

NSW Education Department warned Federal Government about 'fraudulent and criminal behaviour' in the family day care system

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EXCERPTS

The New South Wales Education Department has been warning the Federal Government about "fraudulent and criminal behaviour" in the family day care (FDC) system for years, confidential documents show.

Departmental staff noted in August last year that despite the evidence and their concerns, the Commonwealth continued to "pay for fraudulent FDC claims".

7.30 has obtained a cache of briefing papers and letters under Freedom of Information which show the staggering size of the problem in NSW.

The NSW Education Department first noticed the problem in May 2014 and hired an expert consultant to review 41 family day care applications, 28 of which were red-flagged for possible fraud.

Operators were found to be using fake identification and qualifications, and charging for children not in their care.

The NSW Education Department referred the FDC program to the Independent Commission Against Corruption (ICAC) and approached the Australian Federal Police (AFP).

In November 2014 then-state education minister Adrian Piccoli wrote to Federal Justice Minister Michael Keenan asking for the AFP to investigate and warning of "evidence of possible organised and systemic fraudulent activity", "potentially national in scope".

'Unscrupulous operators entering the market'

It is estimated fraud has cost the Federal Government more than a billion dollars as the number of FDC centres rose dramatically — in NSW the growth was more than 300 per cent between 2012 and 2016, according to one internal NSW Education Department paper.

"The potential income for FDC providers is significant, with each child attracting approximately \$200 per week in Commonwealth payments," the report said.

"A provider with 60 educators who each claim for seven children per week would gross \$84,000 per week, or \$4.03 million for a 48-week year.

"The potential to raise large amounts of public funds, in the environment of inadequate probity checking, has led to unscrupulous operators entering the market, exposing both children and departmental staff to increased risk."

While it is the responsibility of the state to approve family day care providers and ensure children are safe, it is up to the Commonwealth to prevent fraudulent payments.

The Federal Government argues the states should not be approving dodgy providers in the first place.

"We've been concerned that states and territories haven't undertaken all of the checks that they should against the standards that need to be met in terms of childcare services," Federal Education Minister Simon Birmingham told 7.30.

"We've acted to increase the powers of the Federal Government to take action in this space but those powers are already there for states and territories to stop services coming in the front door if they choose to do so."

However, states like NSW argue they have limited powers to act if fraud is suspected because they cannot inspect premises unless it is being used to provide care or education.

Documents show in June 2016 the NSW Education Department suspended regulatory visits to assess family day care centres due to safety concerns.

Advice from the department stated that "regulatory action was largely thwarted through intimidation and harassment of regulatory staff".

'Tangled and complex arrangement of connected individuals'

Last year 7.30 revealed the AFP raided a Sydney childcare network linked to Australia's highest-ranking terrorist, Mostafa Mohamad, who calls himself Abu Sulayman and is now a senior official for the Jabhat al-Nusra terrorist group in Syria.

Police believe \$27 million in Commonwealth childcare benefits and rebates had been claimed by day care providers on the business' books in question since 2012. Two men employed as educators have been charged with fraud.

New documents obtained by 7.30 reveal concerns that the 2016 raids were just the tip of the iceberg, with a NSW Education Department review finding a "tangled and complex arrangement of connected individuals and services, much more widespread than the scope of the AFP investigation".

They also red-flagged "concerning information" regarding 2,000 educators and 25 services.

The NSW Government said it had invested more money in regulation and compliance activity and was working with police.

The number of NSW FDC services approved has also dropped significantly.

Since July last year only two family day care services have been approved and 63 have been cancelled.

Mr Birmingham said the Federal Government had introduced a range of measures to crack down on fraud.

"We've changed the laws, changed the rules, made it harder to access money as well as putting in place increased compliance checks which now occur in 3,000 different centres each and every year," he said.

"Which has resulted in 17 people going to court and facing charges, more than 100 services getting axed and has seen a real reduction in the number of people working in the family day care sector.

"Also we are now giving more information back to the states and territories for them to cancel the operations of providers."

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