

CCS GAP FEE PAYMENTS:

Be Audit Ready

INFORMATION FOR FAMILY DAY CARE SERVICES

From 1 July 2023 providers must take “all reasonable steps” to ensure that families using child care pay their Child Care Subsidy (CCS) gap fees via an Electronic Funds Transfer (EFT) system. This is a new requirement under Family Assistance Law (FAL).

The Australian Government Department of Education (“the Department”) will be auditing service providers to ensure compliance with this requirement, as well as other obligations under FAL.

This factsheet outlines the information and documentation that may be required in the event of an audit, what the Department means by “all reasonable steps” and provides some best practice strategies for services to consider in ensuring effective oversight of EFT gap fee payments and compliance with FAL.

Audit Process and Documentation Requirements

During an audit, the Department will review documentation from a representative sample of educators from the service provider’s register. The purpose of the documentation review is to verify that the gap fees have been correctly calculated, collected and accurately reported.

The Department may request the following information/documentation:

1. Statements of Entitlement, reports or documentation showing session payment details for a specified period, including account identifiers (i.e. enrolment IDs, child names, etc.), number of sessions, gap fees charges and payment details.
2. Complying Written Arrangements outlining session times, agreed upon fees and any other relevant details of the children enrolled in care.
3. Relevant bank statements of providers or educators.
4. Explanations of any discrepancies that occurred during the specified period, i.e. issues related to payment plans or outstanding fees.
5. Explanation of the reasonable steps taken by the service to ensure gap fees are collected and paid by EFT.
6. Evidence of reasonable steps taken in circumstances where the gap fee has not been paid or was not paid via EFT.
7. Policy and procedure documentation that outlines how you administer CCS and comply with FAL.

If required, further documentation may be requested to clarify any of the documents already provided. The Department will request information from providers using a [Section 158 notice](#). A person with management or control (PMC) of the provider must respond to this notice.

The Department will also share information and data obtained through audits with the Australian Taxation Office (ATO). This will help ensure that providers receiving government payments are meeting their tax and superannuation obligations.

Reasonable steps

While the requirement to pay the gap fee electronically is new, providers have always been legally obliged under the FAL to take “all reasonable steps” to ensure gap fees are paid.

The Department has developed [some helpful online guidance](#) to assist providers in understanding how to comply with this obligation. We urge all services to carefully read this guidance.

The Department defines “reasonable” as “based on or using sound judgement and therefore fair and sensible”. In the context of services’ obligation to take “all reasonable steps” the Department considers that providers must demonstrate “a diligent and intelligent interest in the information either available to them or which they might appropriately demand from the executives or other employees and agents of their company”.

Taking all reasonable steps may include:

- Developing comprehensive and clear governance arrangements. These are policies and procedures on how you will responsibly administer CCS and comply with FAL.
- Correspondence with families to implement strategies such as payment plans or methods to recover debts over time.
- Maintaining a written trail of evidence demonstrating efforts to recover late or unpaid gap fees.

Good practice strategies

Effective oversight is essential to ensure compliance with providers’ legal obligations under FAL and to maintain transparency and accountability in CCS gap fee collection.

The specific oversight processes employed by services may vary depending on the CCS gap fee collection model implemented by the service provider. That is, whether the service provider collects the gap fees directly from families (a centralised model), or permits its educators to collect the gap fees, acting as an agent on behalf of the service (a decentralised model), or a combination of both (a hybrid model).

The following are some good practice strategies family day care services are encouraged to consider in maintaining effective oversight and ensuring ongoing compliance.

1. Establish clear policies and procedures

- As a part of your governance arrangements, develop clear policies and procedures around CCS administration, including gap fee collection, the EFT payment options available, payment timelines and consequences for late or non-payments.
- Implement appropriate debt recovery processes and keep records of all actions undertaken to recover debts. This should include a plan to manage debts that may occur, such as following up on late or non-payments, working with families to implement a payment plan, when to engage with debt collection agencies or if/when care should cease for failure to pay gap fee debts.
- Implement robust policies, procedures and practices to mitigate risks associated with the service’s gap fee payment model. For example, provide training to new educators and staff specific to gap fee collection, payment reconciliation, record keeping and the importance of compliance.

2. Implement robust financial management systems

- Establish and maintain comprehensive financial management systems.
- Establish and regularly monitor internal audit processes of these systems to ensure compliance and identify any issues.
- Utilise technology or skilled staff to accurately monitor gap fees due, paid and amounts owing. For example, utilise third party CCS software reports summarising the status of gap fee payments or outstanding balances.
- Consider implementing safeguards to encourage timely payment of gap fees, such as requiring families to pay bonds/advance payments and imposing late payment or direct debit default fees.

3. Maintain accurate record keeping

- Maintain comprehensive records of all financial transactions relating to gap fee payments, as well as any associated invoices, receipts, communications or agreements. For example, collect and retain records of session payment details and relevant educator and/or provider bank statements.
- Ensure you have appropriate record keeping and storage requirements to inform audits, even after an educator leaves the service.

4. Provide clear and timely advice and communication to families

- Regularly advise families about the status of their accounts including gap fee amounts due, paid and owing.
- Clearly communicate all relevant information about gap fee terms and conditions, and EFT options to families in your fee policy/enrolment forms and/or schedule.

- When onboarding new families, ensure they understand which EFT method/s the service accepts, the frequency of payment/billing cycles (for example, weekly or fortnightly), whether families have any advance payment requirements, and the potential consequences for late payments/non-payment of CCS fees.

5. Provide ongoing educator engagement and support

- Guide educators on maintaining adequate oversight through proper record keeping and compliance with financial systems.
- Offer training and support to educators regarding their gap fee collection responsibilities, if they collect fees on the provider's behalf.
- Maintain a diligent and proactive approach to reducing the risk of educator error in the collection of gap fees. For example, being aware of the EFT payment options an educator provides, collect copies of educator bank statements to review and match against invoices, conduct regular audits or spot checks, requiring educators to provide regular reports on the status of individual family accounts (including debt recovery efforts).

6. Cooperate with departmental requests for information

- Periodically review and enhance gap fee collection processes, if needed.
- Respond promptly and comprehensively to Departmental requests for information.

USEFUL RESOURCES:

- Click [here](#) to view A New Tax System (Family Assistance)(Administration) Act 1999.
- Click [here](#) for the Department of Education's guidance on collecting gap fees.
- Click [here](#) for more information about the Child Care Subsidy.
- Click [here](#) for more information about gap fees.
- Click [here](#) to view the Department of Education's FAQs on the changes to CCS gap fee payments.
- Visit [Family Day Care Australia](#) for more information and resources on gap fee payments or contact us on 1800 658 699 or at enquiries@fdca.com.au.