

The Auditor-General  
Audit Report No.52 2003–04  
Performance Audit

# **Information Technology in the Department of Veterans' Affairs—Follow-up Audit**

**Department of Veterans' Affairs**

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of Australia 2004

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Canberra ACT  
15 June 2004

Dear Mr President  
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the Department of Veterans' Affairs. In accordance with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit and the accompanying brochure to the Parliament. The report is titled *Information Technology in the Department of Veterans' Affairs—Follow-up Audit*.

Following its tabling in the Parliament, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. J. Barrett'.

P. J. Barrett  
Auditor-General

The Honourable the President of the Senate  
The Honourable the Speaker of the House of Representatives  
Parliament House  
Canberra ACT

## AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office. The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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# Abbreviations

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ANAO	Australian National Audit Office
AGSs	Auditing Guidance Statements
AUSs	Auditing Standards
CCMC	Change Control Management Committee
CCPS	Compensation Claims Processing System
COBIT®	Control Objectives for Information and related Technology
DVA	Department of Veterans' Affairs
HIC	Health Insurance Commission
IBM GSA	IBM Global Services Australia
IMPRC	Information Management Project Review Committee
IMSC	Information Management Steering Committee
IMU	Information Management Unit
IT	Information Technology
NAFCOM	National Audit and Fraud Committee
OPMR	Operational Performance Measurement Report
PIPS	Pension Information Processing System
SRS	Strategic Review Services
VIEW	Veteran Information Enquiry Window

# Summary and Recommendation



# Summary

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## Background

1. The Department of Veterans' Affairs (DVA) exists to serve members of Australia's veteran and defence force communities, war widows and widowers, widows and dependants, through programs of care, compensation, commemoration and defence support services. DVA's income support and compensation responsibilities are, primarily, supported by the following three Information Technology (IT) systems:

- Veteran Information Enquiry Window (VIEW)—an enquiry system that consolidates all the DVA client information into one application and allows staff to easily examine this information;
- Pension Information Processing System (PIPS)—which allows DVA staff to retrieve client financial and personal data; and
- Compensation Claims Processing System (CCPS)—used by departmental staff to assess war veterans' claims.

2. DVA administrative and management systems that support these operational systems include: DOLARS—a financial management information system; and PAHRIS—a human resource management system.

## **Audit Report No.44, 2000–01, *Information Technology in the Department of Veterans' Affairs***

3. The Australian National Audit Office (ANAO) Audit Report No.44<sup>1</sup> detailed the findings of a joint financial statement and performance audit of DVA's IT systems. The objective of the financial statement component of the audit was to determine if the IT systems supported the production of reliable financial statements. The objective of the performance component of the audit was to determine if the outputs of the IT systems met quality and service delivery targets. Fieldwork for the performance component of the audit focused on VIEW, PIPS and CCPS.

4. The ANAO concluded that, overall, DVA satisfactorily managed its IT systems. In particular, the IT systems supported the production of a reliable set of financial statements and the outputs for the (three) systems reviewed met quality and service delivery targets.

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<sup>1</sup> ANAO, Audit Report No.44 2000–01, *Information Technology in the Department of Veterans' Affairs*, June 2001.

5. The ANAO made two recommendations (the second having five parts) to address problems that were identified in the course of the audit. The recommendations addressed the monitoring of IT changes; IT performance information; information systems model documentation; and the facilitation of the interpretation of performance information. DVA agreed with the recommendations.

### **DVA IT governance audit**

6. The Strategic Review Services (SRS) section within DVA undertook an audit of DVA's IT governance in the second half of 2003. The SRS audit, among other things, addressed the following issues and recommendations in Audit Report No.44:

- DVA IT change management (Recommendation No.1);
- DVA IT performance information (Recommendation No.2 parts i, ii); and
- DVA IT systems model documentation (Recommendation No.2 part iii).

7. As relevant, the ANAO has used the findings of the DVA IT governance audit to support ANAO findings in this report. This approach is consistent with ANAO auditing standards that are based on codified auditing pronouncements issued by the Australian Accounting Research Foundation on behalf of the CPA Australia and the Institute of Chartered Accountants in Australia, known as the Auditing Standards (AUSs) and Auditing Guidance Statements (AGSs), specifically, AUS 806.

### **Audit objective, scope, approach and methodology**

8. The objective of the follow-up audit was to determine the extent to which DVA has implemented the recommendations in Audit Report No.44. The scope of the audit was restricted to an examination of how DVA put these recommendations into operation and monitored progress.

9. The criteria for IT aspects of the audit were developed from the high-level Control Objectives for Information and related Technology (COBIT) framework associated with each recommendation/sub-recommendation in Audit Report No.44. Supplementary criteria were based on the experience obtained by the ANAO when undertaking performance information related audits and developing better practice guides on this subject.

## Key Findings

### IT change management

#### Audit Report No.44—Recommendation No.1

The ANAO recommended that DVA monitor the time taken to implement changes of its application software, from initiation of a change to its execution, to help ensure all changes which have a significant impact on the business are completed in a timely manner.

10. DVA has substantially implemented Recommendation No.1 that relates to change management. The implementation of changes to IT software is monitored on a project basis. However, DVA does not produce quantitative information on the timeliness of the implementation of software changes.

### IT Performance Information

#### Audit Report No.44—Recommendation No.2, parts i, ii

The ANAO recommended that DVA:

2.i formulate IT Balanced Scorecard measures that directly link, and relate to, relevant IT strategy statements. These measures would then enable effective monitoring of progress in implementing the IT Strategic Plan; and

2.ii develop suitable measures for IT systems that support DVA's client service reporting requirements.

11. DVA has not implemented Recommendation No.2.i that relates to the IT Balanced Scorecard. DVA's IT Balanced Scorecard consists of operational indicators, and there is an insufficient number and range of indicators to directly link, and relate to, the IT Strategic Plan. However, the Department has commenced a work program that has the capacity to address the problems identified by the ANAO.

12. DVA has substantially implemented Recommendation No.2.ii that relates to client service performance information. Although client service performance information is not included in DVA's IT Balanced Scorecard, the information is collected and is readily accessible to DVA staff and management.

## **IT architecture: Systems model documentation**

Audit Report No.44—Recommendation No.2, part iii

2.iii The ANAO recommended that DVA review and update the information systems model documentation to ensure it is complete and current to facilitate operations and any changes that may be required.

13. DVA has partially implemented Recommendation No.2.iii that relates to systems model documentation. DVA recognises the importance of, and is working towards, establishing a formally-documented information architecture. DVA is making progress on the improvement of its corporate data models and associated data management for a complex IT environment.

## **The interpretation of performance information**

Audit Report No.44—Recommendation No.2, parts iv, v

The ANAO recommended that DVA:

2.iv clearly articulate in its Balanced Scorecard reports:

- inherent limitations on the accuracy of performance reports; and
- clear explanations and definitions of key terms used in the reports, including what is meant by ‘error’ and ‘accuracy’; and

2.v formalise acceptable variations from agreed targets for all internal and external IT system reporting.

14. DVA has implemented Recommendations No.2.iv and 2.v that relate to the reporting of IT performance information. The IT Balanced Scorecard reports examined were of an appropriate quality. Accuracy limitations were evident and the reports defined key terms and identified problems. The reports included clear explanations of major service breakdowns and, although there were no explicit targets, there was an implicit target of zero significant IT breakdowns.

## **DVA monitoring of the implementation of the recommendations in Audit Report No.44**

15. DVA’s National Audit and Fraud Committee (NAFCOM) was prematurely advised that it was not necessary for it to continue to monitor the implementation of the recommendations in Audit Report No.44. As a consequence, the implementation of the recommendations in this report was not scrutinised. As well, as DVA did not have an implementation plan for the recommendations, it was difficult for DVA to evaluate the actions to implement the recommendations.

## Recommendation and DVA response

16. The ANAO made one recommendation in this report. This was that, to promote the improvement of IT management and accountability, DVA identify performance information for inclusion in its IT Balanced Scorecard, including information on client service, which is linked to DVA's IT Strategic Plan. DVA agreed with the recommendation.

17. The Secretary of DVA's full response to the draft audit report was:

The ANAO report had one recommendation and several improvement suggestions. I have responded to the recommendation below and accept the principles of the improvement suggestions included in the report, which we will be taking up in further work.

I agree with the overall conclusion in the report that DVA has substantially implemented the recommendations of the initial ANAO report and consider the recommendation in the report as a sensible enhancement of the recommendation relating to the IT component of the Balanced Scorecard in the original report.

# Recommendation

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**Recommendation  
No.1  
Paragraph 2.27**

The ANAO recommends that, to promote the improvement of IT management and accountability, DVA identify performance information for inclusion in its IT Balanced Scorecard, including information on client service, which is linked to DVA's IT Strategic Plan.

*DVA's response:* Agreed.

# **Audit Findings and Conclusions**



# 1. Introduction

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*This chapter provides an overview of: the use of information technology (IT) within the Department of Veterans' Affairs; Audit Report No.44, 2000–01, Information Technology in the Department of Veterans' Affairs; and a departmental IT governance audit. As well, the chapter explains the follow-up audit objective, scope, approach and methodology.*

## Department of Veterans' Affairs (DVA)

**1.1** DVA exists to serve members of Australia's veteran and defence force communities, war widows and widowers, widows and dependants, through programs of care, compensation, commemoration and defence support services.<sup>2</sup>

**1.2** DVA, among other things, facilitates the payment of:<sup>3</sup>

- 267 000 service pensions for veterans and veterans' partners;
- 158 000 disability pensions; and
- 114 000 war widows/widowers pensions.

**1.3** The total appropriation for the Department for 2003–04 was \$9.96 billion<sup>4</sup> with most of these funds going to provide compensation, income support and health services for the Veteran community.

## Information Technology (IT) in DVA

**1.4** DVA was the first Commonwealth agency to outsource a major part of its IT operations, this occurring in February 1992. IBM Global Services Australia (IBM GSA) have held the contract for the provision of IT infrastructure and services for six years and the contract was extended in February 2003 for another three years (with DVA having an option of a fourth year).

**1.5** The Information Management Unit (IMU) is responsible for IT services within DVA, with the Chief Information Officer reporting to the head of the Corporate Division. Oversighting various aspects of the IMU's operations are a number of committees, the most senior of these being the Information Management Steering Committee (IMSC). This committee is a high level

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<sup>2</sup> DVA, *Corporate Plan, 2003–04*.

<sup>3</sup> DVA, *2002-03 Annual Report*, Appendix A. These figures relate to the number of recipients on 30 June 2003.

<sup>4</sup> <[www.dva.gov.au/media/publications](http://www.dva.gov.au/media/publications)> DVA budget 2003–04.

committee that sets the overall IT directions and strategies and approves funding for major IT initiatives. The IMSC meets twice each year, is chaired by the Secretary, and includes members of the Department's executive.

1.6 DVA's income support and compensation responsibilities are, primarily, supported by the following three IT systems:

- Veteran Information Enquiry Window (VIEW)—an enquiry system that consolidates all the DVA client information into one application and allows staff to easily examine this information;
- Pension Information Processing System (PIPS)—which allows DVA staff to retrieve client financial and personal data; and
- Compensation Claims Processing System (CCPS)—used by departmental staff to assess war veterans' claims.

1.7 DVA administrative and management systems that support these operational systems include: DOLARS—a financial management information system; and PAHRIS—a human resource management system.

1.8 The IT environment in DVA continues to evolve to support the Department's business needs. For example, DVA is implementing a number of projects to support a new voice and data operating environment. However, VIEW, PIPS and CCPS are the systems used by DVA to deliver income support and compensation services.

## ***Audit Report No.44, 2000–01, Information Technology in the Department of Veterans' Affairs***

1.9 The Australian National Audit Office (ANAO) Audit Report No.44<sup>5</sup> detailed the findings of a joint financial statement and performance audit of DVA's IT systems. The objective of the financial statement component of the audit was to determine if the IT systems supported the production of reliable financial statements. The objective of the performance component of the audit was to determine if the outputs of the IT systems met quality and service delivery targets. Fieldwork for the performance component of the audit focused on VIEW, PIPS and CCPS.

1.10 The ANAO concluded that, overall, DVA satisfactorily managed its IT systems. In particular, the IT systems supported production of a reliable set of financial statements and the outputs for the (three) systems reviewed, met quality and service delivery targets.

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<sup>5</sup> ANAO, op. cit.

**1.11** The key findings in Audit Report No.44 were:

- the planning and the organisational arrangements for IT were satisfactory. However, internal IT system performance measures and client quality and performance targets were not clearly linked;
- IT systems information architecture was not fully documented;
- the management of changes to application software was satisfactory. However, some major changes were not actioned on a timely basis;
- user, operational and technical procedures were documented and these records were kept up to date;
- IT performance requirements were suitably identified and DVA had:
  - ensured continuous service (for the three systems reviewed);
  - adequate systems security control arrangements;
  - undertaken work to identify the costs of its IT operations; and
  - managed problems and IT incidents satisfactorily; and
- internal system performance measures were satisfactory. While system performance was adequately monitored, DVA had not determined acceptable performance variations for IT system targets.

**1.12** The ANAO made two recommendations (the second having five parts) to address problems that were identified in the course of the audit. The recommendations addressed the monitoring of IT changes; IT performance information; information systems model documentation; and the facilitation of the interpretation of performance information. These recommendations are set out in full in Appendix 1. DVA agreed with the recommendations.

## **DVA IT governance audit**

**1.13** The Strategic Review Services (SRS) section within DVA undertook an audit of DVA's IT governance in the second half of 2003. The SRS audit, among other things, addressed the following issues and recommendations in Audit Report No.44:

- DVA IT change management (Recommendation No.1);
- DVA IT performance information (Recommendation No.2 parts i, ii); and
- DVA IT systems model documentation (Recommendation No.2 part iii).

**1.14** As relevant, the ANAO has used the findings of the DVA IT governance audit to support ANAO findings in this report.

**1.15** This approach is consistent with ANAO auditing standards that are based on codified auditing pronouncements issued by the Australian Accounting Research Foundation on behalf of the CPA Australia and the Institute of Chartered Accountants in Australia, known as the Auditing Standards (AUSs) and Auditing Guidance Statements (AGSs). Specifically, AUS 806 allows the provision of audit evidence through the use of the work of an expert, provided: there is an assurance as to the competence of the expert; and there is sufficient evidence that the work is adequate for the purposes of the audit.<sup>6</sup>

**1.16** The DVA IT governance audit was undertaken under the direction of a Certified Information System Auditor and, therefore, meets the first condition. That is, the audit was undertaken by an 'expert'.

**1.17** In relation to the second condition, a component of the ANAO work in this audit was directed towards the validation of the adequacy of SRS audit findings for use as audit evidence by the ANAO. Therefore, as necessary and to comply with AUS 806, the ANAO reviewed relevant SRS documentation and interviewed key DVA personnel.

## **Audit objective, scope, approach and methodology**

**1.18** The objective of the follow-up audit was to determine the extent to which DVA has implemented the recommendations in Audit Report No.44. The scope of the audit was restricted to an examination of how DVA put these recommendations into operation and monitored progress.

**1.19** The criteria for IT aspects of the audit were developed from the high-level Control Objectives for Information and related Technology (COBIT)<sup>7</sup> framework associated with each recommendation/sub-recommendation in Audit Report No.44. Supplementary criteria were based on the experience obtained by the ANAO when undertaking performance information related audits and developing better practice guides on this subject.

**1.20** DVA implementation of the ANAO recommendations in Audit Report No.44 was tested through interviews with DVA staff and the examination of DVA documents. As mentioned previously (para's 1.13 to 1.17), appropriate DVA audit work was also used to support ANAO audit work.

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<sup>6</sup> AUS 806, paragraphs 21 and 22.

<sup>7</sup> IT Governance Institute, 3rd Edition, *Governance, Control and Audit for Information and related Technology*, 2000.

**1.21** All the fieldwork was undertaken in DVA's National Office in Canberra as this office has primary responsibility for the Department's IT functions. The ANAO audit team included staff with specialist performance and IT audit skills to ensure there was a sufficient depth of expertise in all areas covered by the audit.

**1.22** Audit fieldwork was conducted over the period November 2003 to February 2004. The audit was conducted in accordance with ANAO Auditing Standards at a cost of \$98 500.

## **Report structure**

**1.23** The remaining chapter of this report examines the extent to which DVA has implemented each of the recommendations/sub-recommendations in Audit Report No.44. It also discusses DVA's management and monitoring of the implementation of the recommendations in Audit Report No.44.

## 2. DVA Implementation of the Recommendations

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*This chapter reviews DVA's implementation of the recommendations in Audit Report No.44. It also examines DVA's management of the implementation of these recommendations.*

**2.1** The recommendations in Audit Report No.44 addressed the following issues:

- IT change management (Recommendation No.1);
- the IT performance information framework (Recommendation No.2 parts i, ii);
- systems model documentation (Recommendation No.2 part iii); and
- the interpretation of performance information (Recommendation No.2 parts iv, v).

**2.2** These issues are addressed in the following paragraphs along with DVA's management and monitoring of the implementation of the recommendations in Audit Report No.44.

### **Audit Report No.44—Recommendation No.1: IT change management**

**2.3** IT systems, such as those that support DVA's operations, require continual maintenance to rectify faults and maintain their currency. The complexity of maintenance operations varies from relatively simple tasks that have little effect on departmental operations, to large changes that must be implemented if the IT systems are to continue to operate.

**2.4** The effective management of IT changes requires the Department to control this process 'with the business goal of minimising the likelihood of disruption, unauthorised alterations and errors'.<sup>8</sup>

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<sup>8</sup> *ibid.*, A16, *Manage Changes*.

## Audit Report No.44

### *Finding*

The ANAO found that, overall, DVA's change control process was satisfactory. However, the audit found that several requests for major system changes had not been actioned for over six months.<sup>9</sup>

### *Recommendation No.1*

The ANAO recommended that DVA monitor the time taken to implement changes of its application software, from initiation of a change to its execution, to help ensure all changes which have a significant impact on the business are completed in a timely manner.

2.5 DVA's change management process was re-examined by the ANAO as part of this follow-up audit. The ANAO found that DVA has a documented system to manage IT systems changes. Change requests are prioritised and an implementation date is negotiated with the users. The arrangements allow for urgent changes to be fast-tracked.

2.6 The primary issue raised in Audit Report No.44 was the monitoring by DVA of the time taken to implement IT changes. In relation to this, DVA has had, for the past few years, project-based monitoring arrangements with each change being tracked using a computer-based project management system, CROSSVIEW.

2.7 Organisationally, change management is monitored by the:

- Change Control Management Committee (CCMC), which is chaired by the Change Management and Infrastructure Co-ordinator, and includes representatives from IMU, DVA business groups and contracted service providers. It meets weekly and, as the name suggests, this committee manages and monitors IT changes; and
- Information Management Project Review Committee (IMPRC), a higher-level committee than the CCMC, which is chaired by the Deputy President and includes members of the Department's Executive, IMU and other staff. It meets quarterly and, among other things, monitors progress on change projects.

2.8 However, although IT changes are monitored on a project basis, no statistics are produced on the timeliness of the implementation of changes. As a consequence, DVA does not have access to quantitative performance information to aid the management, or promote the transparency, of change management.

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<sup>9</sup> ANAO, op. cit., paragraph 4.7.

2.9 As mentioned previously, in the latter half of 2003, DVA audited IT change management as part of the SRS audit of IT governance (paragraph 1.13).<sup>10</sup> The objective of this aspect of the IT governance audit was to provide ‘assurance to (DVA) management concerning the adequacy of the control regime governing technical problems and change management processes in DVA’. The criteria for this internal audit were COBIT based.<sup>11</sup>

2.10 The DVA audit found that there were no significant problems with change management in DVA. Specifically, there were no ‘medium’ or ‘high’ change management risks and the change management process was ‘well developed and (was) consistently followed for all changes’.<sup>12</sup>

### *Conclusion*

**DVA has substantially implemented Recommendation No.1 that relates to change management. The implementation of changes to IT software is monitored on a project basis. However, DVA does not produce quantitative information on the timeliness of the implementation of software changes.**

2.11 ANAO suggests that DVA collect quantitative performance information on the timeliness of major systems maintenance tasks to improve the management and transparency of change management. That is, the time taken to implement a change, compared to the budgeted time.<sup>13</sup>

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<sup>10</sup> DVA Strategic Review Services, *IT Audit—Review of IT Change and Problem Management*, November 2003.

<sup>11</sup> Strategic Review Services, Nov. 2003, *IT audit of IT Governance*, Draft report.

<sup>12</sup> *ibid.*, Section 3.1.3, *Assessment and Maturity Model Rating*.

<sup>13</sup> The actual time taken to implement an IT change is not a suitable indicator as it is dependent on a number of factors such as project size and priority. Therefore, such an indicator could be meaningless or misleading.

## Audit Report No.44—Recommendation No.2, parts i, ii: IT performance information

2.12 Audit Report No.44 assessed whether DVA had key performance indicators that could be used to assess IT system performance and determine if the Department was successfully implementing its IT strategies.

### Audit Report No.44

#### *Finding*

The ANAO found that while the IT planning process identified specific strategies linked to business objectives, there were no 'IT Balanced Scorecard measures for each IT strategy statement to enable Departmental monitoring of its implementation of the IT Strategic Plan'.<sup>14</sup> As well, the Department 'did not have a clear, documented linkage between these internal IT system performance measures and client quality and performance targets reported in the Balanced Scorecard'.<sup>15</sup>

#### *Recommendation No.2, parts i, ii*

The ANAO recommended that DVA:

- 2.i formulate IT Balanced Scorecard measures that directly link, and relate to, relevant IT strategy statements. These measures would then enable effective monitoring of progress in implementing the IT Strategic Plan; and
- 2.ii develop suitable measures for IT systems that support DVA's client service reporting requirements.

2.13 DVA has a suite of performance indicators that is known both as the Balanced Scorecard, and the Operational Performance Measurement Report (OPMR). The IT Balanced Scorecard is a subset of this suite of performance indicators.

2.14 The ANAO notes that since the early 1990's, in both the private and public sectors, the term 'balanced scorecard' has become synonymous with Robert S Kaplan and David P Norton who, in 1992, published *The Balanced Scorecard—Measures that Drive Performance*.<sup>16</sup> Since then, Kaplan and Norton have published a number of other papers and books on the balanced scorecard. They have promoted the hypothesis that the efficient and effective management of an organisation is assisted by performance indicators that address key organisational drivers and, in particular: financial; operational; learning and growth; and customer perspectives. As well, Kaplan and Norton considered that it was essential that the performance information should link

<sup>14</sup> ANAO, op. cit., paragraph 3.10.

<sup>15</sup> *ibid*, paragraph 6.4.

<sup>16</sup> *Harvard Business Review*, Jan/Feb 1992.

to organisational strategies so that management could assess the appropriateness of the strategies and revise them if necessary.

**2.15** However, as suggested by the secondary title for the balanced scorecard, OPMR, the DVA Balanced Scorecard is operationally oriented—it is not multi-faceted, strategic performance information such as that promoted by Kaplan and Norton.

**2.16** The ANAO acknowledges that the internal DVA Balanced Scorecard report makes it clear that the indicators in the report address operational issues. However, the DVA *Annual Report 2002–03* also has (four) references to the ‘Balanced Scorecard’. On one occasion, the performance indicators are defined as being operationally oriented and described as the OPMR;<sup>17</sup> on another occasion, their focus is described as being quantity, cost, timeliness, quality, and outcomes.<sup>18</sup> However, on the other two occasions, the performance information is not identified as being operationally oriented. Therefore, although DVA has provided advice on the type of information in the DVA Balanced Scorecard in its annual report, the ANAO considers that there is a significant risk that the use of the term ‘balanced scorecard’ may confuse people external to DVA who could presume that it was used in the context of a Kaplan and Norton balanced scorecard. There is also a risk that there may be some confusion within DVA in relation to the type of information in the DVA Balanced Scorecard.

**2.17** To prevent stakeholders, including the Parliament, from being misled by the term ‘Balanced Scorecard’ when reading DVA reports, ANAO suggests that the Department not describe operational data as a balanced scorecard.

**2.18** The IMU changed the IT Balanced Scorecard in 2000–01 so that it now consists of the following four operational performance indicators:

- number of major system/environment outages;<sup>19</sup>
- amount of system/environment outages (total downtime);
- number of IT system or environment problems reported; and
- per cent of IT system or environment problems resolved within the target.

**2.19** The strategies referred to in Recommendation 2.i, that should be linked to performance information, came from the DVA *IT Strategic Plan 1999–2004*. The plan identifies 12 strategic objectives that address legislative,

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<sup>17</sup> DVA, *2002-03 Annual Report*, op. cit., p. 183.

<sup>18</sup> *ibid*, p. 175.

<sup>19</sup> An outage occurs when end users cannot use a major IT system/environment.

infrastructure and administrative functions. However, as there are only four indicators in the DVA IT Balanced Scorecard, all of which have an operational focus, they only partially link, and relate to, that strategic plan.

**2.20** DVA updates its IT Strategic Plan annually and the *IT Strategic Plan 1999–2004* has been superseded. The most recent strategic plan, the *IT Strategic Plan 2003–04*, is appropriate, being:

- linked to the current DVA Corporate Plan;
- clearly and concisely written, identifying key business drivers; and
- expressed in terms that make it amenable to the identification of measurable performance indicators.

**2.21** The current IT Strategic Plan has four corporate IT strategies and seven IT strategic directions.<sup>20</sup> Clearly, there can only be a partial link between these and the previously mentioned operationally oriented IT Balanced Scorecard.

**2.22** The ANAO notes that the SRS audit of IT governance referred to previously (see paragraph 1.13) also looked at whether DVA had performance information that allowed it to determine if the Department was achieving its IT related strategies. Consistent with the ANAO findings, SRS found that there was a ‘high’ risk exposure that the Department did not have performance information that allowed the assessment of the achievement of IT related strategies. SRS recommended that the IMU set up a formal performance information framework.

**2.23** It is evident from the list of performance indicators in the current IT Balanced Scorecard (paragraph 2.18), that it does not include client service information.<sup>21</sup> However, the IMU collects comprehensive client service information annually in the *IT User Satisfaction Survey*. The survey addresses all areas of IT operations, including, for example, the: help desk; IT network; and business applications. The survey results are available to DVA staff on the Department’s intranet and details of the most recent survey were included in an internal DVA publication.<sup>22</sup>

**2.24** However, DVA has commenced a program of work designed to address the mentioned problems. Recently, the IMU’s Quality Review Committee endorsed work currently being undertaken that includes the

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<sup>20</sup> The *IT Strategic Plan 2003–04* defines IT strategies as ‘statements of the major approach or method that DVA will take in support of the focus areas...’, for example, excellence in service delivery. Strategic Directions are defined as ‘statements of what DVA hopes to achieve...’, for example, effective planning and IT funds management.

<sup>21</sup> Clients, from an IMU perspective, are the users of the IT services that the Unit provides—that is, the relevant DVA staff.

<sup>22</sup> @ DVA, 17 December 2003.

identification of meaningful performance measures that align with the objectives described in the current DVA IT Strategic Plan. As well, proposed measures will address the four Balanced Scorecard reporting areas (finance, customer, process and learning and innovation) and four COBIT domains (planning and organisation, acquisition and implementation, delivery, and support and monitoring).

2.25 DVA advised that it expected that the first of these performance indicators would be incorporated into an IT Balanced Scorecard by the final quarter of 2004.

### *Conclusion*

**DVA has not implemented Recommendation No.2.i that relates to the IT Balanced Scorecard. The IT Balanced Scorecard consists of operational indicators and there is an insufficient number and range of indicators to directly link, and relate to, the IT Strategic Plan. However, the Department has commenced a work program that has the capacity to address the problems identified by the ANAO.**

**DVA has substantially implemented Recommendation No.2.ii that relates to client service performance information. Although client service performance information is not included in the IT Balanced Scorecard, the information is collected and is readily accessible to DVA staff and management.**

2.26 Given the quality of the current IT Strategic Plan, the ANAO considers that it provides a sound starting point for the development of a set of performance indicators that directly link, and relate to, the IT Strategic Plan.

## **Recommendation No.1**

2.27 The ANAO recommends that, to promote the improvement of IT management and accountability, DVA identify performance information for inclusion in its IT Balanced Scorecard, including information on client service, which is linked to DVA's IT Strategic Plan.

### ***DVA's response***

2.28 **Agreed.** DVA is currently revising and improving key performance measures, including for client service and alignment with the objectives of the IT Strategic Plan. The IT Balanced Scorecard will include these new performance measures which we are planning to have in place by the end of 2004.

## **Audit Report No.44—Recommendation No.2, part iii: IT architecture: Systems model documentation**

2.29 IT architecture involves the design, organisation, documentation and use of information systems. It provides the basis for effective and efficient IT

operations and should cover all aspects of IT including: operating systems and platforms; network services; application development; data management; and security.

**2.30** Audit Report No.44 examined documentation associated with DVA's IT architecture. The audit examined whether the documented model of the Department's information architecture:

- adequately defined the functions of all appropriate systems;
- was documented, maintained and appropriately communicated; and
- clearly assigned ownership of data and related access rules.

### **Audit Report No.44**

#### *Finding*

**The ANAO found that the documentation for DVA's information was substantially incomplete although DVA was documenting its information architecture.**

#### *Recommendation No.2, part iii*

**2.iii The ANAO recommended that DVA review and update the information systems model documentation to ensure it is complete and current to facilitate operations and any changes that may be required.**

**2.31** ANAO audit work associated with the follow-up of Recommendation No.2.iii was divided into an examination of DVA information architecture models and the corporate data dictionary and data syntax rules.

## **Information architecture models**

**2.32** COBIT states, in relation to information architecture models that:

Information should be kept consistent with needs and should be identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities effectively and on a timely basis. Accordingly, the IT function should create and regularly update an information architecture model, encompassing the corporate data model and the associated information systems. The information architecture model should be kept consistent with the IT long-range plan.<sup>23</sup>

**2.33** In relation to information architecture models, DVA uses a number of platforms to provide services for the Veteran community. The variety of platforms exists as a result of legacy systems and technological advances over the past decade. As a result, the IT systems within the Department are complex.

<sup>23</sup> IT Governance Institute, op. cit., PO2 *Define the Information Architecture*, 2.1.

**2.34** The design and operation of complex information systems require strong planning and documentation to ensure that the inter-relationships between the systems and databases are effectively understood and managed. The ANAO could not identify formal documentation that covered the architecture of all platforms within the Department and associated relationships.

**2.35** The ANAO noted that DVA acknowledges the importance of such documentation as evidenced in the *DVA Strategic IT Planning Framework*.<sup>24</sup> This document details the Department's intentions to model and publish the systems architecture, which includes Business Process, Data, Infrastructure, and Application Development Environments. The ANAO supports the implementation of the strategic IT planning framework.

### **Corporate data dictionary and data syntax rules**

**2.36** COBIT states in relation to corporate data dictionary and syntax rules that:

The IT function in an organisation should ensure the creation and continuous updating of a corporate data dictionary, which incorporates the organisation's data syntax rules.<sup>25</sup>

**2.37** As well, DVA guidelines state that the software development life cycle and the associated quality assurance procedures require the project team to retain responsibility for the development of the data model for the project.<sup>26</sup>

**2.38** The ANAO has found during current and prior financial statement audits in DVA that data models have been developed for the key systems used by the Department. Some data inconsistencies (for example, date format) exist between the applications. However, although this situation is undesirable, it can be difficult to avoid in complex, mature IT environments where different applications have been developed using different platforms, languages and database management systems.

**2.39** Data dictionary and data models allow the easy identification of data fields within the information systems. When deployed at a corporate level, an organisation will gain efficiencies by only capturing data once. This is because all applications can use the same data source and, therefore, the size of the data holdings will be reduced. Additionally, data syntax rules (for example, the format of dates) are important to facilitate data interchange between projects.

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<sup>24</sup> September 2003.

<sup>25</sup> IT Governance Institute, op. cit., *PO2 Corporate data dictionary and syntax rules*, 2.2.

<sup>26</sup> DVA, IMU Procedure 326—*Software Development and Maintenance Overview*.

**2.40** As highlighted above, data models exist for key systems within DVA. However, the ANAO found that although data models exist at an application level, there is no one corporate data dictionary that holds data definitional information on all the databases within the organisation. ANAO suggests that DVA work towards the creation of a corporate data dictionary, and supports the Department's current consideration of a product that, if adopted, would bring with it a corporate data dictionary.

**2.41** The ANAO considers that future work should be directed towards formally documenting the interfaces and linkages between all departmental databases and thus establish a defined IT architecture. The rationale for undertaking this work is to reduce data redundancy, ensure that any changes to databases do not inadvertently impact other databases, and future development work can easily interact with existing systems.

#### *Conclusion*

**DVA has partially implemented Recommendation No.2.iii that relates to systems model documentation. DVA recognises the importance of, and is working towards, establishing a formally-documented information architecture. DVA is making progress on the improvement of its corporate data models and associated data management for a complex IT environment.**

## **Audit Report No.44—Recommendation No.2, parts iv, v: The interpretation of performance information**

**2.42** Australian Public Service (APS) agencies have, for many years, made significant efforts to develop sound performance information frameworks that underpin accountability and management arrangements. An essential element of this framework is the presentation of the performance information in a form that can be easily understood by stakeholders. Therefore, for this to occur, performance information reports should clearly state: any inherent limitations to the accuracy of the performance information; the meaning of key terms; and performance targets.

## **Audit Report No.44**

### *Finding*

The ANAO found that Balanced Scorecard reports did not define the context or limitations for the performance information in the reports. The audit report also raised concerns about the definition of key terms, such as the type of error, and this could result in inconsistencies across the Department. As well, acceptable performance variations had not been established.

### *Recommendation No.2, parts iv, v*

The ANAO recommended that DVA:

- 2.iv clearly articulate in its Balanced Scorecard reports:
  - inherent limitations on the accuracy of performance reports; and
  - clear explanations and definitions of key terms used in the reports, including what is meant by ‘error’ and ‘accuracy’; and
- 2.v formalise acceptable variations from agreed targets for all internal and external IT system reporting.

2.43 The ANAO reviewed DVA’s IT Balanced Scorecard reports to determine whether they clearly articulated any limitations to the accuracy of the performance information and defined key terms. The reports reviewed by the ANAO were of an appropriate standard, presenting current and historical information both numerically and graphically. Text associated with the reports: defined the key terms; identified data limitations; and included an analysis of the performance information.

2.44 The reports included clear explanations of major service breakdowns. Although there were no explicit targets, there were implicit targets of zero significant breakdowns.

### *Conclusion*

DVA has implemented Recommendations No.2.iv and 2.v that relate to the reporting of IT performance information. The IT Balanced Scorecard reports examined were of an appropriate quality. Accuracy limitations were evident and the reports defined key terms and identified problems. The reports included clear explanations of major service breakdowns and, although there were no explicit targets, there were implicit targets of zero significant breakdowns.

## **DVA monitoring of the implementation of the recommendations in Audit Report No.44**

2.45 It is important that agencies monitor the implementation of recommendations made in Auditor-General’s reports. This gives agencies an assurance that appropriate action has been taken and enables them to

confidently advise stakeholders, including the Parliament, of progress towards the implementation of those recommendations.

**2.46** DVA has arrangements in place to monitor the implementation of recommendations in ANAO reports. The SRS section has a central role in monitoring the implementation of ANAO recommendations. Among other things, SRS undertakes internal audits that address issues raised in ANAO reports and provides the Department's National Audit and Fraud Committee (NAFCOM) with advice on the appropriateness and status of actions by DVA business managers to address ANAO recommendations.

**2.47** Ultimate responsibility within DVA for the monitoring of the implementation of ANAO recommendations rests with the NAFCOM. The Committee is chaired by the Deputy President of the Repatriation Commission and includes all Division Heads, representatives of two State offices and an independent member. The committee meets once each quarter.

**2.48** NAFCOM meetings review DVA's response to relevant ANAO audit recommendations. The committee considers:

- the original DVA response to the ANAO recommendation(s);
- actions and the proposed implementation time frame by the relevant area within the Department in response to the ANAO recommendation(s); and
- advice by SRS on the appropriateness of departmental actions and a recommendation to NAFCOM in relation to future committee monitoring of the implementation of the recommendation(s).

**2.49** NAFCOM continues to receive progress reports until the committee considers that the matters raised in ANAO reports have been suitably dealt with or a suitable action plan proposed. A matter, such as the implementation of ANAO recommendations, that is no longer being monitored by NAFCOM may be brought to their attention by the SRS if there are subsequent concerns about that matter.

**2.50** Audit Report No.44 was tabled in June 2001 and progress reports on the implementation of the recommendations were reviewed by NAFCOM at its meetings in September and December 2001. Table 2.1 below provides details of the progress report for ANAO Recommendation No.2, submitted to NAFCOM for the December 2001 meeting.

**Table 2.1**

**Report to NAFCOM meeting, 13 December 2001**

Recommendation	Original management comment	Status at November 2001
<p>The ANAO recommends that DVA:</p> <ul style="list-style-type: none"> <li>● formulate IT Balanced Scorecard measures that directly link, and relate to, relevant IT strategy statements. These measures would then enable effective monitoring of progress in implementing the IT Strategic Plan</li> <li>● develop suitable measures for IT systems that support DVA’s client service reporting requirements</li> <li>● review and update the information systems model documentation to ensure it is complete and current to facilitate operations and any changes that may be required</li> <li>● clearly articulate in its Balanced Scorecard reports:               <ul style="list-style-type: none"> <li>– inherent limitations on the accuracy of performance reports; and</li> <li>– clear explanations and definitions of key terms used in the reports, including what is meant by ‘error’ and ‘accuracy’</li> </ul> </li> <li>● formalise acceptable variations from agreed targets for all internal and external IT system reporting</li> </ul>	<p>Agreed. However, it must be acknowledged that the Department’s Balanced Scorecard methodology has been evolving since it was established. The methodology is continuously improved to include a range of suitable performance measures including IT activities that directly link, relate to and report on relevant IT strategy statements.</p>	<p><u>Action by relevant area</u></p> <p>Although IT related measures are now incorporated in Balanced Scorecard reporting to the Executive Management Group, the Balanced Scorecard is continually under review and IT measures may change further as new perspectives on IT performance are uncovered.</p> <p><u>SRS Comment on actions</u></p> <p>In Progress. A process of performance measurement and renewal is in place. No further Committee involvement required.</p>

2.51 Recommendation No.2 clearly addressed a range of issues. The status report by the relevant departmental area only addressed the first part of the recommendation and provided no details of the action proposed or taken. As well, as is evident from Table 2.1, NAFCOM was advised by the SRS that no further committee involvement was necessary even though the relevant departmental area did not address the recommendation in its comment.

2.52 As is evident from previous discussions in this report, all parts of Recommendation No.2 have not yet been fully addressed. For example, the IT

Balanced Scorecard still does not directly link, and relate to, the IT Strategy. This situation was not subsequently brought to the attention of NAFCOM and the advice to NAFCOM that no further involvement by the Committee was necessary appears to have been premature.

2.53 In addition, the ANAO was unable to obtain from DVA an implementation plan for the recommendations. Without such a plan, SRS does not have benchmarks against which it and NAFCOM can monitor progress towards the implementation of the recommendations.

### *Conclusion*

**15. DVA's National Audit and Fraud Committee (NAFCOM) was prematurely advised that it was not necessary for it to continue to monitor the implementation of the recommendations in Audit Report No.44. As a consequence, the implementation of the recommendations in this report was not scrutinised. As well, as DVA did not have an implementation plan for the recommendations it was made difficult for DVA to evaluate the actions to operationalise the recommendations.**

2.54 The ANAO notes that this opinion is based on DVA's follow-up to the recommendations in one audit. The ANAO did not assess DVA's monitoring of other recommendations. Therefore, the ANAO suggests that DVA review its procedures for monitoring ANAO recommendations to have consistency. Key steps include: the relevant area in DVA preparing an implementation plan detailing DVA actions to address the issues raised in the audit; NAFCOM reviewing this implementation plan; and SRS monitoring progress against that plan and reporting this to NAFCOM.

Canberra ACT  
15 June 2004



P. J. Barrett  
Auditor-General



# Appendices



## **Appendix 1: Recommendations in ANAO Audit Report No.44, 2000–01, *Information Technology in the Department of Veterans' Affairs***

### **Recommendation No.1**

The ANAO recommends that DVA monitor the time taken to implement changes of its application software, from initiation of a change to its execution, to help ensure all changes which have a significant impact on the business are completed in a timely manner.

### **Recommendation No.2**

The ANAO recommends that DVA:

- i. formulate IT Balanced Scorecard measures that directly link, and relate to, relevant IT strategy statements. These measures would then enable effective monitoring of progress in implementing the IT Strategic Plan;
- ii. develop suitable measures for IT systems that support DVA's client service reporting requirements;
- iii. review and update the information systems model documentation to ensure it is complete and current to facilitate operations and any changes that may be required;
- iv. clearly articulate in its Balanced Scorecard reports:
  - inherent limitations on the accuracy of performance reports; and
  - clear explanations and definitions of key terms used in the reports, including what is meant by 'error' and 'accuracy'; and
- v. formalise acceptable variations from agreed targets for all internal and external IT system reporting.

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