual fraud assessment.

The NSEYC internal audit function includes audits of business processes likely to be vulnerable to fraud, corruption and other losses. These issues are included as part of the strategic internal audit plan and service improvement plan managed by the CEO and Management team with oversight from the DET and the financial audit managed by the external financial auditing firm.

Volunteers and students, while at the service, are responsible for following this policy and its procedures

EVALUATION

In order to assess whether the values and purposes of the policy have been achieved, the Approved Provider will:

- regularly seek feedback from everyone affected by the policy regarding its effectiveness
- monitor the implementation, compliance, complaints and incidents in relation to this policy
- keep the policy up to date with current legislation, research, policy and best practice
- revise the policy and procedures as part of the service’s policy review cycle, or as required
- notify parents/guardians at least 14 days before making any changes to this policy or its procedures.



SIGNED

Name: Sigrid Hyett, CEO, Northern Schools Early Years Cluster Inc.

DET Approved Provider appointed person with management and control NSEYC

DOCUMENT CONTROL TABLE	
ACTION	DATE
Adopted	1 January 2022
Next Review Date	