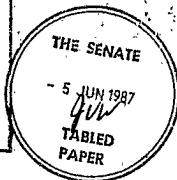


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Four Efficiency Audits

Report

277

Joint Committee of
Public Accounts

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

REPORT 277

FOUR EFFICIENCY AUDITS

- . EXPORT DEVELOPMENT GRANTS ACT 1974
- . SPECIAL YOUTH EMPLOYMENT TRAINING PROGRAM
- . WIDOWS PENSION AND SUPPORTING PARENTS BENEFIT
- . DISABILITY AND SERVICE PENSIONS SCHEMES

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FIFTEENTH COMMITTEE

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on Expenditure

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PREFACE

This Report covers four early efficiency audits of the Auditor-General. These audits range from a limited scope audit of the administration of the Export Market Development Grants Act 1974 to the prolonged audit of the administration of the disability and service pensions schemes by the Department of Veterans' Affairs.

A significant period of time has elapsed since the Auditor-General tabled his findings in these reports, and a number of events occurred in that period. These were:

- the abolition of the Export Development Grants Board and the creation of the Australian Trade Commission which took over responsibility for the administration of the Export Market Development Grants Scheme;
- the introduction of a new integrated wage subsidy program called JOBSTART which subsumed the Special Youth Employment Training Program;
- the introduction by the Department of Social Security of the direct credit method of payment for social security benefits and the wider implementation of the National Overpayments Action Plan by that Department; and
- the replacement of the Repatriation Act with the Veterans' Entitlements Act 1986, which has clarified the legislative provisions under which the Department administers the service pension and disability pension schemes.

These events have meant that the Audit findings are of less ongoing relevance. However, it must be noted that, particularly in the case of the Special Youth Employment Training Program, Audit's findings and recommendations regarding the deficiencies of the program appear to have had considerable impact.

The Committee considers that, given the above events and the Committee's conclusions in the Report, it will not be necessary for the Departments and Authority concerned to respond to this Report via the Department of Finance Minute.

R E Tickner, MP
Chairman

M J Talberg
Secretary
Joint Committee of Public Accounts
Parliament House
CANBERRA
6 May 1987

DUTIES OF THE COMMITTEE

Section 8.(1) of the Public Accounts Committee Act 1951 reads as follows:

Subject to sub-section (2), the duties of the Committee are:

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth including the financial statements transmitted to the Auditor-General under sub-section (4) of section 50 of the Audit Act 1901;
- (aa) to examine the financial affairs of authorities of the Commonwealth to which this Act applies and of intergovernmental bodies to which this Act applies;
- (ab) to examine all reports of the Auditor-General (including reports of the results of efficiency audits) copies of which have been laid before the Houses of the Parliament;
- (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

and include such other duties as are assigned to the Committee by Joint Standing Orders approved by both Houses of the Parliament.

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CHAPTER 1

ADMINISTRATION OF THE EXPORT DEVELOPMENT GRANTS ACT - EXPORT DEVELOPMENT GRANTS BOARD

Introduction

1.1 A limited scope efficiency audit of the administration by the Export Development Grants Board of the Export Market Development Grants Act 1974 was carried out by the Audit Office during 1983. The audit was restricted to procedures adopted by the Board to assess and determine grants on claims under the Act.

1.2 The Act, as amended in 1982, provided for the payment of grants up to \$200,000 for the purpose of providing incentives for the development of export markets or for the attraction of tourists and other visitors to Australia.

1.3 Continuing entitlement for grants, except for tourist services promotion, was subject to an export performance test which provided, amongst other things, that persons in receipt of grants for three years must have developed export earnings in excess of \$25,000 in the fourth year to be eligible for continuing grants, or in excess of \$10,000 in the case of property rights and know-how. On tourist services claims, except as provided for 'recognised tourism promotions', grants were not payable unless at least \$5,000 of eligible expenditure had been incurred on other than fares.

1.4 In 1982, the Industries Assistance Commission, in reporting on its inquiry into export incentive schemes, reported evidence which it claimed supported the proposition that the Export Market Development Grants Scheme was 'not very cost-effective in terms of administrative expenditures, as a large proportion of the claims processed result in relatively small grant payments'.¹

1.5 In 1982-83, 71 per cent of grants were for amounts of \$20,000 or less, but these contributed only 18 per cent of the total value of grants determined.

Audit Findings and Recommendations

1.6 Audit found that the Board's functions were executed through maintenance of a simple manual system, which did not provide adequate management information and had limitations in the registration/indexing/screening of claims for investigation. The following defects were noted:

- difficulties in connection with linking up and locating related claimant files;

1. Industries Assistance Commission Report, Export Incentives, 28 February 1982, page 28

- . the Board's inability to provide, as a matter of course, information relating to overpayments raised and the status of such overpayments;
- . inadequate information about the time taken to process claims;
- . records maintained did not provide information sufficient to enable the Board to monitor the quality of the productivity of investigative staff; and
- . information on those claimants who have received only three payments, i.e. those who, prima facie, were unable to comply with the fourth year export performance test, were not compiled as a matter of course.

1.7 There was a small but increasing incidence of claims which appeared to have been based on false or misleading information.

1.8 Audit recommended that:

- . the Board consider the introduction of a low cost computer based system to facilitate the investigation of claims and to provide rapid access to a greater range of management information;
- . notwithstanding intrinsic difficulties in the investigation and verification of claims for charges stated to have been incurred overseas in promoting eligible Australian export activities, the Board develop comprehensive guidelines to assist staff to investigate this aspect of claims and seek to negotiate an arrangement for the Board to obtain assistance from the Trade Commissioner Service in verifying the claims for charges incurred overseas;
- . with respect to overpayments:
 - the Board issue written instructions covering the registration and recovery of overpayments;
 - a register of overpayments be maintained;
 - the recovery of the overpayment be documented in the register of overpayments; and
 - the causes of overpayments be regularly analysed and results formally advised to investigatory staff.

Response by the Australian Trade Commission

1.9 A submission was sought from the Export Development Grants Board, and subsequently received from the Australian Trade Commission's Market Development Grants Group, in which responsibility for administration of the Export Market Development Grants Scheme was vested following the abolition of the Board in 1985.

1.10 There have been significant changes in the administration of the Export Market Development Grants Scheme since the audit was conducted. In January 1985 the National Export Marketing Strategy Panel made certain recommendations, which resulted in major changes to legislation, including strengthening of the scheme through inclusion of the following provisions;

- . only firms which export can continue to receive grants beyond two years;
- . after two years, grants will be the lesser of \$200,000 (the maximum grant) or a percentage of export earnings declining progressively over a five year period;
- . grants will no longer be payable to claimants with export earnings in excess of \$20 million; and
- . grants will be paid only on the amount of eligible expenditure in excess of \$5,000 incurred in a grant year.

Considerable improvements in the administration and management of the scheme have also been introduced.

1.11 The Commission advised that the following actions had occurred in response to the Audit findings and recommendations:

- . a feasibility study and substantial implementation arrangements have been completed to introduce a computer-based information system which was expected to be operational in August 1986;
- . the claim form has been reviewed with a simpler form being introduced from 1 July 1986. This is expected to improve claims assessing arrangements, to be easier for claimants to complete and, with continuing education of claimants and potential claimants by Commission staff, to improve the provision of information by claimants, the lack of which has led to delays in processing claims;

- prior to its abolition the Board undertook further development of its reporting procedures for assessment of overseas representation costs. The recommendation that assistance be sought from the Trade Commissioner Service is being looked at in the context of the new organisational arrangements in the Australian Trade Commission, which also includes the Trade Commissioner Service;
- the Export Market Development Grants Act has been strengthened to combat the increasing incidence of claims which appeared to be based on false or misleading information;
- procedures for receiving, assessing, determining and paying claims have been streamlined to provide for claims to be finalised as quickly as possible in the State in which the claim is lodged; and
- certain aspects of what had previously been defined as overpayments, but were in fact adjustments in subsequent years to claims determined in earlier years, have recently been the subject of consideration by the Administrative Appeals Tribunal. Further guidance will be issued to Grants Group staff on policy in this area if this is deemed appropriate at the conclusion of the Tribunal considerations.

Conclusion

1.12 The Committee notes that significant changes have occurred in the administration of the Export Market Development Grants Scheme in response to the efficiency audit in 1983; the recommendations of the National Export Marketing Strategy Panel, which reported in January 1985; and an evaluation of the scheme undertaken about the same time by the Department of Trade. The Committee considers that substantial and necessary administrative improvement should result from these changes.

CHAPTER 2

SPECIAL YOUTH EMPLOYMENT TRAINING PROGRAM - DEPARTMENT OF EMPLOYMENT AND INDUSTRIAL RELATIONS

Introduction

2.1 The Special Youth Employment Training Program (SYETP) was introduced in 1976 as part of the National Employment and Training Scheme. Its aim was to assist school leavers who had been unable to find jobs by providing a wage subsidy to employers willing to provide work experience and training.

2.2 The program was intended to help disadvantaged young people gain entry into continued and stable employment without displacing existing members of the workforce.

2.3 The audit focused on the efficiency and effectiveness with which the Department of Employment and Industrial Relations administered the program.

Audit Findings

2.4 The following major findings were identified by Audit:

1. Inconsistencies in the manner in which CES staff interpreted the objectives of the program, ie some CES offices gave priority to the work experience function, administering SYETP as a straight wage subsidy, while others tried to enhance the training content of vacancies.
2. Results of a sample survey of employers, when analysed by Audit, showed significant substitution of subsidised jobs for unsubsidised jobs. Earlier departmental surveys had also shown substitution effects outweighed provision of additional positions.
3. Prior to September 1982 a requirement existed that a position only be filled by a person who did not meet the employer's normal recruitment requirements. Audit concluded, from the examination of 175 trainee records, that over 50 per cent could have performed the duties of the position without any training, thus the employer was subsidised for a young person who met the normal employment requirements.
4. Audit further concluded that at least those 50 per cent of placements failed to meet the normal eligibility criteria which were in force at that time. Accordingly, a substantial amount of public money was spent on subsidising the employment of ineligible persons, either because the eligibility criteria as set out by the Department was not applied or was impractical to administer.

5. Insofar as the training content of vacancies was a criterion Audit found that:

- approximately 60 per cent of a sample of 127 vacancies had a training content of less than 8 weeks and 30 per cent of less than 4 weeks;
- approximately 40 per cent of private sector vacancies were in occupations of low demand and approximately 25 per cent were in occupations of high labour turnover and therefore not conducive to the achievement of stable employment for trainees; and
- a large proportion of SYETP trainees had previous work experience.

6. There were inconsistencies in the administration of signing and monitoring of training agreements, i.e:

- training agreements included statements of tasks to be undertaken, but there was no requirement to nominate measurable goals of achievement;
- some trainees were not visited at all, some had 70 per cent more contacts than were required; and
- contacts were made in part in order to identify emerging problems and to ensure training was being carried out as identified. However, CES records showed almost no cases of inadequate training or problems being identified during visits.

Audit Recommendations

2.5 In summary, Audit concluded that guidelines to CES officers be strengthened and management reviews upgraded to facilitate improved achievement of program objectives. Audit specifically stated that the criteria for granting SYETP assistance needed to be clearly defined.

2.6 Audit recommendations addressed the following:

- Departmental procedures for assessing efficient administration of the program;
- improvement of the estimating process underlying the appropriation of moneys for SYETP;
- ensuring that adequate evidence exists that eligibility criteria are being met;
- streamlining the supervision of training aspects of the program and processing of claims for subsidy; and
- making greater use of available data to review program parameters.

2.7 Specific Audit recommendations and the Departmental response are discussed below.

Program Objectives

2.8 Audit recommended that the Department:

- . regularly review the operating guidelines so that the program objectives are clear to staff;
- . clarify the relative emphasis to be given to the different aspects of the program; and
- . use statistical techniques to monitor the post program experience of trainees.

2.9 Initially, DEIR advised that SYETP program objectives had been clarified, although the revised objectives were not made available to the Committee. The Department provided a further response to the Committee, relating the audit findings to its new subsidy program, JOBSTART. The revised program came into operation on 2 December 1985 and replaced the range of wage subsidy programs then in operation for different age groups and specific groups of job seekers. The integration of previous programs into JOBSTART has resulted in a simpler set of guidelines and procedures and a clearly defined set of objectives.

2.10 The problem of clarifying the emphasis to be given to different aspects of the program has been addressed in that JOBSTART is designed to offer a period of work experience and not structured skills training.

Monitoring

2.11 Under SYETP the Department advised that, following consultation with the Australian Bureau of Statistics and the Bureau of Labour Market Research, it introduced a follow-up of a large sample of former participants three months after the cessation of their subsidy.

2.12 This system of monitoring has been continued under JOBSTART.

2.13 Audit recommended that in respect of:

- . Minimum period of unemployment:
 - the Department regularly compare the national average duration of unemployment with the eligibility period to monitor the extent to which the program is being directed toward those who are facing particular difficulty in finding employment.

. Subsidy duration:

- the Department assess the duration of subsidised vacancies against the times considered necessary to gain the amount of basic training required for the jobs. With regard to work experience consideration should be given by the Department to the abilities that the work experience is intended to impart and therefore to the duration of work experience that would be necessary.

. Subsidy rate:

- when changes in subsidy rates are being considered the Department should endeavour to acquire information on possible consequential changes in the numbers and characteristics of vacancies. This requires improved surveys of employers and more extensive analysis of the effects of previous changes to rates.

Minimum Period of Employment

2.14 The Department acknowledged the importance of regularly assessing average duration of unemployment to ensure continued targeting of the disadvantaged. DEIR further stated that the mean unemployment duration as at March 1984 was 27.3 weeks for 15-19 year olds and 41.4 weeks for 20-24 year olds. This compared with a weighted average unemployment duration of those subsidised under standard SYETP of 31 weeks, and those under extended SYETP of 45 weeks.

2.15 The current basic eligibility criteria for JOBSTART is set at six months unemployment in the last nine months. This was recommended by the Kirby Report and is in line with the median duration of unemployment for all job seekers.

Subsidy Duration

2.16 DEIR considered that the duration of the subsidy should not be geared to occupational characteristics. SYETP trainees attracted a subsidy for 17 weeks, while JOBSTART has a standard 6 month subsidy period in keeping with its prime objective of providing a period of continuous employment for an effective period.

Subsidy Rate

2.17 The Department advised that subsidy rates were set on the assumption that they would achieve the target mix set for the program. The subsidy rates are to be reviewed at regular intervals.

2.18 Audit further recommended that:

- . the Department continue to monitor the program with a view to improving its operational performance.

2.19 DEIR advised initially that the review of SYETP practices and procedures had resulted in changes to the program guidelines. In addition, as at May 1986, the first assessment of the operational procedures of the JOBSTART program was in progress. As at 10 December 1986 this assessment had still not been finalised.

Preparation of Estimates

2.20 Audit recommended that:

- . annual development of estimates of program expenditure for budgetary purposes should have more regard to anticipated placements at CES office level;
- . the Department should take into account information prepared by the Regional Budget and Estimates Committees when preparing estimates (the Department has since advised that it is now operating on this basis);
- . unit costs for SYETP should be estimated by considering separately the average cost of the \$100 per week subsidy period and the average cost of the \$75 per week period; and
- . a more responsive system is needed as a basis for the re-allocation of funds and quotas as between geographical areas.

2.21 The first three recommendations had been addressed by DEIR prior to the introduction of JOBSTART. After this program was introduced the third recommendation became redundant. However, the Department does not appear to have addressed the issue of a more responsive system for the re-allocation of funds and quotas between geographical areas.

Trainee Records

2.22 Audit recommended that:

- . the requirement to record the date of completion of full time education for potential trainees be emphasised at CES offices;

- supplementary computer checks be made of trainee eligibility through computerised trainee approval records; and
- records be kept of trainee/employee ratios at the time of placement.

Date of Completion of Full Time Education

2.23 The Department maintained in both its responses that the requirement for date of completion of full time education for potential trainees to be emphasised at CES offices was unnecessary in that eligibility criteria for both required job seekers to have been unemployed and registered with the CES for period of either four or six months. The Department felt that this criteria necessarily meant that any individuals concerned will have been away from full-time education for at least the same period.

2.24 However, in the absence of cross checks with either the Department of Education or the Department of Social Security it may not be enough to assume that registration with the CES necessarily implies that the applicant has been simultaneously away from full-time education for the same period.

Supplementary Computer Checks

2.25 DEIR did not consider that supplementary computer checks of trainee eligibility through computerised trainee approval records was necessary. Previous program experience is already recorded on CES written records, however, as there is no restriction on the number of times a person may receive assistance under the program, this recommendation may be unnecessary.

Trainee/Employee Ratios

2.26 DEIR further advised that trainee/employee ratios are recorded at the time of placement and confirmed when the agreement is signed by the employer.

Program Effectiveness

2.27 Audit recommended that:

- the Department should examine whether cost effectiveness could be improved by assessing the need for SYETP assistance for each potential trainee against criteria based on previous work experience and training. For example, subsidies considered necessary for the employment of people with previous work experience might be directed towards vacancies likely to provide opportunities to acquire additional skills so as to enhance long term employment prospects;

within prevailing labour market constraints the Department determine which occupations in which industries are most likely to help or hinder SYETP eligible youth to achieve stable employment by reviewing:

- retention status or subsequent occupation history of the trainees;
- reasons why previous trainees had been retained or had withdrawn; and
- Australian Bureau of Statistics data on duration of employment.

Previous Work Experience

2.28 DEIR advised that changes in the eligibility criteria for standard SYETP had been made which excluded approval of assistance for individuals in occupations in which they have previous experience, unless substantial skills are to be learned.

2.29 Further, as part of the eligibility criteria for JOBSTART, the CES must make an assessment that the job seeker is not competitive in the job market without JOBSTART assistance. This assessment necessarily takes into account the relevance of any previous work experience.

Continued Employment

2.30 The Department further advised that an analysis of wage subsidy scheme participants indicated that 75 per cent of all persons who completed the subsidy period were still employed three months after the subsidy ceased, although not necessarily with the original employer.

2.31 For those job seekers who do not remain in employment after the subsidy period the Department regards even short-term access to employment under JOBSTART as a more positive outcome than remaining for a long-term period on Unemployment Benefit.

Administration of Training Programs

2.32 Audit recommended that:

- where the amount of training warrants, the Department's printed forms for training plans be redesigned to include reference to the objectives of the training, the training methods to be used and a specification of interim measurable goals of trainee achievement;
- visits to employers to prepare and sign training agreements cease. Communication of the rights and obligations of employers and employees could take place during vacancy acceptance and trainee referral and could be confirmed by letter;

- monitoring visits be replaced with questionnaires except in cases where the need for counselling of employers and/or trainees has been identified; and
- timing and frequency of essential monitoring be reviewed again by the Department and revised guidelines issued to ensure that monitoring as prescribed, scheduled and performed is justified and within the resources of the CES as a whole and each CES office.

Training Plans

2.33 The Department advised that it was proposed to amend the agreement to require details of tasks to be performed, job rotation opportunities, and provision for induction or off-the-job training.

2.34 Under JOBSTART a new set of agreements was introduced. Consistent with JOBSTART work experience objectives the agreement does not require an employer to set out a training plan.

Visits

2.35 DEIR was of the view that the amendment of the SYETP agreement placed a greater obligation on employers and was therefore reluctant to have such agreements posted, but preferred to have them completed by means of a visit.

2.36 The Department further advised that advice from the Australian Government Solicitor had been received to the effect that agreements need to be signed prior to employment commencing in order for them to be legally enforceable. However, the CES is no longer required to visit employers for the signing of the agreement and it is left to the CES to arrange with the employer whether CES premises or those of the employer would best suit both parties.

Monitoring

2.37 The Department accepted the latter recommendation, reducing the number of contacts from three to two, ie one early in the SYETP subsidy period and one on completion. These contacts were made by telephone, letter or personal visit.

2.38 Under the SYETP scheme the Department continued to prefer to retain some monitoring in person, while under JOBSTART personal contacts are at the discretion of the CES Manager. However, it is recommended that a sample of cases of at least 10 per cent are to involve interviewing the employer and employee at the employer's premises.

Payment Procedures

2.39 Audit recommended that:

- supervisory staff be instructed on their responsibilities;
- procedures be implemented to control completion advice forms;
- performance standards be set; and
- processing times be monitored and problems be brought to the attention of management.

2.40 The Department advised that a computerised system of payment has been introduced in NSW. This system will be reviewed prior to its introduction in other States.

Administrative Procedures

2.41 Audit further commented on and recommended action to remedy deficiencies in administrative procedures of Commonwealth SYETP (C-SYETP). These were:

- the departmental requirement that priority be given to placing those trainees who have completed training in C-SYETP positions was not generally implemented;
- Regional Training Branches collected, but did not use, copies of the trainee's registration card, the vacancy description card and the training agreement (since the audit the Department has advised that these copies are no longer collected);
- prima facie, required information in the bi-monthly C-SYETP intake reports could be made available from computer records more quickly and efficiently; and
- there were no control procedures to ensure that trainees were issued with the references as required by the Department.

2.42 The Department advised that C-SYETP was now called the Commonwealth Work Experience Program (CWEP), forming part of JOBSTART.

2.43 The Department advised the following:

- the priority requirement had not been included in the new guidelines as this had not been practicable, given the CES workload in placing people;

- State/Territory Labour Force Program Branches are not required to retain copies of the job seeker's details card, the vacancy card or the agreement;
- the names of organisations providing C-SYETP were still not available on computer file; and
- a new set of conditions, clearly explaining the responsibilities of participating Departments and Authorities, had been instituted. This included the requirement to provide written references.

Conclusions

2.44 The Committee notes the actions of the Department in amending procedures relating to SYETP and its successor, the JOBSTART program.

2.45 Overall, JOBSTART appears to be a simpler program, integrating a variety of disparate subsidy programs. It has clear-cut objectives and more streamlined procedures, particularly as standard eligibility criteria and subsidy periods apply across all age groups. Many of the problems inherent in SYETP will be avoided by the revised program.

CHAPTER 3

ADMINISTRATION OF WIDOWS' PENSIONS AND SUPPORTING PARENTS' BENEFITS - DEPARTMENT OF SOCIAL SECURITY

Introduction

3.1 During 1982 the Australian Audit Office examined the efficiency with which the Department of Social Security administered Widows' Pensions (WP) and Supporting Parents' Benefits (SPB) under the provisions of the Social Security Act 1947. Areas examined included the determination of eligibility, review of continuing entitlement, payment of entitlements, identification and recovery of overpayments and prosecutions for breaches of the Act.

3.2 Expenditure on the two programs had grown significantly, particularly due to the growth in the number of recipients of Supporting Parents Benefit.

Audit Findings

3.3 The following findings were mentioned by Audit in its Report:

- the Department was not achieving its program for review of the continued entitlement of SPB recipients granted benefits after November 1980. The program was based on field reviews of all recipients at prescribed intervals rather than on a risk assessment of individual recipients. Reviews were supplementary to the client's obligation to notify changes of circumstance. However, the planned frequency of review was not being achieved despite the fact that studies undertaken by the Department in 1980 and 1981 indicated that a significant proportion of recipients were not receiving the correct entitlement;
- SPB recipients granted benefit before November 1980 and WP recipients were not subject to a prescribed field review program and the Department had not maintained sufficient contact with recipients to verify continued eligibility for benefit and correct amount of entitlement;
- at the time of the audit the primary focus of field reviews was on reviewing domestic circumstances even though eligibility is affected by both domestic circumstances and income. There are substantial difficulties in proving changes in

domestic circumstances and while review action should give continuing attention to this it should also give weight to income review;

- between December 1975 and August 1982 apparent conflict with the Family Law Act 1975 inhibited application of sections of the Social Security Act relating to the pursuit of maintenance payments as part of establishing the level of entitlement for WP and SPB recipients; and
- low priority had been given to the identification and recovery of overpayments. In addition, insufficient efforts were being made to examine the causes of overpayments, to ensure that the continuing rate of recovery was appropriate to the debtor's financial circumstances and to ensure that overdue recoveries were pursued promptly.

3.4 The Report referred to the lack of an analytical basis for the Department to improve the cost effectiveness of its management practices. Increased efficiency in administration would be achieved by more cost effective control over:

- application of the Social Security Act in regard to maintenance;
- provision of replacement cheques;
- issue of mailed Pensioner Entitlement Review forms;
- reviews by field officers;
- allocation of field officers to regional offices;
- the distribution of review resources between field reviews, Pensioner Entitlement Reviews, computer matching reviews and office reviews; and
- prosecutions and arrangements for recovery of overpayments.

3.5 Audit recognised that administration of the WP and SPB programs was difficult and sensitive, as the programs touched on the personal circumstances of recipients. The Department was required to operate within rulings established by the Courts and the Administrative Appeals Tribunal and had to strike a fine balance between granting assistance to those in genuine need as encouraged by the law, while at the same time ensuring that the programs were not exploited by those whom the legislation did not intend to receive assistance from public funds.

Audit Recommendations

3.6 Recommendations were made concerning:

- determination and payment of entitlements and particularly method of payment;
- eligibility reviews, including planning of reviews, control of field reviews, allocation of field officers, frequency and coverage of field reviews and cost effectiveness of field reviews; and
- overpayments and prosecutions, particularly timely recovery of overpayments, control over possible overpayments, rate of recovery of overpayments, overdue recoveries, training programs and prosecutions.

3.7 Specific recommendations and the Department's response are discussed below.

Maintenance

3.8 Audit recommended that:

- the Department should analyse the results of maintenance reviews over a period to concentrate on areas which show greatest return; and
- where the amount of voluntary maintenance received appears to the Department to be token or substantially below the amount the recipient might expect to obtain through a court order, the Department should ask the recipient to seek an increase in that amount either voluntarily or by a court order.

3.9 The Department advised that claimants are no longer required to give a written undertaking to take action to seek maintenance as a prerequisite to the granting of benefits. Although instructions provide that cases where it is considered reasonable to require maintenance action should be reviewed after three months, the actual number of reviews undertaken varies from office to office in the light of work pressures and other priorities.

3.10 The Committee is aware that the government has announced a budget decision whereby maintenance payments will be deducted from non-custodial parents' wages, however legislation to this effect is still to be introduced.

Payment of Entitlement to Recipients in Australia

3.11 Audit recommended that:

- greater encouragement be given to recipients to receive their entitlement by direct credit;
- the guidelines governing the issue of replacement cheques should be reviewed in the light of the incidence of dual negotiations;
- as more than one cheque remaining outstanding may indicate a change in a recipient's circumstances, the regional office should consider investigation; and
- the forms recording microfiche tests undertaken should record all names checked against each fiche and the signature of the officer undertaking the tests.

3.12 The Department advised that less than six per cent of payments are now made by cheque, the remainder being paid by direct credit. Further, in 1982/83 a major internal review was undertaken of arrangements for processing applications for replacement cheques. After implementation of the resulting recommendations a substantial reduction in the issue of replacement cheques was apparent.

3.13 This matter was dealt with in the Auditor-General's May and September 1983 Reports and examined by the Committee in that context. The Committee feels that no further comment on this aspect of the Department's operations is necessary.

Planning of Reviews

3.14 Audit recommended that:

- the Department expedite the development of risk analysis techniques with a view to introducing an effective selective system for field reviews rather than continuing with a universal review program;
- as the circumstances of many recipients are likely to change within the first few months of eligibility, consideration be given to requiring those recipients whose domestic and financial circumstances the Department considers likely to change to submit a written statement confirming, or otherwise, their circumstances after three months; and
- the risk basis for issue of Pensioner Entitlement Reviews be reviewed to increase their cost effectiveness.

3.15 The Department advised that a selective review system applicable to sole parents was implemented in September 1983, but later suspended in order to deploy field officer resources as a result of the implementation of the Assets Test. A system of risk-based field reviews was implemented in June 1986, the results of which will be accumulated so that selection criteria can be regularly checked to ensure they are the most appropriate.

3.16 Although the Department has not taken up the specific Audit recommendation that a written statement of circumstances be required after three months, it advised that personalised advices are mailed to all pensioners twice each year. These advices detail the circumstances on which their payments are based and request clients to notify the Department of any changes.

3.17 The Department also advised that better targeting of clients through improved selection criteria is being pursued.

Control of Field Reviews

3.18 Audit recommended that:

- all scheduled discretionary reviews be recorded in the ADP monitoring system;
- all compulsory reviews be routinely displayed by the ADP system; and
- Pensions Action Sheets (which serve to delete or defer reviews) only be raised by identifiable Determining Officers or Examining Officers.

3.19 The Department advised that the most frequent type of review registered by the ADP monitoring system is the general pensioner entitlement questionnaire. In addition, discretionary reviews will be one element of an integrated risk-based pension review system scheduled for introduction this year. This system is to include a facility to re-schedule reviews on the authorisation of a Determining Officer or Examining Officer.

Allocation of Field Officers

3.20 Audit recommended that:

- the allocation of field officers be reviewed periodically to take account of differences in regional office recipient populations and the varying need for field reviews; and
- Area Managers ensure that field officers are redeployed between regional offices to meet short-term demands, e.g. to clear backlogs of reviews.

3.21 The Department advised that the allocation of field officers is already reviewed periodically and the redeployment of such officers where necessary is a normal management decision. However, Audit found that there were wide variations in workloads of field officers between regional offices.

3.22 The Committee suggests that the Department could undertake a sample review of field officers' workloads at regular intervals over a test period (e.g. 6 months) in order to assess whether there are in fact such differences between regional offices and whether staff are being effectively deployed.

Cost Effectiveness of Field Reviews

3.23 Audit recommended that the Department assess the relative value and cost of the various types of review to ensure the most cost effective employment of its review resources.

3.24 The Department advised that this relative marginal benefit or cost consideration was one of the principal reasons for the establishment of the system of integrating risk-based field reviews with mail reviews.

Coverage of Field Reviews

3.25 Audit recommended that:

- field officer resources place increased emphasis on confirming a recipient's income and that field officers be instructed to report evidence of unusually high standards of living or acquired assets. Associated enquiries should be considered within the powers conferred by the Social Security Act or reasons be recorded why further enquiries are not proposed; and
- the Department ensure that the provisions of the Social Security Act are applied in a consistent manner between regional offices.

Frequency of Reviews

3.26 Audit recommended that:

- more frequent field officer and office reviews be arranged for recipients whose circumstances as identified by risk analysis are likely to have changed; and
- the cost of reviews be monitored and compared to savings in benefits paid in order to determine the trade-off between them as a determinant of the allocation of staff resources.

Audit recognised and the Committee accepts that the new risk-based selective review system is likely to lead to these results.

Overpayments and Prosecutions

3.27 The Committee recently commented on this matter in Report 265, Response to Report of the Auditor-General May 1983. Given the action taken by the Department to date in the implementation of its National Overpayments Action Plan and the Committee's request in Report 265 for the Department to provide quarterly progress reports to the Auditor-General the Committee does not feel that any further comment on this matter is necessary or appropriate at this time.

Conclusions

3.28 The Committee notes the action taken by the Department of Social Security on the matters raised by the Auditor-General.

CHAPTER 4

ADMINISTRATION OF SERVICE PENSION AND DISABILITY PENSION SCHEMES - DEPARTMENT OF VETERANS' AFFAIRS

Introduction

4.1 A broad scope efficiency audit of the administration of the service pension and disability pension schemes by the Department of Veterans' Affairs (DVA) was undertaken by the Audit Office in 1981 and 1982. The final Audit Report was tabled in August 1984 and the Committee requested the Department to provide a submission in response to the Report in March 1986. The Departmental submission responding to the Report was completed in April 1986.

Departmental Criticisms of the Conduct of the Audit

4.2 It should be noted at the outset that a number of the findings and recommendations of the Auditor-General's Report have been superseded by a series of fundamental changes in the structure and management of the Department, and in the legislation covering veterans' entitlements.

4.3 In the preface of his Department's submission on the Efficiency Audit Report, the Secretary of the Department of Veterans' Affairs criticised what he considered to be the limitations of the Report, and also questioned the value of broad scope efficiency audits. He observed:

In many areas the Report did not take account of changes and improvements which were already being implemented or were in a planning or development stage in the early phases of the audit. Furthermore, developments since the audit fieldwork was finalised had, in many instances, overtaken the bases on which some conclusions were reached.

The audit attempted to deal with very complex provisions of pension schemes managed by the Department in a very broad way. In hindsight the project was overly-ambitious. While many of the recommendations would have been applicable to circumstances five years ago, the rapidity of change has meant that the benefits of the report are not commensurate with the time and resources put into the project.¹

1. Department of Veterans' Affairs Submission on Efficiency Audit, March 1986, p.1

4.4 The Auditor-General indirectly refers to these issues when he says that the Report, 'reflects the difficulties involved in reporting upon such a broad audit where the fieldwork and the preparation of a report covers a long time span.'²

General Observations

4.5 In the course of the efficiency audit, Audit observed indications of greater management efforts to improve the administration of the disability pension and service pension schemes by way of:

- the establishment of a Departmental Co-ordinating Committee on Times Taken to Process Claims and Appeals, and subsequently a special Task Force to thoroughly examine problems relating to the actioning of disability pension claims;
- a re-organisation of the Central Office of the Department, including establishment of a Systems Division and a Legal Division; and
- the filling of a number of senior management positions at Commission, Central Office and Branch Office levels.

4.6 Since the completion of the fieldwork for the audit the Department of Veterans' Affairs has been substantially restructured, with the establishment of separate Systems and Legal Divisions, a Corporate Management Branch and a Management Review Section. The Committee regards this organisational restructuring as providing a more effective administrative framework with which to respond to the deficiencies identified by Audit. In particular, the need for Central Office to exercise greater direction over the activities of the Regional Offices and to improve the efficiency of the administration of the Department's benefits programs.

4.7 The replacement of the Repatriation Act with the more streamlined Veterans' Entitlements Act (VEA) has clarified the legislative provisions under which the Department administers the service pension and disability pension schemes and has met the Audit recommendation for a review of Repatriation legislation. The Committee also notes that the replacement of Repatriation Boards with individual Determining Officers has removed a bottleneck in the process of determining eligibility for pensions.

4.8 The Committee further notes that the widespread introduction of automated systems has provided the Department with a method of monitoring the efficiency of the processing of pension claims. Furthermore, the establishment of a Management Review Section has provided a means of systematically reviewing the effectiveness and efficiency of administrative processes.

2. Reports of the Auditor-General on Efficiency Audits, AGPS, Canberra, 1984, p.117

4.9 The Committee notes that the Department's submission indicates that the vast majority of the substantive issues raised in the Audit Report have either been addressed or are now being acted upon.

4.10 Taken as a whole, the Committee regards the above changes as promoting a more efficient and streamlined system of processing pension claims and reviews. The effectiveness of the changes introduced since the Audit fieldwork is demonstrated by a marked decline in processing delays and an increase in the number of claims processed (see paragraph 4.17).

4.11 Nevertheless, the Committee is concerned that the Department has not presented any evidence that the Audit recommendation that a comprehensive system of medical audits be implemented has been acted upon (see paragraph 4.179).

Summary of Audit Findings

4.12 The efficiency audit found deficiencies in the exercise of the responsibilities of the Repatriation Commission and the Central Office of the Department in:

- directing the development and co-ordinating the introduction of changes in Repatriation pension administration in accordance with Government directives;
- instituting uniform Department-wide administrative systems, and overseeing and reviewing their operation;
- drawing up and circulating definitive and comprehensive guidance for Departmental clerical and medical staff and the determining authorities;
- setting standards and monitoring the quality and rate of output of Departmental staff and the determining authorities;
- planning manpower requirements and managing the staff resources of the determining authorities and Departmental work areas; and
- liaising with other Government agencies, in particular, the Department of Social Security, the Deputy Crown Solicitor's Office, the Australian Taxation Office, and Service Offices of the Department of Defence.

4.13 These deficiencies were highlighted by the increased demands placed on the Repatriation Commission and the Department of Veterans' Affairs by an extension of disability pension eligibility requirements, schemes to circumvent the former income test and by a rapid increase in the number of veterans reaching service pension age.

4.14 The Department provided the following responses to the deficiencies listed above:

- changes have been made in management philosophy making the Repatriation Commission and Central Office more assertive in directing and co-ordinating changes in pension administration;
- uniform Department-wide administrative systems have been instituted for both disability and service pensions;
- the Department's manuals, which set out the Repatriation Commission's policies, have been revised and are now effective working documents;
- the introduction of the automated Claims Management System now permits the rate of output of work areas to be monitored at each stage of disability pension claim processing. A revised organisational structure for service pension processing areas has improved efficiency monitoring. The decisions of Determining Officers are monitored and audited;
- there is now more planning and management of determining authorities and Departmental work areas; and
- liaison with the agencies mentioned is satisfactory.

4.15 Audit further found that the autonomy given to Regional Offices over a wide range of their work activities was not matched by Central Office direction, co-ordination and oversight, with the result that there were:

- delays in the implementation of Government decisions and Commission directives;
- insufficient development and review of procedures and work methods;
- deficiencies in the recruitment and training of medical and clerical-administrative staff;
- lack of co-ordination of case work between Regional Office work areas, control of work flow in these work areas and allocation of medical and clerical staff to these work areas; and
- insufficient and incomplete statistical records on staff productivity and systems performance.

4.16 These deficiencies led to:

- mounting backlogs of disability pension and service pension cases and extended time taken to action this work;
- a long-term decline in overall productivity of the determining authorities and Departmental medical and clerical staff and marked variation in performance between Regional Offices; and
- deficiencies in the accuracy, comprehensiveness, and consistency of work of the determining authorities and Departmental personnel.

4.17 The Department made the following general responses to these points:

- the delays in implementing Government decisions and Repatriation Commission directives were in the main due to staff shortages. Organisational restructuring of Central and Regional Offices has increased the Department's capacity to implement Government decisions and Commission directives;
- procedural manuals now exist and Central Office now also reviews work methods and procedural documentation;
- there are no problems in recruiting clerical-administrative staff. It remains difficult to recruit Departmental Medical Officers because of the overall labour market situation in the medical profession. The Department has wide-ranging staff development programs;
- there is now more co-ordination of casework in Regional Offices and allocation of staff resources to match the intake of cases;
- the automated Claims Management System provides data about output rates at all stages of disability pension claim processing and will be extended to cover service pensions. Considerable additional management information on staff productivity and systems is available than at the time of the audit;
- the Department has reversed the increase in arrears of disability pension claims and applications for increase in disability pensions. The backlog and time taken to action this work peaked in June 1985. In the space of nine months from April 1986 the backlog was reduced by a third, some 13 000 cases, to 26 500 cases. The Department expects further reductions;

- the decline in productivity has been redressed. The number of primary determinations of entitlement claims and applications for increase in disability pension was 58 000 in 1985/86 compared with 21 000 in 1981/82; and
- standards of work have been improved by the issue of better guidelines and procedural documentation, the introduction of the Claims Management System and more staff training. There have also been more monitoring and auditing of the quality of the work in most areas.

General Administrative Problems

Assessment of Medical Impairment

4.18 Audit found that:

- A Government directive in April 1977 that the Commission immediately introduce assessment of medical impairment - as distinct from incapacity - of veterans making disability pension claims to obtain the presentation of more objective and comprehensive reports on the medical conditions of veterans and more uniform and consistent medical assessments has not been implemented.³
- The Repatriation Commission and the Department have not developed proposals for a revised structure of the disability pension scheme, which was directed by the Government in May 1978. Preliminary Departmental work indicated that savings in disability pension expenditures amounting to \$76 million could be realised if medical assessment were based on impairment instead of the present basis of incapacity, but this exercise had been discontinued at the time of the Audit.

4.19 Following the Government directive of April 1977 DVA undertook considerable work but ultimately decided that the concept of assessing medical impairment as a basis of determining disability pension claims was unacceptable to the veteran community. However, the Department did not abandon the concept and developed a modified version acceptable to veterans, the Guide to the Assessment of Rates of Pensions (GARP), in 1986.

3. Impairment is the loss, loss of use or derangement of a body part, system or function. Evaluation of impairment is a purely medical exercise. Incapacity, on the other hand, is a function of both impairment and the detrimental effects on lifestyle caused by that physical impairment, including loss of ability to work and enjoy social life. Evaluation of incapacity thus includes a non-medical lifestyle or social component.

4.20 In the light of the above the legislative basis for payment of disability pensions has continued to be veterans' incapacity from war-caused injuries or diseases. GARP provides a systematic way of evaluating incapacity, taking account of medical impairment and the effects on a veteran's lifestyle.

Disability Pension Claims Reporting

4.21 Audit found that the Repatriation Commission and the Department:

- have not instituted arrangements for preparing comprehensive reports summarising the results of Departmental investigations into disability pension claims and furnishing them to the determining authorities, as required under Repatriation legislation (Repatriation Act 1920 Section 24AB) since 1977. In 1979-80 and 1980-81, some 40 000 disability pension claims were determined without the benefit of these reports.

4.22 The Department trialled and implemented a system of preparing section 24AB reports in its South Australian Regional Office. However, it proved to require excessive resources and caused significant delays in the processing of claims and applications. The system, therefore, was not extended to other States. Section 24AB was repealed by the Repatriation Legislation Amendment Act 1984 from 1 January 1985 with the introduction of a new determining system.

4.23 The Department was required to produce reports under section 107VE of the Repatriation Act in all cases where there was an application for review by the Veterans' Review Board. This provision has been retained in the Veterans' Entitlements Act.

Assessment of Visual Defects

4.24 Audit found that:

- Ministerial and Commission directives, issued in 1973 and 1974, for the revised assessment of visual defects of veterans for disability pension purposes have been only partially implemented. At the time of the Audit most of the veterans suffering visual defects (some 25 000) still had not had their assessments reviewed.

4.25 In 1982 the Department sought the opinions of the Deputy Commissioners (Regional Office Heads) on the possibility of expediting the review. It was clear from the responses that the review could not be hastened without additional resources being provided, or existing resources being diverted from processing pension claims and appeals. As it was regarded that the Government was unlikely to provide extra resources and the

diversion of resources from pensioner-initiated work was unacceptable, the Commission decided in July 1982 that the review should continue, but where this was not practicable, cases would be reviewed as they came to notice in the normal course of business. This modified approach was endorsed by the Minister. The review is continuing on that basis, albeit slowly.

4.26 The Department expressed the view that the magnitude of the task and the resources needed to fulfil the aims were not well appreciated when the review was directed.

Reasons for Determination Decisions

4.27 Audit found that:

- Although the Government had decided in 1973 to do so, it took more than 5 years for the Repatriation Commission, the Repatriation Boards and the Department to introduce progressively the furnishing of reasons for decisions in respect of disability pension claims.

4.28 The Department replied that the delay was due to the fact that this Government directive covered many aspects of claims and benefits and involved four separate determining authorities. Furthermore, the directive required the introduction of legislative provisions to protect both determining authorities and claimants.

Processing Times and Arrears

4.29 Audit found that:

- There have been lengthening times taken to process disability pension claims and appeals and mounting backlogs of these cases in recent years. There have also been upward trends in the number of outstanding service pension cases.

See the Department's response at paragraph 4.17.

Administrative Policies and Operating Guidelines

Administrative Policies Relating to the Service Pension Scheme

4.30 Audit recommended that the Repatriation Commission and the Department:

- review the various policies relating to the administration of the service pension scheme found deficient by this audit;
- assess the significance for entitlements to service pensions of various contemporary forms of superannuation and investment schemes;

- co-ordinate arrangements with the Department of Social Security for the circulation of relevant legal advisings and other matters common to the service pension and age pension schemes; and
- prepare and issue guidelines covering important facets of the administration of the service pension scheme such as the application of the income test, processings of overpayments, recovery of overpayments, and initiation of legal proceedings where guidance has been incomplete, inconsistent, or not currently provided.

Service Pension Administration Policies

4.31 DVA advised that matters such as overpayments, minimum payments and arrears were reviewed in the Veterans' Entitlements Act to provide clearer legislative authority.

Superannuation and Investment Schemes

4.32 The Department indicated that the major problem in this area, namely, 'deprivation of income' or transferring liquid assets into non-liquid form in a deliberate attempt to meet the income test, had been resolved with the introduction of the income and assets test in 1985.

Co-ordination with Department of Social Security

4.33 Both DVA and DSS agreed that effective liaison procedures were required to avoid any divergence of approach on the pension schemes administered by the two Departments. Liaison has been improved between policy sections and between Departmental Heads.

Service Pension Guidelines

4.34 The Department reported that there has been a comprehensive review of guidelines, in particular:

- the income and assets test demanded a total reconsideration of policy, procedures and systems for the income testing of applicants and beneficiaries;
- General Orders (ie procedural manuals) were re-written not only to reflect the proposed test but also to present service pension policy in a more logical and coherent form; and
- a comprehensive review of manuals was undertaken in 1983 in order to help the Department meet its obligations under the Freedom of Information legislation. All significant current and ad hoc directives were incorporated in the manuals.

Administrative Policies Relating to the Disability Pension Scheme

4.35 Audit recommended that the Repatriation Commission and the Department:

- consider whether the Repatriation Act could be made more specific in certain aspects related to pensions, and advise the Government accordingly; and
- promulgate revised administrative principles for assessment of the extent of incapacity, including medical impairment, of veterans for disability pension purposes; to this end, resume and finalise preparation of a revised guide to assessment of incapacity and introduce the proposed guide to evaluation of medical impairment as soon as practicable.

4.36 The Department replied that these matters were addressed in the review of Repatriation legislation and the subsequent enactment of the Veterans' Entitlements Act. The VEA contains a definition of 'incapacity' and specifies the General Rate pension scale. This also includes provision for the Repatriation Commission to determine the degree of a veteran's incapacity as less than ten per cent and insufficient for payment of a pension. See also previous comments on incapacity and impairment at paragraph 4.19.

Operational Guidelines

4.37 Audit recommended that the Department:

- incorporate in Departmental guidelines clear and comprehensive operational definitions of key terminology under Repatriation legislation.

4.38 The Department noted that the Veterans' Entitlements Act is written in simpler and more consistent language than the Repatriation Act, and that definitions of key terms are provided at the start of each Part and Division of the new Act.

4.39 Audit recommended that the Department:

- codify in guidelines acceptable nation-wide work practices in respect of the Departmental investigation of the full range of disability pension claims.

4.40 Uniform procedures were introduced and documented by the Department in 1984 in line with the recommendations of the Task Force on Claims and Appeals.

- 4.41 Audit recommended that the Department:
- revise medical handbooks and guidelines to cover all facets of medical work related to processing and determination of disability pension claims and provide practical advice about medical examination and reporting work.
- 4.42 A Medical Services Advisor (Medical Reporting) has been appointed. The Department stated that the Advisor is preparing guidelines covering medical evidence and reporting requirements specified by the Veterans' Entitlements Act for incorporation in a handbook for Departmental Medical Officers.
- 4.43 Audit recommended that the Department:
- provide more specific guidance covering the classification of certain income items for service pension income assessment and the computation of excess amounts of service pension paid to veterans.
- 4.44 Specific guidelines on the classification of income items are included in current Departmental instructions. Furthermore, a High Court judgement in February 1985 (Mrs Morris vs the Director-General of the Department of Social Security) established principles for assessing pensions and computing overpayments. This has clarified a previously complex area.
- 4.45 Audit recommended that the Department:
- up-date Departmental guidelines to reflect recent developments affecting the administration of the disability pension and service pension schemes.
- 4.46 The Department's service pension manual (General Orders Service Pension) was substantially rewritten for the income and asset test.
- 4.47 Audit recommended that the Department:
- finalise and promulgate the proposed handbook for the guidance of members of Repatriation Boards.
- 4.48 Through legislative changes which became effective on 1 January 1985 Repatriation Boards were replaced as the primary determining authorities by single delegates of the Repatriation Commission. The work of the Repatriation Boards is now handled by 72 individual Determining Officers.
- 4.49 A comprehensive training course is held for all new Determining Officers and periodic refresher courses are held to discuss any changes to legislation, particularly those arising from Court or Administrative Appeals Tribunal decisions. The Department does not consider that a handbook for Determining Officers is necessary.

- 4.50 Audit recommended that the Department:
- rationalise authoritative guidance for medical officers and clerical staff into a more compact set of reference documents.
- 4.51 The Department has reviewed all of its manuals and considers them now to be effective working documents.
- 4.52 Audit recommended that the Department:
- institute standard arrangements for identifying, referencing, distributing and holding administrative directives within the Department.
- 4.53 The Department did this as part of the Freedom of Information exercise (see also paragraph 4.34).
- 4.54 Audit recommended that the Department:
- arrange for local procedural guidelines covering clerical handling of disability pension and service pension matters at Branch Office level to be produced as a matter of priority; give consideration to the withdrawal of local aetiology guidelines which have been developed and used for writing medical opinions as to the service relationship or medical conditions of veterans.
- 4.55 Detailed guidelines covering clerical handling of disability and service pension matters exist. A new Departmental Guide to Aetiology is being prepared by a recently appointed Medical Services Advisor (Aetiology).
- 4.56 Audit recommended that the Department:
- subject local reference material to Central Office scrutiny for formal endorsement.
- 4.57 The Central Office of the Department has adopted a more assertive role in scrutinising procedures and guidelines, and provision has been made for Central Office scrutiny of locally produced material.
- 4.58 Audit recommended that the Department:
- provide rulings in respect of complex or 'landmark' casework forwarded by Branches with a minimum of delay.
- 4.59 The Department's restructured Benefits Division has increased the capacity to deal with these types of cases and to provide more prompt advice to the Regional Offices.

Design and Operation of Administrative Systems for Processing Disability Pension and Service Pension Matters

Processing of Service Pension Applications

Information for Veterans

4.60 Audit recommended that:

- to assist veterans, the Department should issue separate official pamphlets and booklets for service pensions, incorporating more comprehensive information about pension eligibility criteria and application processing arrangements.

4.61 The Department has prepared separate pamphlets on service pensions, the assets test, the pension loan scheme and all main benefits, which are available to veterans.

Design of Service Pension Application and Review Forms

4.62 Audit recommended that the Department:

- revise the layout, wording, and advice to veterans on current service pension application and review forms.

4.63 The Department has improved service pension application and review forms since the audit fieldwork and continually monitors their effectiveness.

Obtaining Supporting Evidence From and Interviewing Veterans

4.64 Audit recommended that the Department:

- standardise Departmental information requirements for evidence in support of service pension applications and wherever possible arrange formal interviews with veterans.

4.65 The Department has standardised requirements for evidence in support of service pension applications and conducts interviews with service pension applicants where staff are available.

Use of Social Security Offices

4.66 Audit recommended that the Department:

- consider the feasibility and costs of using Department of Social Security regional offices as agents or as locations for officers of the Department of Veterans' Affairs personally to deal with country veterans.

4.67 A trial program of visits to Department of Social Security (DSS) Regional Offices in four States was conducted by DVA staff during 1985. The Department regarded the trial program as being reasonably successful and visits to the Regional Offices concerned are being continued. Departmental officers also use DSS facilities in Gosford (NSW) on a regular basis. However, the Department is unlikely to extend the program at this stage because:

- demand in many centres does not warrant regular visits;
- there is strong resistance from ex-service organisations to DVA reducing the coverage of its Country Visits Program;
- there is strong resistance by many veterans to any linking between DVA and DSS; and
- there are financial and staffing restrictions.

4.68 The Department reported that it adopts a flexible approach in its choice of venues for providing counselling and advice to its customers, using Commonwealth, State, local government or private facilities depending on suitability and location.

ADP System

4.69 Audit recommended that the Department:

- redesign the ADP system (if practicable) to provide for automatic conversion of items of income shown on service pension application and review forms as weekly or annual amounts into fortnightly amounts (if the service pension rate payable to veterans continues to be calculated on a fortnightly basis) and issue standard Departmental checklists and worksheets, if manual computations for assessments continue to be carried out.

4.70 The system currently automatically converts income to a fortnightly rate for certain investments. DVA regarded an enhancement which would automatically convert all income items to fortnightly amounts to be a desirable feature but stated that resources to undertake such a change are not currently available. The Department is considering the matter as part of the development of the All Pensions and Allowances ADP Project. In so far as manual methods of assessment are concerned, standard Departmental computation forms are available for step by step calculation.

Determination of Service Pension Applications

4.71 Audit recommended that the Department:

- improve the efficiency and consistency of service pension examiner and Repatriation Commission delegate work in relation to the processing of service pension applications by providing more detailed guidance about the treatment of certain income items for service pension income assessment purposes, by assigning more involved casework to more experienced staff, by better oversight of the application of guidelines at Branch Office level, by maintenance of detailed local error rate statistics and by standardisation of checking of file documentation and verification of examiner work by Repatriation Commission delegates.

4.72 The Department revised the service pension manual for the income and assets test. The manual includes detailed advice on income and asset types and their treatment in service pension assessment. The duties of the various positions in the service pension area are defined, and the complex cases are handled by the more experienced officers. DVA has taken action to revise the ADP processing system, which will enable a greater range of data to be entered and will provide management information to monitor and control processing activities and to relate staffing needs more directly to workload indicators.

Provisional Grant of Pensions

4.73 Audit recommended that the Department:

- review the practice of granting service pensions on a provisional basis and, if it is to continue, issue more specific guidelines covering provisional granting, and ensure that priority is given to the finalisation of investigation and assessment of provisional grants.

4.74 The Department stated that grants of service pension on a provisional basis are made only when the determining authority does not doubt the validity of the information provided by the applicant. The Department also stated that overpayments occur only infrequently and, when they arise from deliberate misrepresentation, recovery of the overpaid amount is pursued. The Department regards the delays caused by discontinuing provisional grants as being unacceptable in the majority of cases and that such a procedure would be contrary to the basis for making social welfare payments.

Clearance of Pensions with Department of Social Security

4.75 Audit recommended that the Department:

- in conjunction with the Department of Social Security, review existing and possible alternative standard working arrangements for obtaining advice of pension status of veterans and their dependants making service pension applications and actioning pension record print-outs from that Department.

4.76 Agreed clearance procedures with DSS were finalised in 1986.

Advice of Grant and Payment of Service Pension

4.77 Audit recommended that:

- following a grant of service pension, the Department should introduce improved standard advice letters to veterans showing details of their current income assessments, margins for additional income without loss of entitlement, and stating clearly their obligation to notify the Deputy Commissioner of changes in their financial or domestic circumstances.

4.78 The Department has improved service pension advice letters. The pensioner's obligations to notify the Department are set out and the income and assets are listed. The set of obligations includes information on any margin for additional income or assets before the maximum pension is reduced.

Processing of Service Pension Reviews

Programming of Pension Reviews

4.79 Audit recommended that the Department:

- set uniform review cycles for individual service pension cases in accordance with any revised Commission guidelines covering the programming of reviews.

4.80 DVA recommenced the service pension review program in January 1986 after its temporary suspension due to staffing limitations. Cases are automatically selected monthly, on the basis of perceived risk of overpayment, in numbers consistent with available resources in the Department's Regional Offices.

Checking Taxation Office Records

- 4.81 Audit recommended that the Department:
- comply with any revised authoritative Commission guidance for sample checking details of disclosed income of veterans by referral of cases to the Australian Taxation Office and liaise with the Taxation Office to ascertain its capacity for handling tax checks at various times of the year and its information requirements for effectively carrying out these checks.

4.82 The Department held sample cross checks with the Australian Taxation Office (ATO) in abeyance for some time because of legal constraints arising from the Income Tax Assessment Act and the lack of authority in Repatriation legislation. Checking with the ATO resumed following the issue of delegations under the Veterans' Entitlements Act.

Cancellation of Service Pensions

- 4.83 Audit recommended that the Department:
- give further consideration to the development of reliable and cost effective means to note and take action upon the death of a recipient of service pension.

4.84 DVA stated that direct credit is now the method of pension payment in about 96 per cent of cases and stated that the opportunity for the Department to be informed of deaths of pensioners is less with direct credit payment than with cheque payment. A number of proposals are being looked at to reduce overpayments after the deaths of pensioners, for example, to reduce the time between the pension processing cut-off date and the pension payday.

Processing of Incorrect Pension Payments

Identification of Incorrect Pension Payments

- 4.85 Audit recommended that the Department:
- direct service pension examiners and Repatriation Commission delegates carrying out Departmentally-initiated reviews of cases to recognise the possibility of overpayments and initiate investigation of cases whenever the rate of pension paid to veterans is to be reduced as a result of reviews of these cases.

4.86 DVA stated that all service pension examiners and Repatriation Commission delegates are regularly reminded of the need to recognise possible overpayments and to initiate investigation of such cases.

Service Pension Overpayments

- 4.87 Audit recommended that the Department:
- reduce the incidence and magnitude of service pension overpayments due to deficiencies in Departmental procedures or administrative actioning of casework, by improvements in:
 - liaison arrangements with the Department of Social Security;
 - the programming of cyclic service pension reviews;
 - process control over the timely actioning of service pension reviews;
 - examiner application of the income test and transcription of income details;
 - delegate determination of rate of service pension on an interim basis;
 - procedures for suspension and cancellation of service pensions; and
 - despatch of advice letters to veterans upon grant of service pension.

Liaison Arrangements with Department of Social Security

4.88 See the Department's response on Clearance of Pensions with Department of Social Security, paragraph 4.76.

Programming of Cyclic Service Pension Reviews

4.89 See the Department's response on Programming of Service Pension Reviews, paragraph 4.80.

Process Control Over the Timely Actioning of Service Pension Reviews

4.90 See the Department's response on Processing of Service Pension Reviews in relation to Departmentally initiated reviews of service pensions, paragraph 4.80.

4.91 DVA stated that local control procedures exist for processing service pension reviews initiated by advice received from pensioners.

Examiner Application of the Income Test and Transcription of Income Details

4.92 The Department indicated that improvements have been made by:

- clearer layout of service pension application and review forms;
- expansion of the ADP system for entry of more data and assessment of pensions;
- more staff training; and
- standardised computation sheets.

Delegate Determination of Rate of Service Pension on an Interim Basis

4.93 See the Department's response on Determination of Service Pension Applications, paragraph 4.72.

Procedures for Suspension and Cancellation of Service Pensions

4.94 DVA stated that procedures were defined when the Service Pension, Examiner's Guide was produced, see paragraph 4.100.

Despatch of Advice Letters

DVA advised that the contents of advice letters have been reviewed and improved.

4.95 Audit recommended that the Department:

- reduce the incidence and magnitude of overpayments due to pensioner misunderstanding, default or fraud, by advising recipients of their income assessments and permissible earning limits, emphasising their obligation to notify changes in circumstances, and making clear to veterans (and applying where appropriate) the penalties for misrepresentation or non-compliance under Repatriation and other legislation.

4.96 Section 126 of the Veterans' Entitlements Act provides that advice in writing may be given to pensioners specifying the events or changes of circumstances which may affect their pensions. The notice must indicate the pensioner's obligation to inform the Department of these occurrences and also advise of the penalties for failure to comply with these requirements. DVA is revising advice letters to accord with the requirements of the VEA.

Investigation, Calculation and Recording of Overpayments

4.97 Audit recommended that the Department:

- standardise methods of investigating suspected overpayments.

4.98 The Department's service pension manual contains instructions on the handling of suspected overpayments. A suspected overpayment must be brought to the notice of a Senior Examiner (Pensions) (Clerical-Administrative Class 6), who directs and oversees follow-up action. The procedures taken to verify income or assets are the same as the procedures adopted in the granting of pensions.

4.99 Audit recommended that the Department:

- apply consistently any revised Commission guidance about the computation of overpayments.

4.100 The Department revised all service pension manuals with the introduction of the income and asset test and included a detailed explanation of the computation of overpayments.

4.101 Audit recommended that the Department:

- introduce simplified procedures for checking, reviewing and endorsement of overpayment casework by supervisors and operational management.

4.102 The High Court judgement in the Harris Case (see the Department's response on Operational Guidelines, paragraph 4.44) and legislative changes in 1985 (see the Department's response on Disability Pension Claims Reporting, paragraph 4.22) have clarified the computation of overpayments.

4.103 Audit recommended that the Department:

- design and introduce uniform documentation for recording details of overpayments.

4.104 Amendments to the Social Security Act and the Repatriation Act in 1985 clarified the definition of an overpayment. DVA Regional Offices are required to maintain a diary of details of overpayments, which is overseen by a Senior Examiner. The diary is checked regularly to ensure that appropriate follow-up action is taken. Overpayment listings are produced automatically. These listings record the number, type and amount of pension overpayments. In addition, these listings are examined for trends in overpayments.

Recovery of Overpayments and Legal Proceedings in Relation to Recovery of Overpayments and Prosecution of Offences

Recovery of Overpayments

4.105 Audit recommended that the Department:

- consult with the Department of Finance as to its information requirements for the exercise of authority to waiver in respect of overpayment cases.

4.106 The Department liaises as necessary with the Department of Finance to determine its information requirements for the exercise of waiver authority for overpayment cases.

4.107 Audit recommended that the Department:

- adhere to Repatriation Commission guidelines generally providing for 'offset' of overpayments against future pension payments, paying particular attention to the capacity of veterans to repay.

4.108 The Department stated that it follows Repatriation Commission guidelines in recovering overpaid pensions. The capacity of a veteran to repay overpayments is considered in any Departmental recovery action.

4.109 Audit recommended that the Department:

- no longer use the designation 'Special Magistrate' as the designation for the Departmental officer interviewing veterans in respect of overpayment cases.

4.110 The term 'Special Magistrate' was only used by the Victorian Regional Office of the Department, and its use was discontinued in 1984.

4.111 Audit recommended that the Department should:

- consistently action overpayment cases involving 'administrative error' or 'procedural breakdown' and 'good faith' on the part of veterans in accordance with prescribed guidelines.

4.112 The Department replied that overpayments cases are consistently actioned in accordance with prescribed guidelines and that no major problems have been encountered since the issue of clear guidelines in June 1982.

4.113 Audit recommended that the Department:

- achieve consistent handling of overpayment cases where 'write-off' provisions may apply by identifying administrative costs associated with recovery action and following any operational guidelines about 'irrecoverable payments' promulgated by the Repatriation Commission.

4.114 The Department stated that it has taken steps to ensure that the administrative costs of recovery actions are identified, and that it has also prepared operational guidelines about 'irrecoverable payments'.

Legal Proceedings

4.115 Audit recommended that the Department:

- review the intent and application of Repatriation legislative provisions prescribing penalties for the commission of offences, and expedite administrative actioning of cases involving suspected offences where warranted.

4.116 The Department reviewed and increased the prescribed penalties for the commission of offences in 1984. At the same time, the legislation was amended to increase the powers of the Department's Secretary to obtain information from pensioners or other persons about pension matters. Appropriate penalties (of fine or imprisonment) were provided for if such requests were not met within reasonable time limits.

4.117 The Veterans' Entitlements Act also contains explicit penalties for the commission of offences. The Department considers that the penalties are at an appropriate level.

4.118 Audit recommended that the Department:

- institute improved liaison arrangements between the Department and the Crown Solicitor's Office in respect of the initiation, status and outcome of legal proceedings for prosecution of offences and recovery of overpayments.

4.119 DVA advised that clear guidelines for liaison arrangements between the Department and the Deputy Crown Solicitor's Office are now set out in the General Orders (procedure manuals).

Clerical Processing of Disability Pension Claims

Information for Veterans

4.120 Audit recommended that the Department:

- design and issue separate and more comprehensive official pamphlets and booklets for each of the main types of disability pension claims, subjecting these publications and forms to tests of readability and understanding before issue.

4.121 Separate pamphlets on claims by veterans for disability pension and by widows for war widows' pension have been issued by the Department. Pamphlets are also available on the broad range of benefits available through the Department. DVA advised that recent re-issues of pamphlets and booklets have taken into account the need for clear layout and readability.

Design of Disability Pension Claim Forms

4.122 Audit recommended that the Department:

- produce separate forms for each of the main types of disability pension claims and appeals, with more specific questions as to the nature of claimed medical conditions, whether conditions have been diagnosed and by which medical practitioners. Factual details about medical treatment, employment record and service history should also be recorded on these forms.

4.123 The Department replied that separate forms are produced for:

- claims by veterans for disability pensions;
- claims by widows for war widows' pensions; and
- applications for review by the Veterans' Review Board.

4.124 A supplementary form to the claim form requests the veteran to describe the symptoms of the claimed injury or disease. It also asks for details of the veteran's medical treatment of the injury or disease claimed, employment record and how the veteran considers the injury or disease is related to the conditions of his/her service. With the new assessment scheme, a claimant is asked to complete a questionnaire on the effects of the injury or disease on his/her lifestyle.

Initial Handling of Disability Pension Claims

4.125 Audit recommended that the Department:

- ensure timely registration of all disability pension claims, by treating ambiguous statements of veterans in general correspondence as possible claims, by immediately registering counter-lodged claims, and by facilitating concurrent actioning where several matters in relation to the same veteran require processing.

4.126 DVA advised that timely registration of all disability pension claims is current practice. The introduction of an ADP Claims Management System requires the registration of correspondence which has any suggestion that it might constitute a claim. Clarification is sought by telephone of the claimant's intention. The Department also stated that concurrent actions, where several matters in relation to the same veteran require processing, are usually arranged whenever possible.

4.127 Audit recommended that the Department:

- advise veterans by way of departmental pamphlets that it would be to their advantage to request approved forms by telephone at the time of making informal claims.

4.128 DVA stated that pamphlets covering disability, service and war widows' pensions advise that it is to the claimant's advantage to request approved forms by telephone.

4.129 Audit recommended that the Department:

- consider whether there is a continuing requirement for Repatriation Regulations providing for lodgement of informal claims.

4.130 With the geographical distribution of the veteran population throughout Australia and the number of aging veterans, the Department does not consider the abandonment of such provisions can be justified. Provision for lodgement of informal claims for disability and service pensions was included in the Veterans' Entitlements Act.

4.131 Audit recommended that the Department:

- obtain additional information, preferably by telephone, about medical treatment, employment record, or service history from veterans where details have not been provided on forms and could have a bearing on acceptance of claims.

4.132 The Department stated that new procedures for the investigation and processing of claims and the restructuring of the determining system have placed more emphasis on obtaining information from claimants, including by interview and telephone calls, to help the prompt finalisation of claims.

Requisitioning of Service Documentation

4.133 Audit recommended that the Department:

- reduce processing times associated with the requisitioning and sorting of service documentation about veterans, by requesting complete service history and medical records at the outset of Departmental investigations into cases, and by proceeding with other aspects of Departmental investigations pending receipt of service documentation.

4.134 The Department advised that these procedures are generally adhered to and were reinforced following the issue of guidelines by the Task Force which examined claims processing.

Concurrent Processing of Disability Pension Claims and Other Casework

4.135 Audit recommended that the Department:

- facilitate the timely processing of disability pension claims concurrently with actioning of other work in relation to the same veterans by developing and applying operational procedures for temporary release and movement of case files of these veterans between relevant Branch Office work areas.

4.136 DVA stated that the established team approach to disability claims processing uses Clerical Assistant support to locate files and information in other functional areas of the Department.

Obtaining Clinical Notes

4.137 Audit recommended that the Department:

- specify clearly Departmental requirements for obtaining clinical notes in respect of disability pension claims of veterans, and institute standardised, efficient procedures for initiation, transmittal, monitoring, follow-up and lapsing of requests for clinical notes.

4.138 The Department stated that this is now being done and that Departmental requirements for obtaining clinical notes are specified in manuals.

Presentation of Results of Departmental Investigations

4.139 Audit recommended that the Department:

- implement approved arrangements for preparation of comprehensive examiner reports of the results of Departmental investigations of disability pension claims.

4.140 As noted earlier (see the Department's response on Assessment of Medical Impairment, paragraph 4.19), trials by the Department found that the preparation of examiner reports for every disability pension claim could not be instituted because of the large amount of time that report writing required. However, the Veterans' Entitlements Act requires the Department to provide reports within six weeks of each application for a review of disability pension submitted to the Veterans' Review Board.

Medical Investigation and Reporting About Disability Pension Claims

Giving of Medical Directions

4.141 Audit recommended that the Department:

- enhance the capacity of medical officers to give at the beginning of medical investigations into cases more comprehensive and specific medical directions by setting out general principles for carrying out medical examinations and/or tests and by having on hand at Branch level details of acceptable typical patterns of initial and follow-on requests for medical appointments.

4.142 DVA advised that Departmental Medical Officers have been reminded of the need to ensure directions on medical investigations are specific and sufficiently comprehensive to enable the writing of a medical report without the need for follow-on requests.

4.143 The Department also advised that new procedures introduced in 1985 emphasise consultation between claims investigators and medical officers to clarify any doubts about the extent of medical investigation. The intention is that the Departmental Medical Officer who gives the medical direction also provides the medical report after the investigation. However, this is not always possible and may not be the most efficient way of progressing the claim. The revision of the Departmental Medical Officers' Handbook will include more guidance on medical directions.

Design and Use of Medical Examination and Reporting Forms

4.144 Audit recommended that the Department:

- elicit more complete and detailed information on official application forms about claimed medical conditions from veterans.

4.145 See the Departmental response to Information for Veterans, paragraph 4.121.

4.146 Audit recommended that the Department:

- clarify this information over the telephone with veterans or their doctors where necessary at the outset of medical investigations.

4.147 DVA advised that, wherever practicable, Departmental officers collect and clarify information from veterans, and/or their doctors, by telephone. While the time-saving advantages of telephone contact with doctors are appreciated, trials of this

approach have uncovered problems of confidentiality, identification of parties and payment of doctors. The Department regards the future of telephone contact as being limited until these issues can be discussed with the Australian Medical Association.

Medical Examination and Reporting Work

4.148 Audit recommended that the Department:

- investigate further the scope for greater use of private general medical practitioners and specialists for medical examination work subject to appropriate controls, and institute more flexible arrangements for the assignment of available Departmental medical personnel to this work.

4.149 The Department advised that the general trend is to use private medical practitioners when there is likely to be a delay in using DVA facilities. The Department has encouraged greater use of Local Medical Officers for reporting on assessment matters with the introduction of the Guide to the Assessment of Rates of Veterans' Pensions.

4.150 Audit recommended that the Department:

- raise the standard of medical examination, assessment and reporting work in relation to disability pension claims, by promulgation of clearer, more comprehensive and detailed guidelines, revision of the design of medical forms, and assignment of casework to private medical personnel on a more selective basis where necessary; and
- issue separate approved medical examination and reporting forms for each of the main types of disability pension claims, incorporating clear statements of Departmental requirements as to details to be recorded, with space for completing information currently recorded on various supplementary forms, and in a format that is likely to elicit more specific and complete responses from medical personnel.

4.151 DVA stated that several major medical reporting forms have been revised with the passage of the Veterans' Entitlements Act. The forms used by medical officers to comment on the extent of a veteran's incapacity have been amended in line with the Guide to the Assessment of Rates of Veterans' Pensions. The Department advised that the Departmental Medical Officers' Handbook has been revised and preparation of the Guide to Aetiology is well advanced.

Determination of Disability Pension Claims by Repatriation Boards

Examination and Consideration of Disability Pension Casework

4.152 Audit recommended that the Department:

- uphold the statutory independence of the Repatriation Boards, by ensuring that persons appointed to Boards have the requisite competence in independent investigation and assessment work and proficiency in report writing. Basic instruction in medical terminology and the nature, origins and causes of medical conditions (aetiology) and training in the writing of statements of reasons for decision should be provided for Board members following their appointment.

4.153 Since the Report was tabled, a new determination system has been put in place. Repatriation Boards have been replaced by single delegates of the Repatriation Commission. The Department advised that such officers are required to have investigative and report writing skills of a high order, with ability to interpret medical evidence. Such officers also undertake extensive training in the process of arriving at, and writing about, their reasons for decisions.

Determination of Disability Pension Casework

4.154 Audit recommended that the Department:

- institute standardised, efficient arrangements for allocation of disability pension casework among Board members, following a review of current work practices of the Boards and in the context of the proposed introduction of comprehensive examiner reports.

4.155 This criticism is no longer relevant, as Repatriation Boards have been replaced by single delegates of the Commission (see paragraph 4.153).

4.156 Audit recommended that the Department:

- make arrangements for Boards to seek immediate oral clarification of medical opinions of Departmental Medical Officers in place of existing procedures for deferral of cases pending further advice.

4.157 DVA advised that since the replacement of Repatriation Boards by single Commission delegates, liaison between Commission delegates and Departmental Medical Officers has been encouraged, so that decisions are made on a correct understanding of medical evidence and cases are not deferred unnecessarily.

Determination of Disability Pension Appeals by Repatriation Commission Delegates

Concurrent Processing of Disability Pension Appeals and Other Casework

4.158 Audit recommended that the Department:

- as far as practicable give priority to actioning of appeals to the Commission against adverse Board determinations where personal case files of veterans are needed concurrently for other departmental work; and
- set in place arrangements for Commission delegates to subject to preliminary scrutiny appeal cases identified as having additional evidence furnished by veterans to expedite requests for further medical opinions or other evidence in relation to these cases.

4.159 The Department stated that the Task Force on Claims and Appeals recommended procedures to ensure that appeals receive priority when there is more than one action to be carried out on the same file. However, in some instances it is not practicable for appeals action to take precedence, for example, when a veteran is seriously ill in a Repatriation Hospital.

4.160 Since the implementation of the new determination system, Regional Offices scrutinise files before sending them to the Veterans' Review Board to ensure that documents required for concurrent action are copied beforehand.

Performance Standards, Monitoring and Review

Setting of Performance Standards

4.161 Audit recommended that the Department:

- set both longer-term desirable standards and shorter-term achievable targets for processing disability pension and service pension cases, nationally and for individual Branch Offices, overall and for discrete work activities; and
- develop productivity standards for Departmental staff and the determining authorities, based on Departmental review of existing productivity and immediate prospects for efficiency improvement.

4.162 The Department stated that it recognises the need for performance standards and that one of the tasks of the Systems Division (established since the Audit Review) is to co-ordinate their creation and maintenance. The automated Claims Management System has provided more processing information to assess performance levels and identify problem areas. It is planned to extend this system to also monitor other areas.

4.163 Central Office staff make programmed visits to Regional Offices to monitor the efficiency of each Office. Copies of the reports on the results of these visits are kept on file and become the basis for subsequent efficiency reviews.

Monitoring of Systems Performance

4.164 Audit recommended that the Department:

- institute arrangements for the gathering of standardised numerical information about the productivity of Departmental clerical staff and medical personnel and the determining authorities;
- bring data collection and presentation about the processing of disability and service pension reviews more into line with current information holdings about the handling of veteran-initiated casework;
- identify Central Office and Branch Office requirements for more detailed statistical data about the processing of disability pension and service pension casework, broken down by type of case and for the various processing steps; and
- review existing Branch statistics gathering activities and introduce ADP case surveillance and statistics generation for applications for increase in disability pension in the Victorian and Queensland Branches, where ADP facilities are currently available.

4.165 The Department advised that the areas mentioned have been greatly strengthened by the creation of the Systems Division. The introduction of the Claims Management System (initially to the entitlement and determination areas of disability claim processing, with planned extension to service pension and review processing) has provided comprehensive statistical and management information on claims and applications in all States. The Department also advised that standardised numerical information about the productivity of Repatriation Commission delegates is now compiled on a regular basis.

Process Control Systems for Disability Pension Claim Casework

4.166 Audit recommended that the Department:

- amend as far as practicable features of the print-out and delay code input facilities of the ADP Entitlement System to accord more closely with Departmental requirements and make better use of these facilities for the surveillance of disability pension casework.

4.167 This recommendation has been overtaken by the development of the Claims Management System (see the Department's response at paragraph 4.165).

4.168 Audit recommended that the Department:

- standardise the design of manual control card systems and prescribe local work methods for their maintenance.

4.169 Manual control cards are automatically produced by the Claims Management System and are standardised.

Process Control Systems for Service Pension Review Casework

4.170 Audit recommended that the Department:

- exercise closer oversight of the operation of existing manual process control systems for service pension review cases; and
- consider the introduction of ADP systems for automatic surveillance of the processing of service pension review cases through the various steps.

4.171 DVA advised that it is proposed to extend the automated Claims Management System to include the control and surveillance of service pension cases including new claims and reviews.

Management Information and Process Control Systems for Pension Overpayments

4.172 Audit recommended that the Department:

- institute standardised process control systems for overpayments at Branch Office level; and
- redesign management information systems for monitoring the volume, source and incidence of incorrect pension payments; and
- analyse statistical data presented on Branch Office returns and identify and examine the causes of pension overpayments with a view to taking action to minimise them.

4.173 See the Departmental response to Investigation, Calculation and Recording of Overpayments, paragraph 4.98.

4.174 The Department advised that a Management Information System provides timely and reliable data on pension overpayments. A Finance Control Group has been set up to:

- review debt recovery procedures; and
- collect and evaluate management information on debts and recommend action to be taken.

4.175 A review of all aspects of pension overpayments has commenced and is addressing the causes of overpayments, possible corrective measures necessary and recovery, write-off and waiver procedures.

Operational Feedback and Oversight of Medical and Repatriation Board Performance

4.176 Audit recommended that the Commission and the Department:

- arrange for regular meetings between Repatriation Boards and Branch senior medical-administrative officers, and briefings by these officers to Departmental medical personnel about the contents and presentation of their medical investigation and reporting work;
- facilitate access of Departmental medical personnel to statements of reasons for decisions of Repatriation Boards in respect of select cases for which they have prepared medical reports;
- develop and implement the proposed program of medical audits, incorporating comprehensive assessment of the full range of medical work for the main types of disability pension casework;
- communicate to the Repatriation Boards comparative statistical information and comment on their performance on a regular basis;
- provide feedback to the Repatriation Boards where their decisions are overturned by higher determining authorities; and
- institute proposed arrangements for periodic review of the quality of work of the Repatriation Boards.

4.177 Audit's comments have been overtaken by the introduction of a new determining system (see paragraph 4.153).

4.178 DVA advised that in the new system informal liaison occurs between medical officers and delegates to resolve medical reporting problems. The Veterans' Entitlements Act details medical reporting requirements and it is for medical staff to ensure the application of these provisions.

4.179 The Department accepted the principle of medical auditing and indicated that the appointment of a Senior Medical Advisor (Medical Reporting) should enable more auditing to be carried out. However, the Department did not demonstrate that a comprehensive program of medical auditing has in fact been instituted.

4.180 Medical review of the decisions of higher determining authorities occurs on an ad hoc basis.

4.181 The decisions of Repatriation Commission delegates are monitored and audited.

4.182 The Department stated that it is impractical to provide feedback to Commission delegates on their decisions which are set aside by higher determining authorities. However, delegates are provided with advice on correct interpretation of the legislation. This is done by the Directors (Determinations), who are the team leaders of Determining Officers in the States, and by Principal Determining Officers based in Central Office.

Manpower Planning and Management

Staff Ceiling Management

4.183 Audit recommended that the Department:

- support Forward Staff Estimates with staffing requirements for more discrete work activities associated with the administration of disability pensions, service pensions and other Repatriation benefits, incorporating comprehensive and detailed indicators of standards of service, workloads, staffing levels, and staff productivity;
- devise standard routines for Branch Offices to provide material about staffing requirements for and workload associated with Branch operations to Central Office, to enhance the capacity of the Department to make sound 'staffing bids' and to assist in more rational allocation of approved staff ceilings to functions, programs and branches;
- allocate staffing resources to discrete Departmental work activities on a national functional basis, having regard to overall work priorities;
- closely monitor and review the deployment of staffing numbers at Branch Office level, particularly where additional staff ceiling coverage is provided on the basis of its deployment on specific work activities;
- take appropriate corrective action where Departmental organisation units exceed allocated sub-ceiling figures; and
- undertake investigations into patterns of manpower separation and recruitment from which could be developed planned approaches to maintaining staffing levels to approved staff ceilings.

4.184 The Department produced its 1986/87 financial estimates in a program budgeting format. The Department has developed its program structure and objectives to a sub-program level. A review of the broad information needs of program managers has recently been completed. The information needs investigated included staff resources, workloads and strategic information (eg client population/demand).

4.185 The system of staff ceilings was replaced by Human Resource Budgeting in the 1984/85 financial year. Under Human Resource Budgeting staff level control is in terms of Average Operative Staffing Levels (AOSL). Regional Offices are allowed to vary staff numbers and re-organise staff resources to meet areas of need, provided they remain within AOSL and within financial and profile limits.

4.186 Branch Office areas processing disability and service pensions were restructured in 1984 and 1985 and extra resources were provided to meet anticipated workloads.

Repatriation Board Organisation and Staffing

4.187 Audit recommended that the Commission:

- following appropriate advice to, and determination by, the Government, formally set target processing times which can form the basis of decisions on the required number of Boards and their allocation between States, based on projected case load and other relevant considerations;
- specify more clearly and thoroughly the 'skills profile' for Repatriation Board positions and place greater emphasis in the selection process on general capacity to perform the work of Repatriation Boards, rather than on detailed knowledge of Repatriation matters;
- revise arrangements for appraisal of the performance of incumbent members of Repatriation Boards to conform more closely with Public Service Board guidelines on staff assessment and counselling, and make greater use of the opportunity not to re-appoint Board members whose performance had been found wanting during their period of appointment;
- give further consideration to the periodic inter-Board transfer of members of Repatriation Boards, especially in Sydney and Melbourne where several Boards are located; and
- arrange for the timely permanent appointment of suitable personnel to Repatriation Board positions falling vacant due to death, premature retirement or expiry of the term of office of incumbent Board

members. Appointees to fill temporary vacancies should be drawn from reserve pools of trained relief members, applying the criteria and procedures used for selection of permanent Board members.

4.188 As mentioned previously (see paragraph 4.48), claims are determined at the primary level by some 70 Determining Officers exercising delegated powers from the Repatriation Commission. These delegates are part of the Central Office establishment. Day to day supervision of outposted officers is the responsibility of the Director (Determinations) in each State. These Directors are responsible for the quality and rate of output of Determining Officers working under their supervision. Operating from Central Office is a small group of Principal Determining Officers (PDO) who are, inter alia, responsible for monitoring the qualitative and quantitative aspects of claims determination in order to ensure consistent national standards in both areas. Conferences involving the Directors (Determinations) and the PDOs are held to ensure a co-ordinated approach is taken to such matters as policy, statutory interpretation and standards setting.

4.189 The Department advised that the selection criteria for Determining Officers, Directors (Determinations) and PDOs place an emphasis on ability to analyse evidentiary material, ability to write clear and concise reasons for decisions and appreciation of the principles of administrative law. The criteria also specify capacity for decision-making and capacity to maintain effective work rates. Management skills are also required of Directors (Determinations) and PDOs.

Medical Staffing Arrangements

4.190 Audit recommended that the Commission and the Department:

- review current Branch Office arrangements and develop Department-wide guidelines for the use of various kinds of medical personnel for the conduct of general medical examinations in relation to disability pension claims. In the review consider routine assignment to private medical practitioners of certain general medical examination work relating to country veterans and, where indicated by Branch Office medical workload, assignment of certain casework relating to metropolitan and near city veterans;
- initiate studies of Branch Office arrangements for specialist diagnosis and report work across Australia and consider engaging private specialists if this would be more cost effective than meeting the fares and accommodation costs of country veterans;

- institute more flexible allocation of specialist diagnosis and report work for metropolitan and near city veterans to private specialists where extended times for appointments for certain specialities arise which cannot be reduced to maximum acceptable levels by minor adjustment of the mix of treatment and disability pension work of Departmental specialists;

- review current operating arrangements for writing medical opinions as to the nature, extent, and service relationship of incapacity of veterans; and

- institute arrangements for the Central Office, in conjunction with the Branch Offices, to develop the capability to plan manpower requirements for medical investigation and reporting work and for Branches to exercise management of available medical personnel considered proficient at performing this work in each State.

4.191 DVA stated that all State Branches have been requested that, where expedient or in the interest of the veteran, general medical examinations relating to disability claims be conducted by Local Medical Officers (LMOs). Considerable use is being made of LMOs in some States.

4.192 Private specialists are being used for diagnostic and report purposes for most country cases and, where there are significant delays in using Departmental facilities, for metropolitan cases as well.

4.193 DVA advised that the current rewriting of the Departmental Medical Officers' Handbook will incorporate changes to medical reporting procedures. These changes will include emphasis on a team approach to disability claims processing and determining and will encourage liaison between medical and determining staff on such matters as legal precedents and the use of abbreviated medical opinions.

4.194 The Claims Management System provides information on cases at the medical direction and reporting stages as well as cases elsewhere in the system where medical investigation and reporting input will be required. It also provides a basis for estimating trends in medical workload. The Department regards this information as providing a sound basis on which planning of medical resource requirements can be made.

4.195 DVA stated that difficulties experienced in the past in recruiting suitable medical staff have been alleviated to some degree by a broader recruitment campaign, particularly among members of the Local Medical Officer Scheme.

Staffing Arrangements for Clerical Processing of Disability Pension and Service Pension Casework

4.196 Audit recommended that the Department:

- review and standardise the size and grade structure of disability pension work units;
- adopt more flexible staffing practices in clerical work areas handling disability pension claims to bring staffing levels in line with changing workload; and
- introduce formal training courses.

4.197 The Department stated that the following recommendations of the Task Force on Claims and Appeals, among others, were implemented in 1984 and 1985:

- upgrading in the quality of management of the disability pension function in Regional Offices;
- the introduction of a common team structure in the States to handle the investigation and processing of disability pension claims, each team being required to handle a regular intake level of claims with the objective of finalising claims within 90 days;
- the better direction of claims processing by the appointment of senior administrative officers to head each investigation group;
- the introduction of comprehensive and uniform procedures for the handling of claims;
- a streamlining of procedures including an emphasis on oral communication between the client, medical staff and the investigation group;
- the introduction of a national uniform training package which will cover all aspects of the claims investigation process; and
- better avenues for communication between the claims investigators, examining medical officers and the Repatriation determining authorities to facilitate improved and more consistent decision-making.

Processing of Service Pension Applications

4.198 Audit recommended that the Department:

- consider streamlining service pension applications, assigning the more involved casework to more experienced service pension examiners;
- introduce formal training courses; and

- determine delegate staffing requirements on a basis of productivity and processing time standards.

4.199 The Department stated that the organisation of service pension areas in the States was reviewed in 1985 and additional staff resources were provided. More difficult casework is carried out by more senior service pension examiners. As mentioned in previous comments (see paragraph 4.171), the Claims Management System will shortly cover service pension processing. Formal training courses have been introduced.

Management Review of Administrative Efficiency and Effectiveness

4.200 Audit recommended that the Department:

- determine that the Central Office Management Review Section be responsible for carrying out Department-wide reviews of departmental procedures, staffing and operations;
- determine the respective responsibilities for operational control and review work within Central Office and Branch Office organisation units;
- institute a continuing program of wider-scope Department-wide reviews, giving priority to specific departmental operations identified in this Report to be in need of management review;
- incorporate sound statistical techniques in management review assignments, expose assumptions made and present evidential material giving rise to recommendations in management review reports; and
- institute arrangements for planning and scheduling the implementation of approved recommendations of management review exercises and for monitoring and reporting on the implementation status of these approved recommendations to line and senior management.

4.201 The following major organisational changes, instituted in order to improve co-ordination and review functions, collectively respond to the above recommendations:

- Financial Management Improvement Program and a new corporate approach to management have been instituted, guided by a design committee on which both the Public Service Board and Department of Finance are represented;
- Program Budgeting was implemented for fiscal year 1986/87;

- . a Corporate Management Branch has been created in order to oversight the Department's Management Improvement Program, and a Corporate Management Committee of senior Departmental managers has been established with the responsibility of providing advice on management change, evaluating performance and allocating resources; and
- . a Management Review Section has been created to undertake both national and local programs. External consultants are employed to undertake management reviews where Departmental officers do not have the necessary skills.

Conclusions

4.202 The Committee notes that significant organisational, administrative and legislative changes have taken place in the Department of Veterans' Affairs since the efficiency audit was undertaken in 1981. In the main these changes have redressed the deficiencies described in the Audit Report and have resulted in substantial improvements, both in the administration of the service and disability pensions schemes and in the Department of Veterans' Affairs as a whole.

4.203 However, the Committee is concerned that, while the Department has agreed with the Audit recommendation that a program of comprehensive medical audits should be implemented and has stated that the appointment of a Senior Medical Advisor (Medical Reporting) should enable more auditing to be carried out, there is no indication in the submission that medical auditing is in fact being performed. The Committee recognises that medical auditing may be an issue of some sensitivity among the Department's medical personnel. However, the unanimity of opinion of the Audit Office and the Department on the value of medical auditing indicates that the Department should continue in its efforts to implement this Audit recommendation and the Committee suggests that the Audit Office pursue this matter when it next performs an audit of the Department of Veterans' Affairs.